Management Discussion and Analysis

The Management Discussion and Analysis presented in this document is intended to help readers of the financial statements of the University of California, San Francisco (UCSF) better understand the financial position and operating activities for the fiscal year ended June 30, 2022, and includes selected comparative information for the years ended June 30, 2021 and 2020. As an unaudited discussion prepared by management, it should be read in conjunction with the financial statements and notes to the financial statements. Unless otherwise indicated, years 2022, 2021, and 2020 in this discussion refer to the fiscal years ended June 30.

Using the Annual Report

UCSF is one of ten campuses within the University of California (University) system. As such, the UCSF Annual Financial Report is prepared from official University records and accounts maintained in accordance with University policies and relevant accounting principles, generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

UCSF's financial statements have not been separately audited but are included as part of the University financial statement audit. The three basic financial statements in this report, the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows, are presented for UCSF, and the University of California San Francisco Foundation (the Foundation). Also two basic statements, the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position, are presented the financial position and operating activities of the custodial external investment pool funds for the Foundation. Additionally, the financial statements include notes that are considered integral to the statements and provide information on the primary accounting principles applied to develop the statements.

The University of California

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University encompasses ten campuses, five medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy. The University's financial statements are presented as a discrete component of the state's general-purpose financial statements and are available at http://reportingtransparency.universityofcalifornia.edu.

The University of California, San Francisco

UCSF is a leading public university dedicated to promoting health worldwide through advanced biomedical research, graduate-level education in the life sciences and health professions, and excellence in patient care. It is significantly different from the other nine University campuses, as UCSF:

- Focuses exclusively on the health sciences
- Enrolls approximately 3,200 graduate and professional students, and no undergraduate students
- Receives 1 percent of revenues from student tuition and fees, net of allowances
- Receives 3 percent of revenues from state appropriations, generally supporting the educational mission
- Receives approximately 99 percent of revenues from its clinical and research enterprises
- Operates a large, not-for-profit health system in a highly competitive market
- Generates nearly 43,000 jobs and produces an estimated $9 billion in economic impact
- Provides over $1.2 billion in uncompensated or under-compensated care and over 100 community engagement programs

UCSF students embody our passion for improving human condition and pushing health care forward. UCSF has four professional schools — Dentistry, Medicine, Nursing and Pharmacy and the Graduate Division that consistently rank as top programs nationwide in their fields and attract the world's most talented students.

UCSF achieves its mission of advancing health worldwide™ through innovations in health sciences education, discovery and patient care that address the five goals outlined in our strategic plan. These goals are:

- Provide innovative, high-quality, cost-competitive clinical services, and deliver an unparalleled patient experience across the entire care continuum
- Promote a high value system of care
- Achieve a culture of continuous process improvement
- Be the workplace of choice for diverse, top-tier talent
- Create a financially sustainable enterprise-wide business model

UCSF Health is internationally renowned for providing highly specialized and innovative care. Our family of care includes UCSF Helen Diller Medical Center at Parnassus Heights, UCSF Medical Center at Mount Zion and UCSF Medical Center at Mission Bay; UCSF Benioff Children's Hospitals in Oakland and San Francisco; Langley Porter Psychiatric Hospital and Clinics; UCSF Benioff Children's Physicians; and the UCSF Faculty Clinical Practices. UCSF Health serves as the principal clinical teaching site for the University of California, San Francisco, School of Medicine, affiliated with the University of California since 1873. The UCSF Medical Center locations in San Francisco are licensed to operate 1250 beds.

UCSF Health's financial statements include the activities of the UCSF Faculty Clinical Practices. Revenues include professional fees earned by the faculty physicians practicing as the UCSF Faculty Clinical Practices and operating expenses include corresponding physician professional services along with the direct expenses of non-physician staff and non-labor expenses.

In 2014, UCSF affiliated with Children's Hospital & Research Center Oakland and the University of California became its sole corporate and voting member. UCSF Benioff Children's Hospital Oakland retained its status as a private, non-for-profit 501(c)(3) medical center. UCSF Benioff Children's Hospital San Francisco and Children's Hospital Oakland have together created Northern California's largest network of pediatric providers and are the only hospitals in San Francisco and the East Bay dedicated solely to children. UCSF Benioff Children's Hospital Oakland is one of only six American College of Surgeons (ACS) Pediatric Level I trauma centers in the state.

UCSF Medical Center, UCSF Faculty Clinical Practices, Langley Porter Psychiatric Hospitals and Clinics, and UCSF Benioff Children’s Hospital Oakland are also included in the UCSF financial statements and are collectively referred to as “UCSF Health.” To help clarify the financial position of UCSF, many tables in the financial statements show information on UCSF Health separately from information for the rest of the UCSF enterprise (referred to as “Campus”).

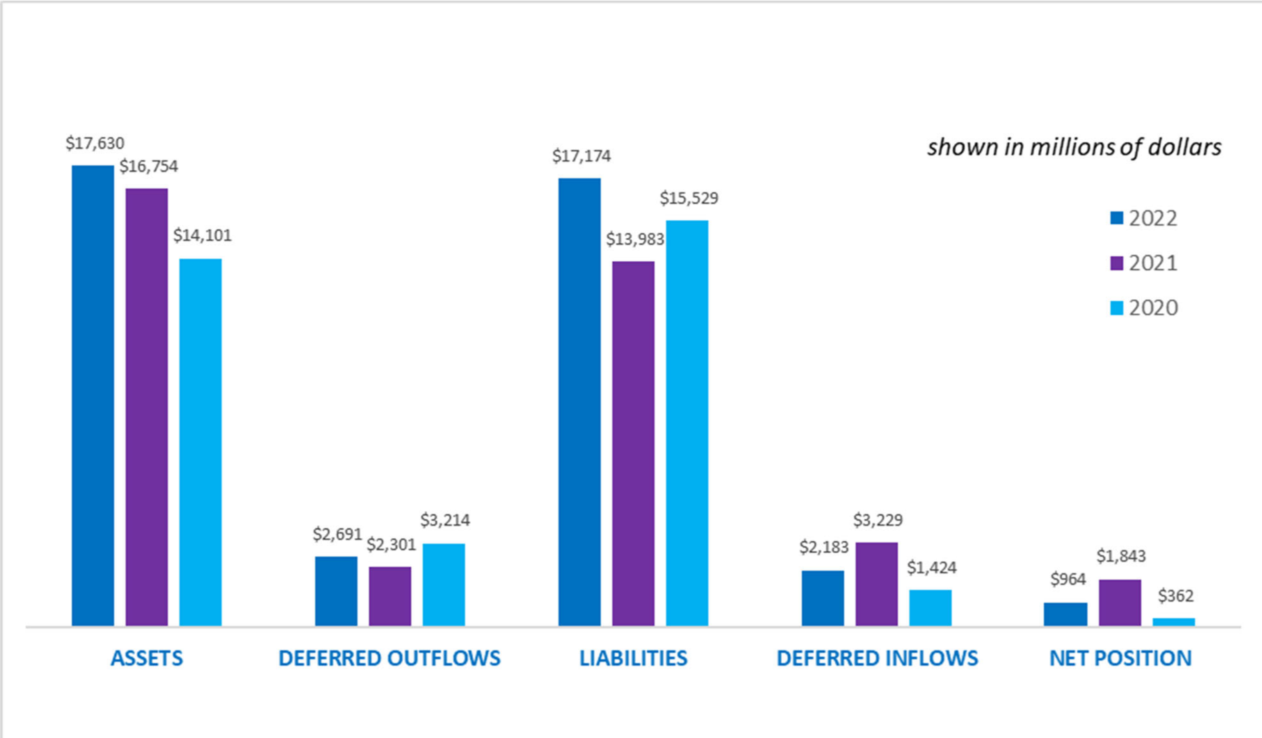
The Campus financial statements also include information on the Campus Facilities Improvement Association (CFIA). This legally separate, not-for-profit public benefit corporation was established for charitable and educational purposes. It currently provides services for the benefit of The Regents on behalf of UCSF, including the development, financing, construction, and management of certain buildings and facilities.

UCSF Health and CFIA have each issued separate audited financial statements containing additional information.

The University of California, San Francisco Foundation

The Foundation was incorporated in 1982 as a not-for-profit corporation, dedicated to providing valuable assistance in fundraising, public outreach and other support to UCSF. Although governed by an independent board, the Foundation is affiliated with, and its assets are dedicated for, the sole benefit of UCSF. The Foundation holds and invests gifts and Foundation expenditures are generally limited to distributions to support UCSF and normal administrative costs. This support is recorded as gift revenue by UCSF. In accordance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the Foundation’s financial statements are presented in UCSF’s financial statements in a separate column titled “UCSF Foundation.” In addition, this document summarizes information on the Foundation in a separate section.

UCSF’s Financial Position

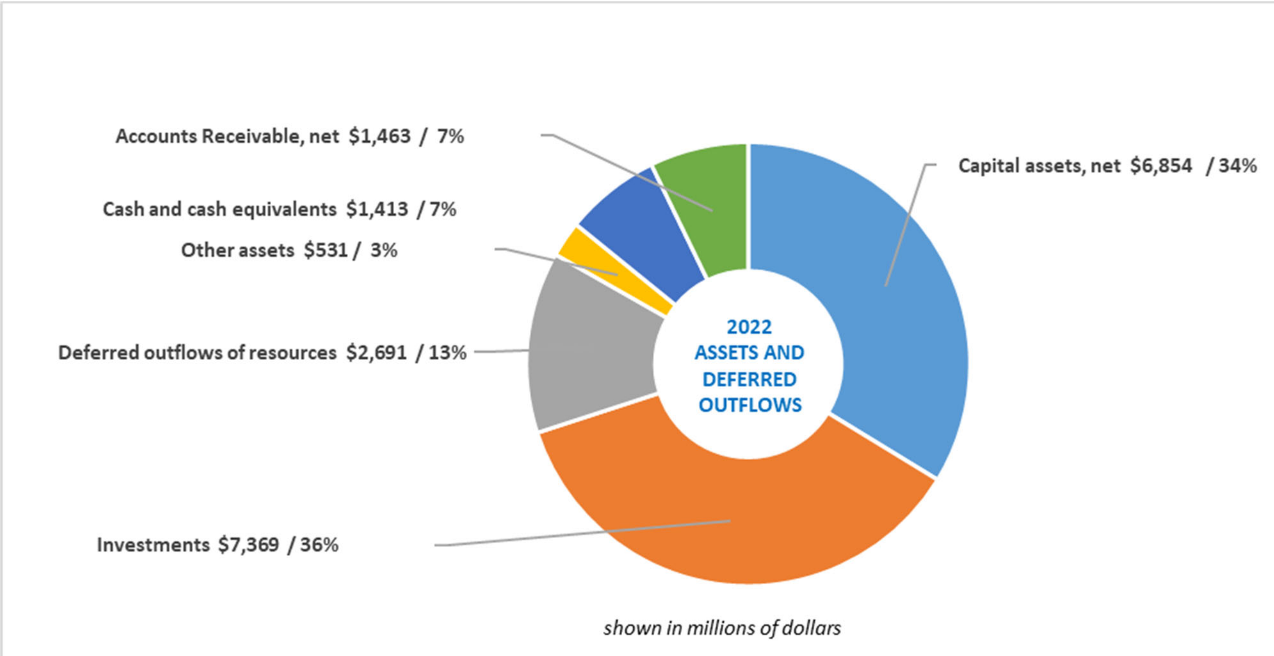


The statements of net position presents the financial position of UCSF at the end of each year. It displays all of UCSF’s assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position, representing a measure of the current financial condition of UCSF.

The major components of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, as of June 30, 2022, 2021 and 2020 are as follows:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
ASSETS							
Cash and cash equivalents	$1,413	$2,105	$1,623	($692)	(33)%	$482	30 %
Investments	7,369	6,320	4,539	1,049	17	1,781	39
Accounts receivable, net	1,463	1,119	1,075	344	31	44	4
Capital assets, net	6,854	6,552	6,248	302	5	304	5
Other assets	531	658	616	(127)	(19)	42	7
Total assets	**17,630**	**16,754**	**14,101**	**876**	**5**	**2,653**	**19**
DEFERRED OUTFLOWS OF RESOURCES	**2,691**	**2,301**	**3,214**	**390**	**17**	**(913)**	**(28)**
LIABILITIES							
Debt	5,812	4,765	4,388	1,047	22	377	9
Due to University	1,209	990	923	219	22	67	7
Net pension liability	4,103	1,309	3,978	2,794	213	(2,669)	(67)
Net retiree health benefits liability	3,862	4,683	4,536	(821)	(18)	147	3
Other liabilities	2,188	2,236	1,704	(48)	(2)	532	31
Total liabilities	**17,174**	**13,983**	**15,529**	**3,191**	**23**	**(1,546)**	**(10)**
DEFERRED INFLOWS OF RESOURCES	**2,183**	**3,229**	**1,424**	**(1,046)**	**(32)**	**1,805**	**127**
NET POSITION							
Net investment in capital assets	1,963	2,245	2,438	(282)	(13)	(193)	(8)
Restricted, nonexpendable	4,028	2,218	518	1,810	82	1,700	328
Restricted, expendable	(303)	1,828	2,764	(2,131)	(117)	(936)	(34)
Unrestricted	(4,724)	(4,448)	(5,358)	(276)	(6)	910	17
Total net position	**$964**	**$1,843**	**$362**	**($879)**	**(48)%**	**$1,481**	**409 %**

UCSF's Assets and Deferred Outflows of Resources



UCSF's total assets and deferred outflows of resources increased $1.3 billion, or 7 percent, to $20.3 billion in 2022 from $19.1 billion in 2021. Total assets and deferred outflows of resources increased by $1.7 billion, or 10 percent in 2021, from $17.3 billion in 2020. Assets consist primarily of capital assets, cash and cash equivalents, investments, accounts receivable, net and, to a lesser extent, investments held by trustee and inventory.

The sections below provide more details on the various components of UCSF's assets and deferred outflows of resources, comparing the 2022, 2021 and 2020 positions where meaningful.

Cash, cash equivalents, and investments

Cash, cash equivalents, and investments increased $357 million, or 4 percent, in 2022 and consist of the following:

(in millions of dollars)	Campus			UCSF Health			Total			Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	2022	2021	2020	2022	2021	2020	$ Change	% Change	$ Change	% Change
Short-term investment pool	($933)	($41)	$265	$2,346	$2146	$1,829	$1,413	$ 2,105	$2,094	($692)	(33)%	$11	1 %
Total return investment pool	2,907	2,347	1,583	1,257	449		4,164	2,796	1,583	1368	49	1,213	77
Investments	2,821	3,114	2,237	384	410	248	3,205	3,524	2,485	(319)	(9)	1,039	42
Cash, cash equivalents, and investments	**$4,795**	**$5,420**	**$4,085**	**$3,987**	**$3,005**	**$2,077**	**$8,782**	**$8,425**	**$6,162**	**$357**	**4 %**	**$2,263**	**37 %**

Cash, cash equivalents and investments for the Campus decreased $625 million, or 12 percent and increased $1.3 billion, or 33 percent in 2022 and 2021, respectively, primarily due to investment market gains or losses from The Regents' endowments. Cash, cash equivalents and investments for UCSF Health increased $982 million, or 33 percent, and $928 million, or 45 percent, in 2022 and 2021, respectively, primarily due to an increase in cash from hospital operations.

All University operating entities maximize the returns on their cash balances by investing in a Short Term Investment Pool (STIP) managed by the Treasurer of The Regents. The Regents are responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Treasurer of The Regents.

Substantially, all of UCSF's cash is deposited into the STIP, and all UCSF deposits into the STIP are considered demand deposits except for certain deposits held for hospital construction. The net asset value for the STIP is held at a constant value of $1, not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of the investments included in the STIP (which are predominately held to maturity) and are not recorded by each operating entity but absorbed by the University as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, UCSF has not experienced any losses on these accounts.

Investments are reported at fair value. Investments consist of investments in the UC Regents Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP) and General Endowment Pool (GEP). BCHO investments consist of investments in the Foundation's Endowed Investment Pool (EIP), the University's STIP and other investment securities. The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the month. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

Foundation investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Investment income is reported as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Accounts receivable, net

Accounts receivable, net of allowance for uncollectible accounts, increased $344 million, or 31% percent, in 2022 compared to 2021 and increased by $44 million, or 4 percent in 2021 as compared to 2020. Accounts receivable, net consist of the following:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
Federal government	$180	$100	$83	$80	80 %	$17	20 %
State government	39	34	38	5	15	(4)	(11)
Local and private	94	60	81	34	57	(21)	(26)
Patient receivables	944	799	661	145	18	138	21
Other	206	126	212	80	63	(86)	(41)
Accounts receivable, net	**$1,463**	**$1119**	**$1075**	**$344**	**31 %**	**$44**	**4 %**

Details on the key components of accounts receivable are as follows:

- Federal, state and local government, as well as private support, primarily relates to contract and grants receivables and fluctuates based on timing of invoicing and payment cycles.
- Patient receivables relate to UCSF Health increased from last year due to increase patient volumes and net patient revenues in the last quarter of the fiscal year as compared to the prior year.
- Other accounts receivable primarily consists of campus clinical revenue and fluctuates based on timing of services performed in clinics.

Capital assets, net

Capital assets, net of accumulated depreciation, increased $302 million, or 5 percent, in 2022 compared to 2021 and increased by $304 million, or 5 percent, in 2021 compared to 2020. Capital assets include land, infrastructure, buildings and improvements, equipment and software, libraries, collections, and construction in progress. UCSF continues to invest in capital spending as part of the ongoing effort to provide facilities to support UCSF's teaching, research and patient care missions. These facilities include core academic research and teaching buildings, patient care facilities, student services facilities, housing and other auxiliary enterprises, infrastructure, and remote centers for educational research and outreach.

Capital asset balances by category consist of the following:

(in millions of dollars)	2022			2021	2020	Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	Campus	UCSF Health	Total	Total	Total	$ Change	% Change	$ Change	% Change
Land	$351	$146	$497	$497	$497	$0	0 %	$0	0 %
Infrastructure	64		64	64	64				
Buildings and improvements	4,530	3,380	7,910	7,468	6,654	442	6	814	12
Equipment and software	567	1,197	1,764	1,832	1,798	(68)	(4)	34	2
Right-of-use assets	280	484	764	619	601	145	100	18	3
Libraries and collections	105		105	108	111	(3)	(3)	(3)	(3)
Construction in progress	313	461	774	740	945	34	5	(205)	(22)
Capital assets, at original cost	**6,210**	**5,668**	**11,878**	**11,328**	**10,670**	**550**	**5**	**658**	**6**
Less: accumulated depreciation	(2,455)	(2,569)	(5,024)	(4,776)	(4,422)	248	5	354	8
Capital assets, net	**$3,755**	**$3,099**	**$6,854**	**$6,552**	**$6,248**	**$302**	**5 %**	**$304**	**5 %**

The original cost for capital assets, net of disposals, increased $550 million, or 5 percent, in 2022 compared to 2021 and increased by $658 million, or 6 percent in 2021 compared to 2020, primarily due to continued building and improvements and equipment purchases for both the Campus and UCSF Health. Accumulated depreciation increased $248 million, or 5 percent in 2022 compared to 2021 and increased by $354 million and 8 percent in 2021 compared to 2020.

The following major facilities and projects were capitalized in 2022:

- Additions to UCSF Medical Center for $440 million, including $50 million in medical equipment and intangible assets. The majority of the additions to building and improvements for Children's Hospital at Oakland related to Central Utility Plant, and various facility upgrades for aging facilities.

- Additions to UCSF Campus for $290 million, including $37 million in equipment and intangible assets. Major additions to UCSF campus buildings and improvements were for Nancy Friend Pritzker Psychiatry Building and various facility upgrades for aging facilities.

At June 30, 2021, major facilities and projects were capitalized including building and improvements for UCSF Medical Center and UCSF Campus. The majority of the additions relate to Children's Hospital at Oakland related to Central Utility Plant, Weill Neurosciences Research Building, Clinical Science Building, 2001 The Embarcadero, and various facility upgrades for aging facilities.

At June 30, 2020, major facilities and projects were capitalized including building and improvements for UCSF Medical Center and UCSF Campus. The majority of the additions relate to Precision Cancer Medicine Center, Mission Bay East Campus, Neurosciences Research Building, University Housing, and various facility upgrades for aging facilities.

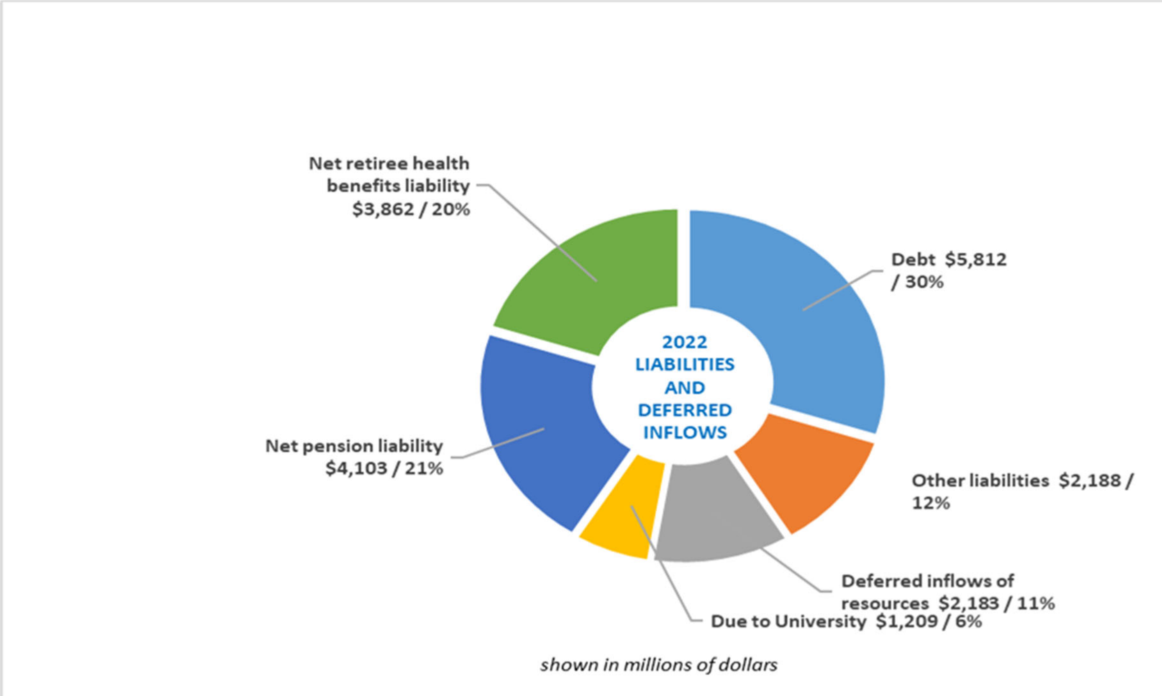
Other assets

Other assets include investments held by trustees, pledge receivables, note and mortgage receivables, inventories and other smaller assets. The decrease in other assets of $127 million, or 19 percent, in 2022 compared to 2021 and increase of $42 million, or 7 percent, in 2021 compared to 2020, are primarily related to changes in investments held by trustee used for capital expenditures.

Deferred outflows of resources

Changes in the net pension liability, retiree health benefits liability, loss on debt refunding, and changes in fair values of UCSF’s interest rate swaps that are determined to be hedging derivatives are reported as deferred outflows of resources. The increase of $390 million, or 17 percent, in 2022 compared to 2021 and decrease of $913 million, or 28 percent, in 2021 compared to 2020, is due to changes in the assumptions related to the plan experience study.

UCSF’s Liabilities and Deferred Inflows of Resources



UCSF’s total liabilities and deferred inflows of resources increased $2.1 billion, or 12 percent, to $19.4 billion in 2022 from $17.2 billion in 2021 and increased $259 million, or 2 percent to $17.2 billion in 2021 from $17 billion in 2020. Liabilities primarily consist of debt, long-term pension and retiree health benefits liabilities, a payable due to the University and, to a lesser extent, accounts payable to vendors for goods and services, accrued compensation for services performed, and unearned revenue.

The sections below provide more details on the various components of UCSF’s liabilities and deferred inflow of resources, comparing the 2022, 2021 and 2020 positions where meaningful.

Debt

Capital expenditures are financed from a variety of sources, including UCSF restricted gifts, federal and state support, revenue bonds, bank loans, leases, and other expendable resources. Commercial paper and bank loans provide interim financing.

At $5.8 billion in 2022, outstanding debt increased $1.0 billion, or 22 percent, from 2021. At $4.8 billion in 2021, outstanding debt increased $377 million, or 9 percent, from 2020. The debt activity is as follows:

(in millions of dollars)	2022			2021			2020		
	Campus	UCSF Health	Total	Campus	UCSF Health	Total	Campus	UCSF Health	Total
ADDITIONS TO OUTSTANDING DEBT									
Commercial paper and bank loans	$45		$45	$18		$18	$65		$65
University of California General Revenue Bonds				640		640			
University of California Limited Project Revenue Bonds	77		77						
University of California Medical Center Pooled Revenue Bonds		$972	972					$402	402
Other capital lease obligations	35	132	167	13	$15	28	247	356	603
Additions to outstanding debt	**157**	**1104**	**1261**	**671**	**15**	**686**	**312**	**758**	**1,070**
REDUCTIONS TO OUTSTANDING DEBT									
Refinancing	(83)	(1)	(84)	(75)	(2)	(77)			
Scheduled principal payments/amortization	(83)	(47)	(130)	(83)	(45)	(128)	(64)	(31)	(95)
Payments on commercial paper and bank loans				(104)		(104)			
Reductions to outstanding debt	**(166)**	**(48)**	**(214)**	**(262)**	**(47)**	**(309)**	**(64)**	**(31)**	**(95)**
Net increase (decrease) in outstanding debt	**($9)**	**$1,056**	**$1,047**	**$409**	**($32)**	**$377**	**$248**	**$727**	**$975**

Details on the debt activities in 2022 are as follows:

- The Campus received proceeds of $45 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.
- The Campus received proceeds of $77 million from General Revenue Bonds to use for future capital project.
- Health received proceeds of $972 million from Medical Center Pooled Revenue Bonds to use for future capital project.
- Other capital lease obligations increased $167 million in exchange for right-of-use assets.

Details on the debt activities in 2021 are as follows:

- The Campus received proceeds of $18 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.
- The Campus received proceeds of $640 million from General Revenue Bonds to use for future capital project.
- Other capital lease obligations increased $28 million in exchange for right-of-use assets.

Details on the debt activities in 2020 are as follows:

- The Campus received proceeds of $65 million from commercial paper and bank loans to provide short-term financing to use primarily for various Campus projects.
- Health received proceeds of $402 million from Medical Center Pooled Revenue Bonds to use for future capital project.
- Other capital lease obligations increased $603 million in exchange for right-of-use assets.

Net pension and retiree health benefits liabilities

Net pension liability increased in 2022 by $2.8 billion, or 213 percent, from $1.3 billion in 2021 to $4.1 billion in 2022 and decreased $2.7 billion, or 67 percent in 2021 compared to 2020. UCSF has a financial responsibility for pension benefits associated with its defined benefit plans. The changes in net pension in 2022 and 2021 was primarily driven by the investment performance of the UCRP portfolio. The total investment rate of return for UCRP was (10.8) percent in 2022, 30.5 percent in 2021, and 1.7 percent in 2020. The discount rate used to estimate the net pension liability was 6.75 percent in 2022, 2021 and 2020, respectively.

UCSF's net retiree health benefits liability was $3.9 billion, $4.7 billion, and $4.5 billion in 2022, 2021, and 2020, respectively. The changes in the net retiree health benefits liability in 2022 and 2021 was primarily driven by the changes in the discount rates. The discount rates as of June 30, 2022, 2021, and 2020 were 3.54 percent, 2.16 percent and 2.21 percent, respectively.

Due to University

Due to University represents an amount owed to the University for reimbursement of contributions made by the University to the pension plan assets. Due to University increased $219 million, or 22 percent, in 2022 compared to 2021 and increased by $67 million, or 7 percent in 2021 compared to 2020. The increase is primarily due to an additional investment to the plan by the University.

Other liabilities

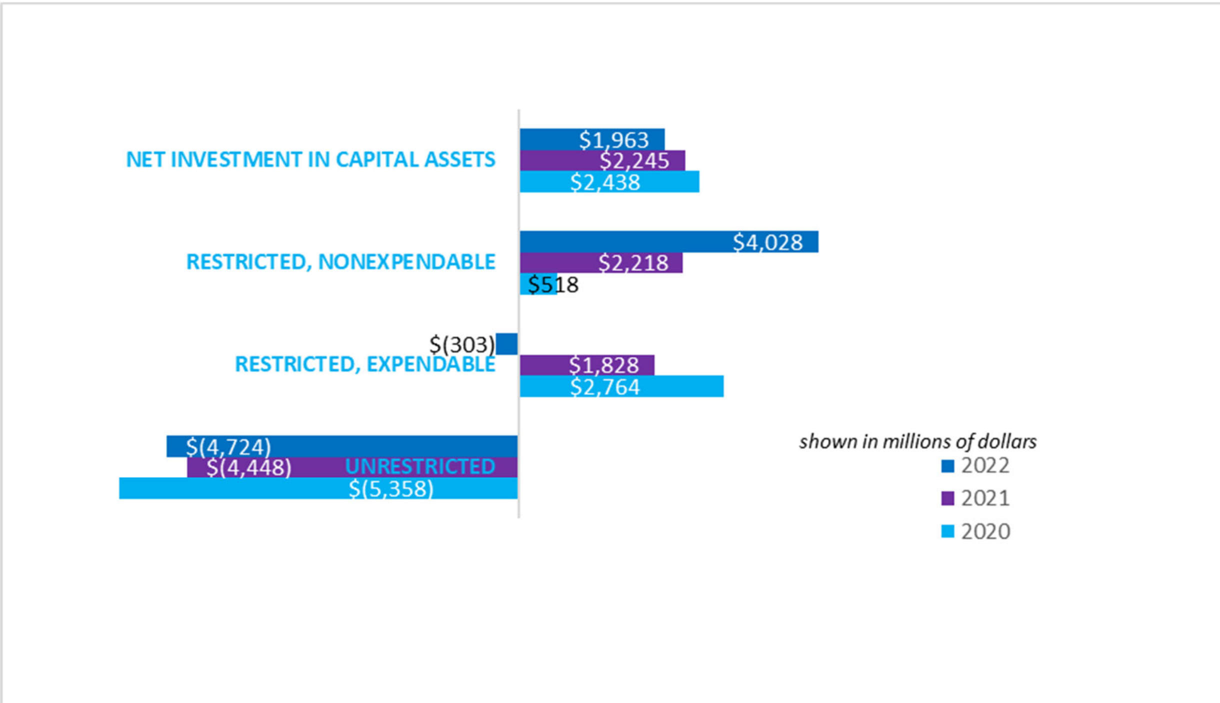
Other liabilities consist of accounts payable, accrued salaries and employee benefits, unearned revenue, funds held for others, federal refundable loans, and other smaller liabilities. Other liabilities decreased $48 million, or 2 percent in 2022 compared to 2021 and increased $532 million, or 31 percent in 2021 compared to 2020 primarily driven by the changes in third party payor settlements for UCSF Health.

Deferred inflows of resources

Deferred inflows of resources are related to certain changes in the net pension, net retiree health benefits liabilities and changes in the estimated future value of irrevocable split-interest agreements. Deferred inflows of resources decreased by $1.0 billion, or 32 percent in 2022 compared to 2021 and increased by $1.8 billion or 127 percent in 2021 compared to 2020. The changes in deferred inflows of resources were primarily due to fluctuations in the net pension liability related to investment market performance and the retiree health liability as a result of changes in the discount rate.

UCSF's Net Position

Net position represents the residual interest in UCSF's assets and deferred outflows of resources after all liabilities and deferred inflows are deducted. UCSF's net position was $964 million in 2022 compared to $1.8 billion in 2021, and $362 million in 2020. Net position is reported in four categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted. The sections below discuss each of these categories.



Net investment in capital assets

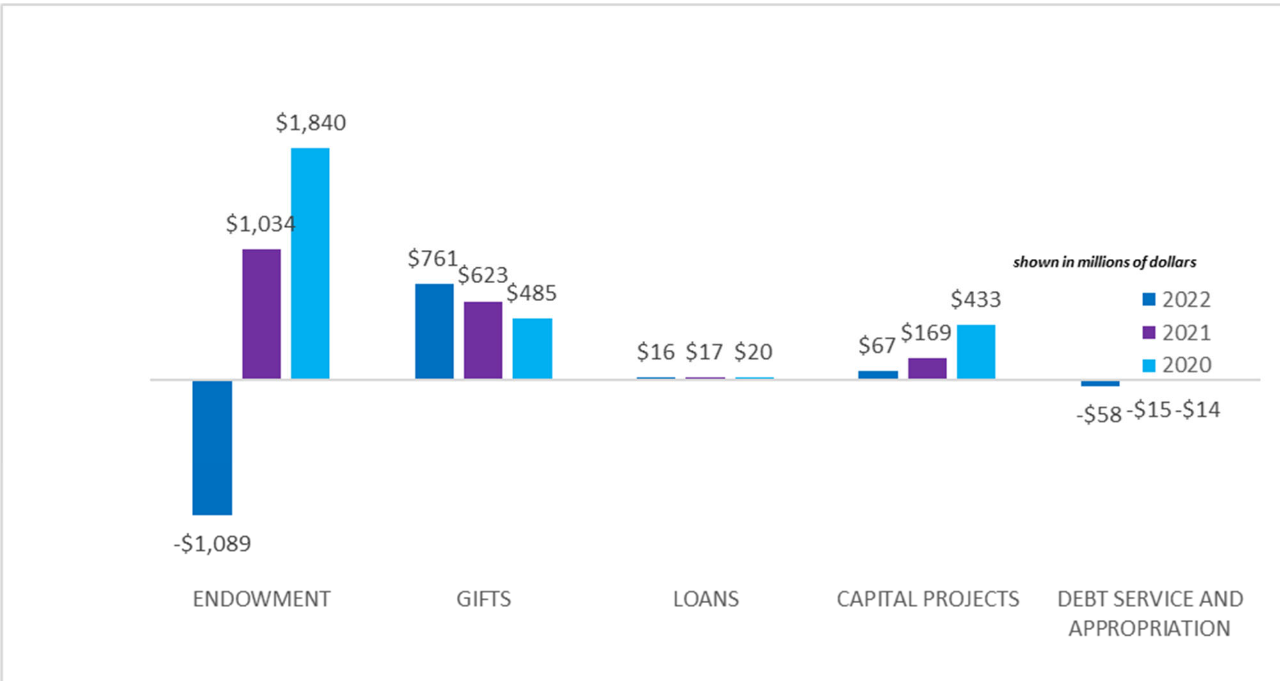
The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets was $2 billion in 2022 compared to $2.2 billion in 2021 and $2.4 billion in 2020. UCSF continues to invest in its physical facilities which are, in part, financed by debt in order to support growth.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCSF and BCHO's Foundation permanent endowments and the estimated fair value of certain planned giving arrangements. In 2022 and 2021, the increase in restricted, nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and include endowment income and gains, subject to the University's spending policy, support received from gifts, appropriations or capital projects and trustee-held investments. The increases or decreases in restricted, expendable funds are principally due to the timing of spending restricted gifts and endowment income, endowment investment gains and capital projects. Restricted, expendable net position by type of restriction is as follows:



Restricted, expendable net position decreased $2.1 billion, or 117 percent in 2022 compared to 2021 and decreased $936 million or 34 percent in 2021 compared to 2020, primarily due to the timing of spending restricted gifts and endowment income and gains.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although UCSF's unrestricted net position is not subject to externally imposed restrictions, substantially all of the net position is designated internally for academic and research initiatives or programs, or for future capital projects.

Unrestricted net position is in deficit positions of $4.7 billion, $4.4 billion and $5.4 billion in 2022, 2021 and 2020, respectively. The deficits represent the long term liabilities for UCRP and retiree health benefits.

UCSF's Results of Operations

The statements of revenues, expenses and changes in net position is a presentation of UCSF's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues budgeted for fundamental operational support of the core instructional mission of UCSF are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

A summarized comparison of the operating results of 2022, 2021, and 2020, arranged in a format that matches the revenue supporting the core activities of UCSF with the expenses associated with core activities is as follows:

(in millions of dollars)	YEAR ENDED JUNE 30, 2022			YEAR ENDED JUNE 30, 2021			Increase (decrease) from 2021 to 2022	
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	$ Change	% Change
REVENUES								
Student tuition and fees, net	$65		$65	$61		$61	$4	7 %
State educational appropriations		$254	254		$177	177	77	44
Grants and contracts, net	1,737		1,737	1,599		1,599	138	9
Medical center, net	5,910		5,910	5,239		5,239	671	13
Other clinical revenue and educational activities, net	323		323	317		317	6	2
Auxiliary enterprises, net	59		59	52		52	7	13
Private gifts		445	445		393	393	52	13
Investment income, net		(714)	(714)		1,289	1,289	(2,003)	(155)
Other revenues	414	138	552	333	330	663	(111)	(17)
Revenues supporting core activities	**8,508**	**123**	**8,631**	**7,601**	**2,189**	**9,790**	**(1,159)**	**(12)**
EXPENSES								
Salaries	4,376		4,376	4,041		4,041	335	8
Benefits	1,973		1,973	1,502		1,502	471	31
Scholarships and fellowships	53		53	48		48	5	10
Utilities	51		51	45		45	6	13
Supplies and materials	1,179		1,179	1,075		1,075	104	10
Depreciation	428		428	426		426	2	0
Interest expense		205	205		194	194	11	6
Professional and purchased services	693		693	630		630	63	10
Subaward expenses	186		186	177		177	9	5
Other expenses	331		331	251		251	80	32
Expenses associated with core activities	**9,270**	**205**	**9,475**	**8,195**	**194**	**8,389**	**1,086**	**13**
Income (loss) from core activities	**(762)**	**(82)**	**(844)**	**(594)**	**1,995**	**1,401**	**(2,245)**	**(160)**
OTHER CHANGES IN NET POSITION								
Capital gifts and grants		47	47		32	32	15	47
Changes in payable due to University		(81)	(81)		49	49	(130)	(265)
Capital support to University		(1)	(1)		(1)	(1)		
Other changes in net position		**(35)**	**(35)**		**80**	**80**	**(115)**	**(144)**
Increase (decrease) in net position	**($762)**	**($117)**	**($879)**	**($594)**	**$2,075**	**$1,481**	**($2,360)**	**(159)%**
NET POSITION								
Beginning of year, as previously reported			1,865			374	1,491	399
Cumulative effect of change in accounting principle			(22)			(12)	(10)	(83)
Beginning of year, as restated			1,843			362	1,481	393
End of year			**$964**			**$1,843**	**($879)**	**(48)%**

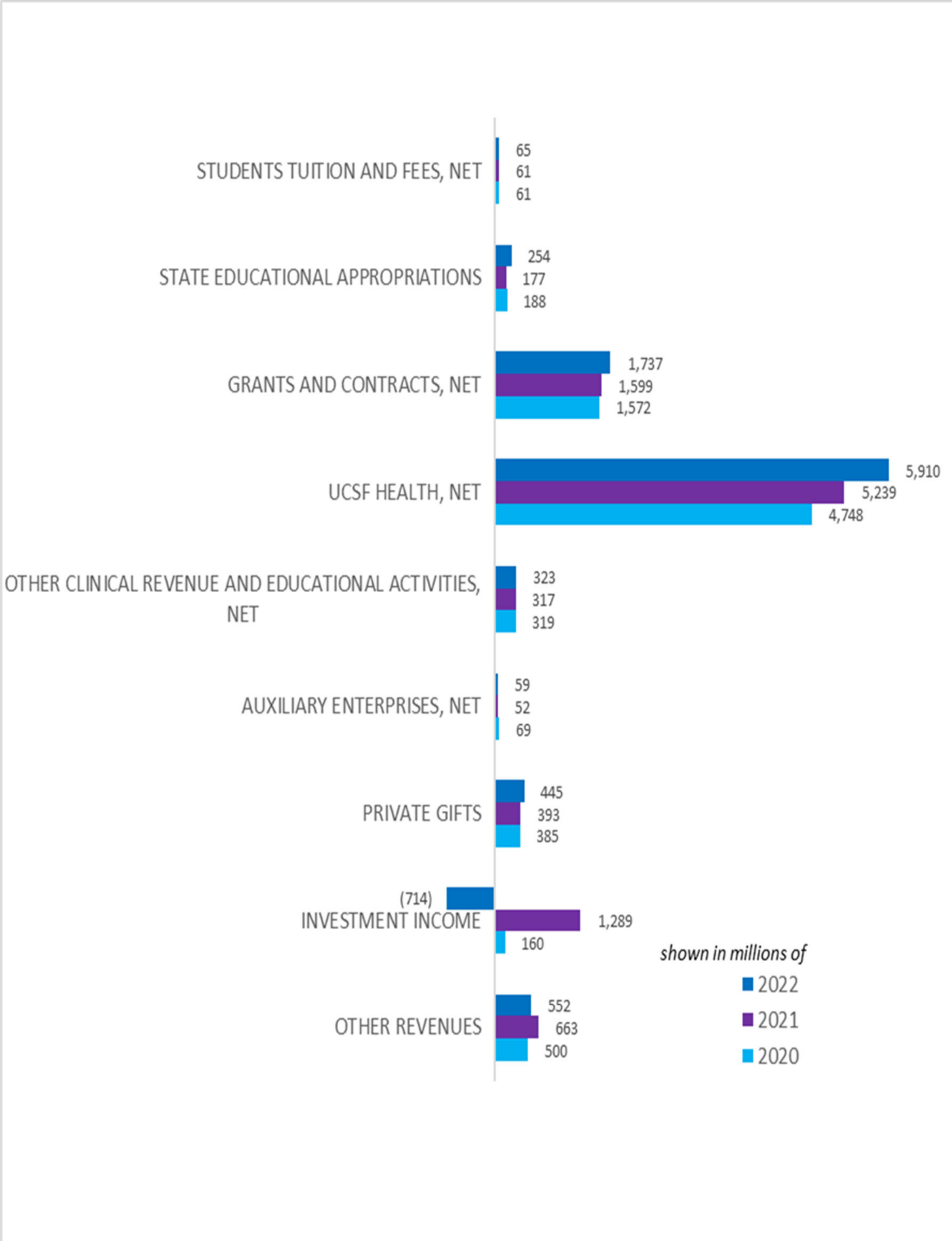
(in millions of dollars)	YEAR ENDED JUNE 30, 2021			YEAR ENDED JUNE 30, 2020			Increase (decrease) from 2020 to 2021	
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	$ Change	% Change
REVENUES								
Student tuition and fees, net	$61		$61	$61		$61	$0	0 %
State educational appropriations		$177	177		$188	188	(11)	(6)
Grants and contracts, net	1,599		1,599	1,572		1,572	27	2
Medical center, net	5,239		5,239	4,748		4,748	491	10
Other clinical revenue and educational activities, net	317		317	319		319	(2)	(1)
Auxiliary enterprises, net	52		52	69		69	(17)	(25)
Private gifts		393	393		385	385	8	2
Investment income, net		1,289	1,289		160	160	1,129	706
Other revenues	333	330	663	309	191	500	163	33
Revenues supporting core activities	**7,601**	**2,189**	**9,790**	**7,078**	**924**	**8,002**	**1,788**	**22**
EXPENSES								
Salaries	4,041		4,041	3,853		3,853	188	5
Benefits	1,502		1,502	2,182		2,182	(680)	(31)
Scholarships and fellowships	48		48	36		36	12	33
Utilities	45		45	42		42	3	7
Supplies and materials	1,075		1,075	981		981	94	10
Depreciation	426		426	408		408	18	4
Interest expense		194	194		180	180	14	8
Professional and purchased services	630		630	618		618	12	2
Subaward expenses	177		177	173		173	4	2
Other expenses	251		251	288		288	(37)	(13)
Expenses associated with core activities	**8,195**	**194**	**8,389**	**8,581**	**180**	**8,761**	**(372)**	**(4)**
Income (loss) from core activities	**(594)**	**1,995**	**1,401**	**(1,503)**	**744**	**(759)**	**2,160**	**285**
OTHER CHANGES IN NET POSITION								
Capital gifts and grants		32	32		58	58	(26)	(45)
Changes in payable due to University		49	49		(15)	(15)	64	427
Capital support to University		(1)	(1)		4	4	(5)	(125)
Other changes in net position		**80**	**80**		**47**	**47**	**33**	**70**
Increase (decrease) in net position	**($594)**	**$2,075**	**$1,481**	**($1,503)**	**$791**	**($712)**	**$2,193**	**308 %**
NET POSITION								
Beginning of year, as previously reported			374			1,071	(697)	(65)
Cumulative effect of change in accounting principle			(12)			3	(15)	(500)
Beginning of year, as restated			362			1,074	(712)	(66)
End of year			**$1,843**			**$362**	**$1,481**	**409 %**

The following sections present more information on revenues, expenses and changes in net position associated with UCSF's core activities.

Revenues Supporting Core Activities

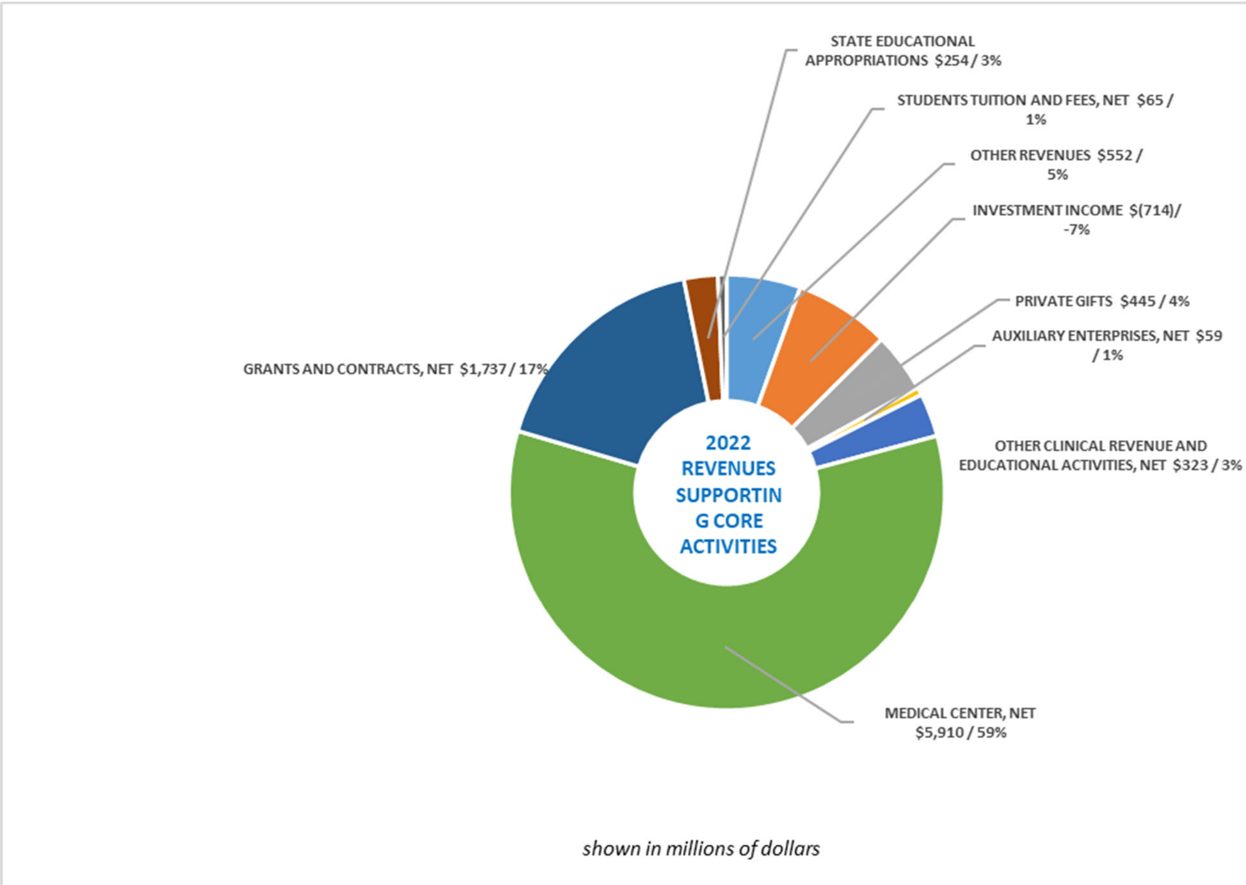
Revenues supporting UCSF's core activities, including those classified as nonoperating revenues were $8.6 billion, $9.8 billion and $8 billion in 2022, 2021 and 2020, respectively. These diversified sources of revenue decreased by ($1.2) billion, or (12) percent in 2022 and increased $1.8 billion, or 22 percent in 2021.

Revenues in the various categories for fiscal years 2022, 2021 and 2020 are as follows:



A major financial strength of UCSF is its diverse source of revenues, including student fees, federally sponsored grants and contracts, patient revenues, private and local government support, the State of California, and self-supporting enterprises. The variety of fund sources remains essential to our success over the past several years.

Categories of both operating and nonoperating revenue that supported UCSF's core activities in 2022 are as follows:



Student tuition and fees, net

Net student tuition and fees were $65 million, $61 million and $61 million in 2022, 2021 and 2020, respectively. Scholarship allowances or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by students and third parties on behalf of students. Scholarship allowances, netted against student tuition fees, were $44 million, $49 million and $45 million in 2022, 2021 and 2020, respectively. Student tuition and fees, net of scholarship allowances, remained fairly consistent over the last several years.

Total primary curriculum enrollment is as follows:

	2022	2021	2020
STUDENTS			
Graduate academic programs:			
Ph.D. programs	920	900	864
Masters programs	523	579	546
Graduate certificate programs	142	130	95
Graduate academic programs	**1,585**	**1,609**	**1,505**
Graduate professional students	1,569	1,569	1,710
Total students	**3,154**	**3,178**	**3,215**
TRAINEES			
Postdoctoral scholars	1,066	1,163	1,166
Residents	1,688	1,669	1,713
Total trainees	**2,754**	**2,832**	**2,879**
Total students and trainees	**5,908**	**6,010**	**6,094**

In 2022, enrollment decreased by 1.7 percent and in 2021 enrollment decreased by 1.4 percent. Certain resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; certain increases were approved for 2022, 2021 and 2020.

State educational appropriations

Educational appropriations from the state of California were $254 million, $177 million, and $188 million in 2022, 2021 and 2020, respectively. State educational appropriations increased in 2022 by $77 million, or 44 percent compared to 2021 and decreased in 2021 by $11 million, or 6 percent compared to 2020. Appropriations are used to support the educational mission, including services provided by the University of California Office of the President. The amount of appropriation income received by UCSF fluctuates based on the negotiations between the Office of the President and the state of California.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts, including an overall facilities and administration cost recovery of $335 million, $315 million and $293 million in 2022, 2021 and 2020, respectively were $1.7 billion, $1.6 billion and $1.6 billion in 2022, 2021 and 2020, respectively. Grants and contracts, net revenue consist of the following:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
Federal	$836	$809	$803	$27	3 %	$6	1 %
State	153	111	105	42	38	6	6
Private	490	432	438	58	13	(6)	(1)
Local	258	247	226	11	4.5	21	9.3
Grants and contracts, net	**$1,737**	**$1,599**	**$1,572**	**$138**	**9 %**	**$27**	**2 %**

Details on specific grant and contract revenues for 2022 are as follows:

- Federal grants and contracts revenue increased $27 million or 3 percent, primarily due to new awards and work performed on significant awards received in prior years.
- State grants and contracts revenue increased $42 million, or 38 percent is primarily due to new awards and work performed on significant awards received in prior years.
- Private grants and contracts revenue increased $58 million or 13 percent, primarily due to increase funding from local affiliation agreement and private foundations.
- Facilities and administrative costs of federally sponsored programs are recovered at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the fiscal year ended June 30, 2022, the facilities and administrative cost recovery included $219 million from federally sponsored programs and $116 million from other sponsors.

Details on specific grant and contract revenues for 2021 are as follows:

- Federal grants and contracts revenue increased $6 million or 1 percent, primarily due to new awards and work performed on significant awards received in prior years.
- State grants and contracts revenue increased $6 million, or 6 percent, is primarily due to new awards and work performed on significant awards received in prior years.
- Private grants and contracts revenue decreased $6 million or 1 percent, primarily due to decrease funding from local affiliation agreement and private foundations.
- Facilities and administrative costs of federally sponsored programs are recovered at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the fiscal year ended June 30, 2021, the facilities and administrative cost recovery included $211 million from federally sponsored programs and $104 million from other sponsors.

Medical center, net

UCSF Health provides basic, moderate and highly complex care, including transplants, neurosurgery and cancer treatment. Most patients receiving basic and moderate acute care live relatively close to a UCSF Health facility. In contrast, patients receiving highly complex care may come from greater distances.

Total medical center revenues, net of allowances, increased $671 million, or 13 percent, to $5.9 billion in 2022 from $5.2 billion in 2021 and increased $491 million, or 10 percent from $4.7 billion in 2020. Increase in 2022 is due to growth in volumes, contract rate increases, high case mix index, third-party supplemental revenues, and growth in specialty pharmacy revenue. Increase in 2021 is due to contract rate increases, high case mix index, growth in the contract and specialty pharmacy revenue, and increased outpatient visits.

The table below summarizes the revenue sources of the medical center:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
Medicare	$1,172	$1,047	$699	$125	12 %	$348	50 %
Medi-Cal	1,385	1,105	653	280	25	452	69
Contracts	3,308	3,033	3,332	275	9	(299)	(9)
County/uninsured/self-pay	44	54	63	(10)	(19)	(9)	(14)
Net patient service revenue	**5,909**	**5,239**	**4,747**	**670**	**13**	**492**	**10**
Other revenue	1		1	1	100	(1)	(100)
UCSF Health, net	**$5,910**	**$5,239**	**$4,748**	**$671**	**13 %**	**$491**	**10 %**

Details on the medical center revenue sources for 2022 are as follows:

- Revenue for Medicare beneficiaries increased $125 million, or 12 percent, is due to growth in volumes, contract rate increases, high case mix index, third-party supplemental revenues, and growth in specialty pharmacy revenue. Medicare payments to medical center take many forms. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. In patient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.
- UCSF Health are reimbursed at interim rates with final settlement of such items determined after submission of annual filings and audits thereof by the state. Payments under The Waiver Program are based on the allocation of pooled funds amongst all participating designated public hospitals in the state and are subject to change based on the audit results of the other participating designated public hospitals. UCSF Health has received final settlements for the Waiver Program through 2012. The state is in the process of conducting audits of subsequent years of the Waiver Program. The results of these audits have yet to be finalized and any amounts due to or from Medi-Cal have not been determined. Estimated receivables and payables related to all Waiver Program reporting periods are included in the statements of net position as third-party payor settlements. UCSF Health revenue includes loss contingencies related to these Waiver Program reporting periods, as required by generally accepted accounting principles.
- UCSF Health receives most of its net patient service revenue from contracts with commercial health maintenance organizations and preferred provider organizations, which usually reimburse UCSF

Health at contracted discount or per-diem rates. Net revenue earned on commercial contracts increased $275 million, or 9 percent, representing about 56 percent of total net patient service revenue in 2022, compared with 58 percent in 2021.

- Other revenues increased $1 million, or 100 percent, and consist of revenues generated through non-patient care activities, such as pharmacy, cafeteria and rebates.

Other clinical revenue and educational activities, net

Other clinical revenue and educational activities increased $6 million, or 2 percent, from $317 million in 2021 to $323 million in 2022 and is comprised of third-party affiliation agreements, patient services performed by non-medical center educational departments, dental clinic revenue, laboratory service fees and continuing education. The increase is primarily due to higher patient volumes.

Auxiliary enterprises, net

Auxiliary enterprises increased $7 million, or 13 percent, from $52 million in 2021 to $59 million in 2022 and consists of housing, parking, permits and recreation program revenues. The increase is primarily attributable to in-person classes resumed in person starting in fall 2021.

Private gifts, net

Gifts are generally restricted to uses designated by the donor for research, instruction or institutional support. Private gifts are provided directly to UCSF or the BCHO Foundation from donors, or are administered and transferred to UCSF by the Foundation to UCSF or BCHO Foundation. The increase of $52 million, or 13 percent, in 2022 compared to 2021, is primarily attributed to private gifts transferred to UCSF campus from the Foundation and to a lesser extent, gifts received directly to the BCHO Foundation designated for research.

Investment income, net

Investment income, net of investment expenses includes dividend and interest income from the earnings of STIP, TRIP, expendable endowment income from the general endowment pool (GEP), Blue and Gold investment pool (BGP), and BCHO Foundation investments. The Regents utilize asset allocation strategies intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. Investment income, net decreased $2 billion, or 155 percent in 2022 compared with 2021, primarily due to UCSF's portfolio returns fluctuate with the overall performance in the investment markets.

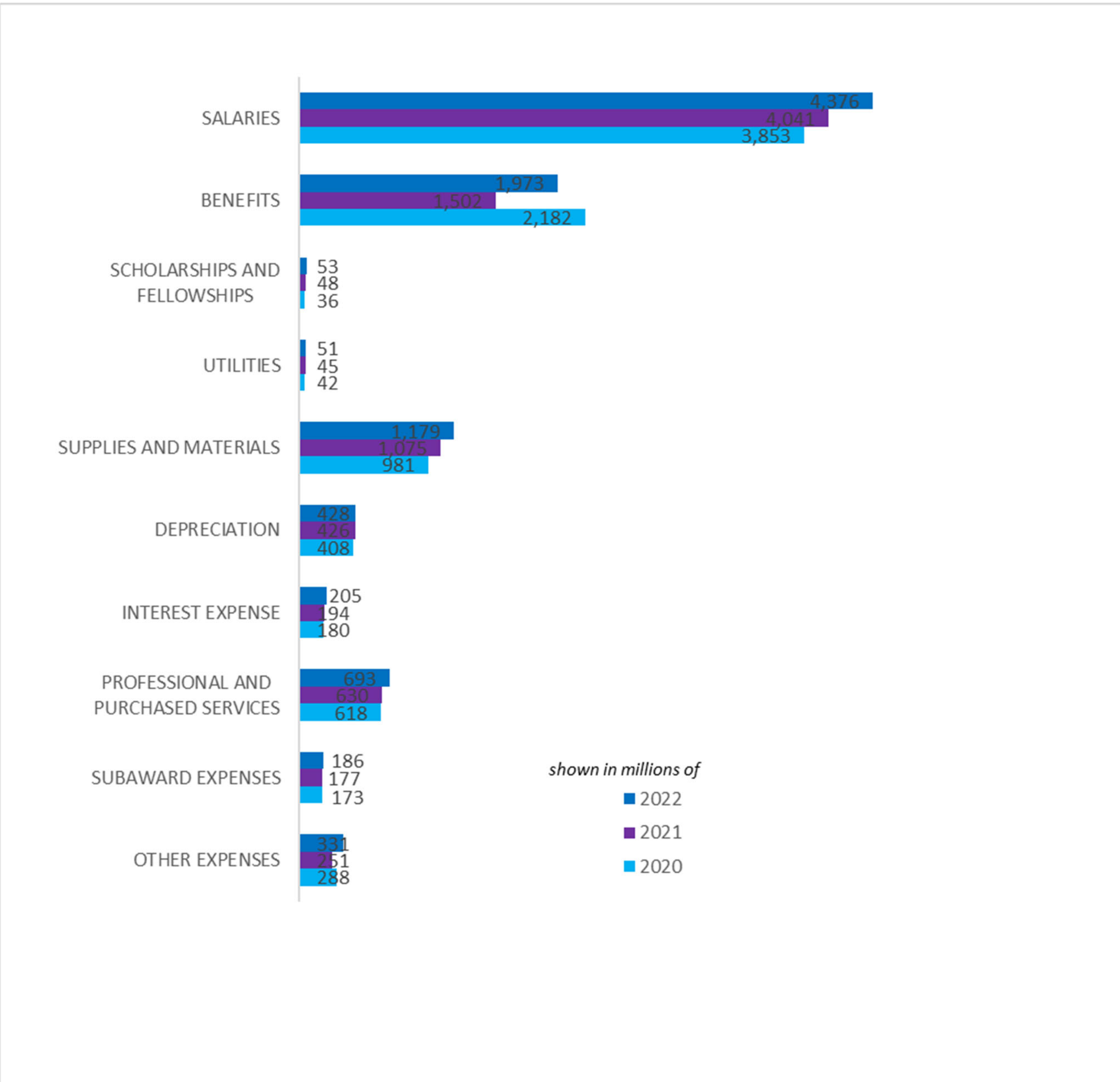
Other revenues

Other revenues consist of non-educational sales and services representing revenues received from a variety of sources including federal financing appropriations, patent income and state financing appropriations. Other revenues decreased $111 million, or 17 percent, compared with 2021, primarily due to government direct grants related to COVID-19. In 2021, other revenues increased $163 million, or 33 percent compared with 2020.

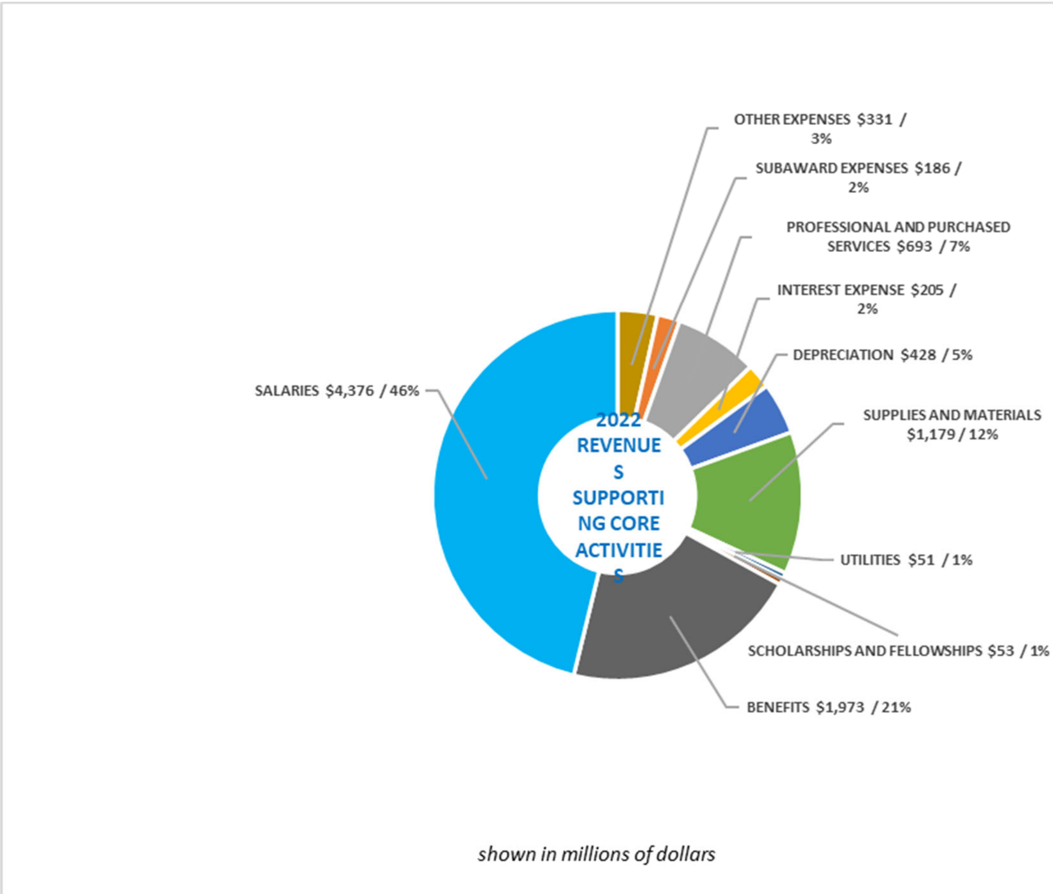
Expenses Associated with Supporting Core Activities

Expenses associated with UCSF's core activities, including those classified as nonoperating expenses, were $9.5 billion, $8.4 billion and $8.8 billion in 2022, 2021 and 2020, respectively. Expenses increased in 2022 by $1.1 billion, or 13 percent, and decreased in 2021 by $372 million, or 4 percent. In 2022, overall increase due to higher volumes and inflationary pressure on both labor and non-labor costs. Pension expense increased significantly due to unfavorable market performance on pension assets. In 2021, the decrease is primarily due to the decline in pension expense as a result of favorable performance in the financial markets.

Expenses in the various categories for fiscal years 2022, 2021, and 2020 are as follows:



Operating and nonoperating expenses associated with supporting UCSF's core activities in 2022 are as follows:



Salaries and wages

Salaries account for 46 percent of UCSF's total expenses and increased $335 million, or 8 percent from $4.0 billion in 2021 to $4.4 billion in 2022, resulting both from employee growth and salary increases. The significant increase in salaries is expected as increases in revenues from grants and contracts for research and patient service continues to grow. Additionally, the salaries category includes UCSF Health temporary employees who do not receive benefits.

Details on salaries expense are as follows:

- Campus salaries increased $129 million, or 6 percent, driven primarily by salary increases for faculty of $91 million, non-represented staff of $53 million, non-faculty academic of $3 million and offset decreases for other employees expense of $17 million.

- UCSF Health salaries increased $205 million, or 10 percent, driven primarily by salary increases for represented employee salaries of $161 million, non-represented staff of $18 million, temporary staff of $32 and partially offset by a decrease of other employees expense of $6 million.

Benefits

In 2022, benefits were 45 percent of salaries compared to 37 percent in 2021 and 57 percent in 2020, and represent 21 percent, 18 percent and 25 percent in 2022, 2021 and 2020, respectively, of UCSF's total expenses. Benefits increased $471 million, or 31 percent, compared with 2021 and decreased $680 million, or 31 percent, compared with 2020 and consist of the following:

(in millions of dollars)	Campus			UCSF Health			Total			Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	2022	2021	2020	2022	2021	2020	$ Change	% Change	$ Change	% Change
UC Retirement Plan	$195	($14)	$483	$275	$19	$564	$470	$5	$1,047	$465	9300 %	($1,042)	(100)%
%Retiree health benefits	88	139	147	139	201	227	227	340	374	(113)	(33)	(34)	(9)
Health, dental and vision	1	(2)	132	148	121	275	149	119	407	30	25	(288)	(71)
Social Security and Medicare	1	1	85			81	1	1	166	0	0	(165)	(99)
Workers' compensation and other	550	511	104	576	526	84	1,126	1,037	188	89	9	849	452
Benefits	**$835**	**$635**	**$951**	**$1,138**	**$867**	**$1,231**	**$1,973**	**$1,502**	**$2,182**	**$471**	**31 %**	**($680)**	**(31)%**

Details on benefit costs are as follows:

- The University administers the University of California Retirement Plan (UCRP) on behalf of UCSF. UCSF and employees contribute to UCRP, as determined annually pursuant to The Regents' funding policy and are based on recommendations of a consulting actuary. The Regents determine the portion of the total contribution to be made by UCSF and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Employee contributions range from 7 percent to 9 percent. The University pays a uniform contribution rate on behalf of all UCRP active members. The contribution rate was 15 percent and 14.5 percent for the years ended June 30, 2022 and 2021, respectively. The University contribution rate will remain at 14 percent for the fiscal yars ending June 30, 2023, 2024, increase to 15 percent for the fiscal years ending June 30, 2025 and then will be increased by 0.5 percent per year, on July 1st, until reaching 17 percent. Employee contributions to UCRP are accounted for separately and currently accrue interest at 6 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or, if they are a member of certain tiers, a lump sum equal to the present value of their accrued benefits. Pension expense increased by $465 million or 9,300 percent in 2022. Pension expense decreased by $1.0 billion, or 100 percent in 2021. The increase in 2022 was due to market performance was unfavorable compared to expected returns.
- Retiree health benefits decreased $113 million, or 33 percent in 2022 and retiree health benefits decreased $34 million, or 9 percent in 2021 and are funded separately by an assessment against

covered compensation. The decrease in 2022 was primarily driven by the changes in the discount rate.

- Health, dental and vision benefits increased $30 million, or 25 percent in 2022, with $149 million in 2022 and $119 million in 2021 primarily due to management of healthcare costs.

Scholarships and fellowships

UCSF places a high priority on student financial aid as a part of its commitment to access and affordability. Scholarship allowances represent UCSF fee waivers and are reported as an offset to student tuition and fee revenue, not as an operating expense. Scholarships and fellowships represent payments of financial aid made directly to students and are reported as operating expenses.

Scholarships and fellowships increased $5 million, or 10 percent, to $53 million in 2022 compared with $48 million in 2021, and increased $12 million, or 33 percent compared with $36 million in 2020. In addition, the scholarship allowances recorded as an offset to tuition was $44 million, $49 million, and $45 million for 2022, 2021 and 2020, respectively.

Supplies and materials

Supplies and materials increased $104 million, or 10 percent, to $1.2 billion in 2022 compared with $1.1 billion in 2021 and increased $94 million or 10 percent in 2021 compared with $981 million in 2020, primarily attributable to higher patient volumes and additional supplies needed in caring for these patients.

Depreciation

Depreciation increased $2 million, or 0.5 percent, to $428 million in 2022 compared with $426 million in 2021 and increased $18.0 million or 4 percent in 2021 compared with $408 million in 2020. The depreciation increase in 2022 and 2021 due to completion of constructions.

Interest expense

Interest expense increased $11 million, or 6 percent, to $205 million in 2022 compared with $194 million in 2021 and increased $14 million, or 8 percent compared with $180 million in 2020. The increase is primarily due to previously capitalized interest is expensed with implementation of GASB 89.

Professional and purchased services

Professional and purchased services include costs from professional fees and consultants. Professional and purchased services increased by $63 million or 10 percent, to $693 million in 2022 compared with $630 million in 2021 and increased $12 million, or 2 percent, compared to $618 million in 2020 due to continued growth in patient care activities.

Subaward expenses

Subaward expenses are costs incurred by subcontractors who contribute to the overall completion of an award’s scientific deliverables. Subaward expenses increased by $9 million or 5 percent, to $186 million in 2022 compared with $177 million in 2021 and increased $4 million or 2 percent, compared to $173 million in 2020.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance. Other expenses increased $80 million, or 32 percent, to $331 million in 2022 compared with $251 million in 2021 and decreased $37 million, or 13 percent compared with $288 million in 2020.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $762 million, $594 million and $1.5 billion in 2022, 2021 and 2020, respectively. The operating losses in 2022, 2021 and 2020 were offset by $(82) million, $2 billion and $744 million, respectively, of net nonoperating revenue (expense) that supports core operating activities of UCSF. Expenses exceeded revenue associated with core activities by $844 million and $759 million in 2022 and 2020, respectively. Revenue exceeded expenses available to support core activities by $1.4 billion in 2021.

Net appreciation or depreciation in fair value of investments

Net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2022, 2021 and 2020, the UCSF recognized net depreciation in the fair value of investments of $812 million, net appreciation of $1.1 billion and net depreciation of $6 million, respectively. UCSF's portfolio experienced positive returns in the equity markets in 2021. UCSF's portfolio experienced negative returns in the equity markets in 2022 and 2020.

Other changes in net position

Similar to nonoperating activities, other changes in net position are also not available to support UCSF's operating expenses in the current year. Other changes in net position decreased $115 million, or 144 percent, to $(35) million in 2022 compared with $80 million in 2021 and increased $33 million, or 70 percent compared with $47 million in 2020. The decrease in 2022 was primarily due to unfavorable changes in the pension payable to the University driven by unfavorable market performance on pension assets.

Capital gifts and grants may only be used for the purchase or construction of specified capital assets. UCSF receives capital gifts directly as well as receiving capital gift transfers from the Foundation. These funds are required to pay for specific facilities. Capital gifts and grants increased $15 million, or 47 percent, to $47 million in 2022 compared to $32 million in 2021 and decreased $26 million, or 45 percent compared with $58 million in 2020.

UCSF Cash Flows

The statements of cash flows present information about the significant sources and uses of cash. A summary comparison of cash flows for 2022, 2021 and 2020 is as follows:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
Cash received from operations	$8,328	$8,190	$7,550	$138	2 %	$640	8 %
Cash payments for operations	(8,318)	(7,561)	(7,563)	(757)	(10)	2	0
Net cash provided (used) by operating activities	**10**	**629**	**(13)**	**(619)**	**(98)**	**642**	**4938**
Net cash provided by noncapital financing activities	732	892	743	(160)	(18)	149	20
Net cash used by capital and related financing activities	193	(454)	(540)	647	143	86	16
Net cash provided (used) by investing activities	(1,627)	(585)	272	(1,042)	(178)	(857)	(315)
Net increase in cash and cash equivalents	**(692)**	**482**	**462**	**(1,174)**	**(244)**	**20**	**4**
Cash and cash equivalents, beginning of year	2,105	1,623	1,161	482	30	462	40
Cash and cash equivalents, end of year	**$1,413**	**$2,105**	**$1,623**	**($692)**	**(33)%**	**$482**	**30 %**

Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the University on a daily basis. Details on cash flows for 2022 are as follows:

- Cash of $10 million was provided by operating activities and is primarily attributable to higher patient volumes associated with the continued operations of UCSF Health and strong funding from grants and contracts.
- Cash of $732 million was provided by noncapital financing activities. As defined by GASB, noncapital financing activities include state educational appropriations of $254 million and private gifts of $445 million received to support operational, rather than capital, purposes.
- Cash of $193 million was provided for capital and related financing activities. Of this, proceeds from issuance of debt of $1,320 million, capital gifts and grants of $47 million, and state and capital appropriations of $19 million was offset by $1.2 billion used for purchase of capital assets, debt service, refinancing and other.
- Cash of $1,627 million was used by investing activities. Investing activities includes investment income of $91 million consisting of endowment income, BGP investment income, STIP investment income and TRIP investment income. Investing activities also includes net drawdown of $135 million from trustees for capital expenditures, and used $1.9 billion to purchase of investments and other.

UCSF Foundation Financial Position

The Foundation’s condensed statements of net position provide information on the organization’s current financial condition. Over time, increases or decreases in net position provide one indicator of the improvement or erosion of the Foundation’s financial health when considered with other nonfinancial information.

In 2015, the Foundation’s Board of Overseers formed the UCSF Foundation Investment Company (the “Company”), a nonprofit organization, to manage the Foundation’s Endowed Investment Pool (EIP). The Company commenced operations in 2016. The Company is led by a Chief Investment Officer and is governed by a Board with extensive knowledge of the investment industry, finance and business. The Foundation is the sole member of the Company, and appoints the Board. Under GASB standards, the Company is presented as a blended component in the Foundation financial statements.

The table below summarizes the Foundation’s net position, and sections following the table provide additional details.

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
ASSETS							
Cash and investments	$2,916	$2,897	$2,187	$19	1 %	$710	32 %
Pledges receivable, net	194	129	60	65	50	69	115
Other assets	28	36	50	(8)	(22)	(14)	(28)
Total assets	**3,138**	**3,062**	**2,297**	**76**	**2**	**765**	**33**
LIABILITIES							
Accounts payable and other liabilities	125	45	92	80	178	(47)	(51)
Unearned revenue	20			20	100 %		
Obligations under life income agreements	23	27	25	(4)	(15)	2	8
Total liabilities	**168**	**72**	**117**	**96**	**133**	**(45)**	**(38)**
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from irrevocable split interest agreement	30	31	29	(1)	(3)	2	7
Total deferred inflows of resources	**30**	**31**	**29**	**(1)**	**(3)**	**2**	**7**
NET POSITION							
Restricted, nonexpendable	1,128	1,048	907	80	8	141	16
Restricted, expendable	1,811	1,910	1,243	(99)	(5)	667	54
Unrestricted	1	1	1	0	0	0	0
Total net position	**$2,940**	**$2,959**	**$2,151**	**($19)**	**(1)%**	**$808**	**38 %**

Assets

The Foundation’s assets increased $76 million, or 2 percent, at $3.1 billion in 2022; this compares to an increase of $765 million, or 33 percent from 2020 to 2021. Assets comprise cash and cash equivalents, investments, pledges, and other assets, including investment income receivable, receivable for investments sold, and all other assets.

Cash and investments increased $19 million, or 1 percent, to $2.9 billion in 2022 from $2.9 billion in 2021 compared to an increase of $710 million, or 32 percent from 2020. Year-over-year changes in cash and investments are primarily the result of cash flows from contributions and disbursements to UCSF, additions to permanent endowments, and nonoperating income. Cash and investment balances include Investment Company balances. Balances in the Statements of Net Position no longer include assets associated with External Pool Participants, including BCHO Foundation's investment in the Foundation's endowed investment pool. These balances are included with Custodial Investment Fund balances in the Statements of Fiduciary Net Position, and prior year balances have been restated to reflect this change.

Pledge balances increased significantly for a second year, after declining for three consecutive years. Pledge receivable balances of $194 million as of June 30, 2022 increased $65 million from $129 million in 2021. New pledges totaling $116 million were offset by pledge payments and other changes of $50 million. This increase in the pledge receivable was offset by a net increase in the allowance for uncollectible pledges and discount on multi-year pledges of $1 million. Pledge receivable balances of $129 million as of June 30, 2021 increased $69 million from $60 million in 2020. New pledges totaling $176 million were offset by pledge payments and other changes of $106 million. This net increase was offset by a net increase in the allowance for uncollectible pledges and discount on multi-year pledges of $2 million.

Financial statement balances do not reflect conditional pledges that will be recognized when conditions, contingencies or milestone events specified by donors are met, or nonbinding intentions that donors may satisfy through other entities, such as donor advised funds or related foundations.

Other assets decreased $8 million from $36 million in 2021 to $28 million in 2022, and increased $14 million from $50 million in 2020 to $36 million in 2021. Other assets include receivable for investments sold and prepaid investment subscriptions, investment income receivable, beneficial interests in irrevocable split-interest agreements administered by third parties, and all other assets. Year-over-year changes are primarily due to changes in receivable for investments sold and prepaid investment subscriptions, which comprises $2 and $15 million of the decrease in other assets for 2022 and 2021, respectively. The receivable for investments sold reflects timing differences in cash settlements for trades executed just prior to fiscal year end, and prepaid investment subscriptions represent funds released to managers that are pending investment subsequent to year end.

Liabilities

Foundation’s liabilities increased $96 million, or 133 percent, to $168 million in 2022 from $72 million in 2021 compared to a decrease of $45 million, or 38 percent from 2020 to 2021. Year-over-year fluctuations generally result from changes in amounts payable to UCSF for funds disbursed at year-end but not funded until the subsequent year, payable for investments purchased and liabilities to beneficiaries under life income arrangements.

Unearned revenue of $20 million at June 30, 2022 reflects conditional pledge payments to UCSF Foundation for the joint UC Berkeley-UCSF Program in Computational Precision Health that will be recognized in subsequent years when donor conditions or milestones are met.

Year over year changes in obligations under life income arrangements, payable for investment purchases and agency funds held for others did not change significantly from 2020 to 2022.

Balances no longer include a liability to External Pool Participants, including Benioff Children's Hospital Oakland Foundation's investments in the Foundation's EIP. These balances are included with Custodial Investment Fund balances in the Statements of Fiduciary Net Position, and prior year balances have been restated to reflect this change.

Deferred inflows of resources

Deferred inflows of resources represent an acquisition of resources that will be recognized as revenue in a future reporting period. They do not represent revenue relating to the current fiscal year, and they are not liabilities owed by the Foundation. Amounts shown as deferred inflows in the Foundation's Statements of Net Position represent the fair value of the Foundation's interest in irrevocable split interest agreements where the Foundation is a trustee and remainderman or in trusts held by third parties where the Foundation is a remainderman.

Year-over-year change in deferred inflows of resources reflect split interest activity for the year. This activity includes acquisition of new split interest agreements, actuarial changes in liabilities to beneficiaries, and in market value. Revenue is recognized as agreements are realized, and the deferred inflow is reduced.

Net position

Net position represents the residual interest in assets after all liabilities and deferred inflows of resources are deducted. Net position decreased $19 million, or 1 percent, and is $2.9 billion at 2022 and $3.0 billion at 2021 compared to an increase of $808 million, or 38 percent from 2020. Net position is classified and reported based on the presence, or absence, of donor-imposed restrictions.

Restricted nonexpendable net position includes the corpus of the Foundation's permanent endowments. At $1.1 billion, $1.0 billion and $907 million, restricted nonexpendable net position comprises 38 percent, 35 percent and 42 percent of total net position for 2022, 2021 and 2020, respectively. Increases of $80 million, or 8 percent from 2021 to 2022 and $141 million, or 16 percent from 2020 to 2021 are primarily due to receipt of gifts intended for permanent endowments, but also include reclassification of the underwater portion of permanent endowments with market values that are less than their historic gift value from restricted nonexpendable to restricted expendable net assets.

Restricted expendable net position includes gifts that are subject to donor-designated restrictions governing their use by particular entities or programs, or for specific purposes or functions of UCSF. They also include donor and internally designated quasi-endowments that can be expended, and endowment income and change in fair market value. At $1.8 billion, $1.9 billion and $1.2 billion, restricted expendable net position comprises 62 percent, 65 percent and 58 percent of total net position for 2022, 2021 and 2020, respectively. The decrease of $99 million from 2021 to 2022 and increase of $667 million from 2020 to 2021 are primarily due to receipt of current use gifts, gifts and other funds intended for quasi-endowments, and investment income, and increase or decrease in fair market value of investments, offset by distributions to UCSF.

UCSF Foundation Results of Operations

The Foundation's condensed statements of revenues, expenses and changes in net position present the Foundation's operating and nonoperating results and other changes in net position. The table below summarizes the Foundation's results, and the sections following the table provide additional details.

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
OPERATING REVENUES							
Contributions	$514	$427	$451	$87	20 %	($24)	(5)%
Total operating revenues	**514**	**427**	**451**	**87**	**20**	**(24)**	**(5)**
OPERATING EXPENSES							
Distributions to UCSF and other operating expenses	445	376	411	69	18	(35)	(9)
Total operating expenses	**445**	**376**	**411**	**69**	**18**	**(35)**	**(9)**
Income (loss) from operations	**69**	**51**	**40**	**18**	**35**	**11**	**28**
NONOPERATING INCOME							
Investment income, net of investment expense	8		8	8	100	(8)	(100)
Net increase (decrease) in fair value of investments	(182)	618	79	(800)	(129)	539	682
Total nonoperating income (loss)	**(174)**	**618**	**87**	**(792)**	**(128)**	**531**	**610**
Net income (loss) before other changes in net position	**(105)**	**669**	**127**	**(774)**	**(116)**	**542**	**427**
OTHER CHANGES IN NET POSITION							
Additions to permanent endowments	86	139	68	(53)	(38)	71	104
Increase (decrease) in net position	**(19)**	**808**	**195**	**(827)**	**(102)**	**613**	**314**
NET POSITION							
Beginning of year	2,959	2,151	1,956	808	38	195	10
End of year	**$2,940**	**$2,959**	**$2,151**	**($19)**	**(1)%**	**$808**	**38 %**

Operating revenues

Operating revenues, consisting of income from fundraising activities, including gifts for current use and quasi-endowments, increased $87 million, or 20 percent, to $514 million in 2022 from $427 million in 2021 compared to a decrease of $24 million, or 5 percent from $451 million in 2020. Operating revenues fluctuate based on results of fundraising activities conducted throughout the year. Contributions result from donor interests, long-term donor cultivation and specific appeals for immediate needs. Timing and amounts are not entirely predictable and the Foundation expects fluctuations in contribution revenue from year to year.

Operating expenses

Operating expenses increased $69 million, or 18 percent in 2022 to $445 million from $376 million in 2021. Operating expenses decreased $35 million, or 9 percent in 2021 from $411 million in 2020. Distributions to UCSF are based on UCSF's programmatic needs, subject to gift restrictions and the amount available in any particular year. Distributions include transfers of endowment income and gifts intended to fund capital projects and other purposes.

The table below illustrate how distributions from the Foundation to UCSF and affiliates have changed year-over-year for the fiscal years ended June 30, 2022, 2021 and 2020 in total, and by type of use:

(in millions of dollars)				Increase (decrease) from 2021 to 2022		Increase (decrease) from 2020 to 2021	
	2022	2021	2020	$ Change	% Change	$ Change	% Change
CAPITAL PROJECTS							
Mission Bay Block 33 Center for Vision Neuroscience Building	$1	$1	$22	$0	0 %	($21)	(95)%
Mission Bay Hospital Complex		10	5	(10)	(100)	5	100
Mission Bay Precision Medicine Cancer Building	10	4	11	6	150	(7)	(64)
Zuckerberg San Francisco General Academic and Research Building		2		(2)	(100)	2	100
Sandler Neurosciences Conference Center		2	1	(2)	(100)	1	100
Marson Lab			1			(1	100
Nancy Friend Pritzker Psychiatry Building	6			6	100 %		
Mission Bay Block 23A Weil Neurosciences Building	10	11	12	(1)	(9)	(1)	(8)
Total capital projects	**27**	**30**	**52**	**(3)**	**(10)**	**(22)**	**(42)**
OTHER NONCAPITAL PROJECTS							
Research / faculty support	293	234	220	59	25	14	6
Institutional support	63	66	57	(3)	(5)	9	16
Instruction	17	16	16	1	6	0	0
Medical Center / Teaching Hospital	3	4	44	(1)	(25)	(40)	(91)
Other	34	20	16	14	70	4	25
Total other non-capital projects	**410**	**340**	**353**	**70**	**21**	**(13)**	**(4)**
Total distributions to UCSF for spending	**$437**	**$370**	**$405**	**$67**	**18 %**	**($35)**	**(9)%**

Nonoperating income

Nonoperating income includes the results of all investment activities, which is a source for endowment payout and for Foundation operating expenses. Nonoperating income showing in the Statements of Revenues, Expenses and Changes in Net Position excludes investment results allocated to Custodial Investment Funds or External Pool Participants.

Net investment income consists of dividends, interest and other investment income offset by investment management fees. Net investment income totaled $8 million, an increase of $8 million from 2021; at $0.2 million, 2021 net investment income decreased $8 million from 2020.

Net increase (decrease) in fair value of investments, consisting of net realized gain (loss) and change in unrealized gain (loss), was $(182) million for 2022, compared to $618 million for 2021 and $79 million for 2020. Change in fair value reflects results for unendowed, endowed and trust investment activities.

For 2022, the Foundation's Endowed Investment Pool (EIP) return, including investment income and expense and change in fair market value, is (7%). Given the volatile market context during the fiscal year, most of his negative performance was concentrated in Public Equities, about a quarter of the portfolio, which fell 25%, with Premium Return (private equity) also detracting modestly after falling 2%. Diversifying Investments, about one-third of the portfolio, positively contributed to the total EIP return by rising 5%.

EIP return for 2021 was 33.2%. The Public Equity investments returned almost 37%, while Premium Return (private equity) group had excellent returns of 56% and was a significant contributor to performance, given its 34% weight.

EIP return for 2020 was 5.3%. The Public Equity managers added value, but the big contributor was the Premium Return (private equity) group. Having gown to 23% of the portfolio, strong absolute and relative returns from these private investments added significant value.

Endowment payout is drawn from the accumulated market value of the EIP, consisting of corpus, current year net investment income, and accumulated income and gains. Payout for 2022 is $107 million, compared to $94 million and $85 million for 2021 and 2020, respectively. These amounts are net of the Foundation’s cost recovery fee and represent spendable funds available to campus departments and custodial investment funds (external pool participants), for program support. Total payout increases each year as the Foundation’s endowment grows, and payout reflects earnings on funds functioning as endowments that were established with proceeds from the 2018 sale of the Foundation’s real estate limited partnership interests.

Other changes in net position—additions to permanent endowments

The Foundation's endowment continues to grow year-over-year. For 2022, gifts to permanent endowments decreased $53 million, from $139 million in 2021 to $86 million in 2022; additions to permanent endowment totaled $68 million in 2020. Endowment gifts result from donor interests and long-term donor cultivation with the objective of generating steady and lasting income streams to support UCSF's priorities, schools or programs. The timing and amounts of gifts are not entirely predictable, and the Foundation expects fluctuations from year to year.

Looking Forward - Factors Impacting Future Periods

The Governor signed SB-154 on June 27, 2022, and AB-178 on June 30, 2022; together, these bills constitute the 2022-23 State Budget Act. For 2022-23, State funds allocated to the University totaled $5.1 billion, including $360.3 million in new, ongoing funding (an increase of approximately 8.9 percent over 2021-22) and $754.1 million in one-time support. Of this one-time funding, $125 million is intended to address deferred maintenance across the system and $185 million will support climate research. In addition, the Governor's budget reflects the first year of a multi-year compact with the University for sustained ongoing funding. The multi-year compact provides for UC to receive annual 5 percent base budget adjustments through 2026-27, as long as progress is made towards specified policy goals. In addition to the University's main appropriation, the State Budget included $389 million in one-time funds for specific student housing projects through the Higher Education Student Housing Grant Program.

UCSF Health continue to face financial and competitive challenges in its regional market, along with the added costs and responsibilities related to its function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, UCSF Health also faces additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a significant share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for UCSF Health.

UCSF must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. Support for UCSF's capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by UCSF, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCSF expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCSF does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF NET POSITION

At June 30, 2022 and 2021 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
ASSETS				
Cash and cash equivalents	$1,413,301	$2,105,439	$339,329	$217,770
Short-term investments	2,848,527	2,282,171	37,758	25,160
Receivable for investments sold			19,979	22,039
Investments held by trustee	91,385	229,148		
Accounts receivable, net	1,462,975	1,118,916		
Pledges receivable, net	1,026	600	43,287	37,427
Notes and mortgages receivable, net	11,006	13,013		
Inventories	81,972	73,876		
Other current assets	194,214	205,387	382	454
Current assets	**6,104,406**	**6,028,550**	**440,735**	**302,850**
Restricted assets			83,581	52,732
Investments	4,520,430	4,037,561	2,455,296	2,601,375
Pledges receivable, net		347	150,298	91,123
Notes and mortgages receivable, net	10,273	9,314		
Capital assets, net	6,854,255	6,551,648		
Other noncurrent assets	140,677	126,360	7,534	14,014
Noncurrent assets	**11,525,635**	**10,725,230**	**2,696,709**	**2,759,244**
Total assets	**17,630,041**	**16,753,780**	**3,137,444**	**3,062,094**
DEFERRED OUTFLOWS OF RESOURCES	2,690,651	2,301,388		
LIABILITIES				
Accounts payable	488,884	410,427	5,144	3,098
Accrued salaries and benefits	649,221	655,575		
Obligations under life income agreements			2,995	2,781
Unearned revenue	208,014	172,343		
Current portion of long-term debt	190,804	134,488		
Third party payor settlements, net	551,477	435,065		
Other current liabilities	177,531	449,556	119,322	41,427
Current liabilities	**2,265,931**	**2,257,454**	**127,461**	**47,306**
Federal refundable loans	15,165	21,810		
Obligations under life income agreements			19,678	24,616
Long-term debt	5,620,741	4,631,021		
Due to University	1,208,743	990,294		
Net pension liability	4,102,725	1,309,017		
Net retiree health benefits liability	3,861,653	4,683,195		
Self insurance	17,553	17,883		
Other noncurrent liabilities	81,445	72,338	19,872	393
Noncurrent liabilities	**14,908,025**	**11,725,558**	**39,550**	**25,009**
Total liabilities	**17,173,956**	**13,983,012**	**167,011**	**72,315**
DEFERRED INFLOWS OF RESOURCES	2,182,712	3,229,490	30,172	31,189
NET POSITION				
Net investment in capital assets	1,962,734	2,245,351		

Restricted:				
Nonexpendable: endowments and gifts	4,027,792	2,217,594	1,128,641	1,048,411
Expendable: endowment and gifts	(327,472)	1,657,810	1,811,249	1,909,814
Expendable: other, including debt service, loans, capital projects and appropriations	24,904	170,581		
Unrestricted	(4,723,934)	(4,448,670)	371	365
Total net position	**$964,024**	**$1,842,666**	**$2,940,261**	**$2,958,590**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2022 and 2021 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
OPERATING REVENUES				
Student tuition and fees, net	$64,648	$60,902		
Grants and contracts, net				
Federal	835,496	809,143		
State	153,399	110,787		
Private	490,045	431,718		
Local	258,279	247,780		
Sales and services:				
Medical center, net	5,909,588	5,239,018		
Other clinical revenue and educational activities, net	322,994	317,025		
Auxiliary enterprises, net	59,328	52,037		
UCSF Foundation private gifts			$513,607	$427,391
Other operating revenues, net	414,686	332,146		
Total operating revenues	**8,508,463**	**7,600,556**	**513,607**	**427,391**
OPERATING EXPENSES				
Salaries and wages	4,375,519	4,041,010		
Benefits	1,972,876	1,501,535		
Scholarships and fellowships	53,477	47,919		
Utilities	51,412	45,013		
Supplies and materials	1,178,523	1,074,735		
Depreciation and amortization	428,130	425,623		
UCSF Foundation grants			436,563	369,898
Professional and purchased services	693,391	630,210		
Subaward expenses	186,005	177,035		
Other operating expenses	331,424	251,866	7,693	6,470
Total operating expenses	**9,270,757**	**8,194,946**	**444,256**	**376,368**
Operating income (loss)	**(762,294)**	**(594,390)**	**69,351**	**51,023**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	254,080	177,049		
Federal financing appropriations	21,911	22,219		
State financing appropriations	4,674	4,378		
Private gifts, net	444,708	392,772		
Investment income, net	97,881	175,689	7,826	179
Increase in fair value of investments	(812,001)	1,113,170	(181,144)	617,432
Interest expense	(204,979)	(194,064)		
Patent income	30,210	15,146		
Gain (loss) on disposal of capital assets	(3,360)	(3,542)		
Other nonoperating revenues (expenses)	84,622	292,400		
Total nonoperating revenues (expenses)	**(82,254)**	**1,995,217**	**(173,318)**	**617,611**
Income (loss) before other changes in net position	**(844,548)**	**1,400,827**	**(103,967)**	**668,634**
OTHER CHANGES IN NET POSITION				
Capital gifts and contracts	46,925	31,563		

Additions to permanent endowment			85,638	138,804
Changes in allocation for pension payable to University	(80,522)	48,451		
Capital support to University and other	(497)	(408)		
Total other changes in net position	**(34,094)**	**79,606**	**85,638**	**138,804**
Increase (decrease) in net position	**(878,642)**	**1,480,433**	**(18,329)**	**807,438**
NET POSITION				
Beginning of year, as previously	1,865,422	373,692	2,958,590	2,151,152
Cumulative effect of change in accounting principle	(22,756)	(11,459)		
Beginning of year, as restated	1,842,666	362,233	2,958,590	2,151,152
Net position, end of year	**$964,024**	**$1,842,666**	**$2,940,261**	**$2,958,590**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$76,071	$55,110		
Grants and contracts	1,714,762	1,638,189		
UCSF Health	5,909,526	5,503,639		
Educational activities	322,994	317,025		
Auxiliary enterprises	59,243	52,233		
UCSF Foundation private gifts			$326,713	$285,048
Payments to employees	(4,389,709)	(3,914,678)		
Payments to suppliers and utilities	(2,668,002)	(2,425,757)		
Payments for employee and retiree benefits	(1,184,400)	(1,172,407)		
Payments for scholarships and fellowships	(53,477)	(47,919)		
Cumulative effect accounting change	(22,756)			
Other operating receipts/(payments)	245,752	624,076	(366,842)	(398,570)
Net cash provided (used) by operating activities	**10,004**	**629,511**	**(40,129)**	**(113,522)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	254,080	177,049		
State hospital fee program		6,530		
Private gifts for endowment purposes			95,213	135,984
Other private gifts	442,171	408,568		
Receipt of patent income	30,210	15,146		
Other receipts (payments)	5,216	284,952	9,732	(16,126)
Net cash provided by noncapital financing activities	**731,677**	**892,245**	**104,945**	**119,858**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State and federal financing appropriations	19,124	26,566		
Capital gifts and grants	46,925	14,387		
Proceeds from debt issuance	1,320,097	655,212		
Gain (Loss) from the sale of capital assets	3,665	(1,592)		
Purchase of capital assets	(592,435)	(679,622)		
Refinancing or prepayment of outstanding debt	(15,074)	(192,158)		
Principal paid on debt and financing obligations	(100,569)	(113,782)		
Interest paid on debt and financing obligations	(192,805)	(187,720)		
Other	(295,720)	24,103		
Net cash provided (used) by capital and related financing activities	**193,208**	**(454,606)**		
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income, net of investment expenses	90,827	154,162	9,384	(1,510)
Distributions from (contributions to) joint ventures		(13,363)		
Proceeds from sale of donated securities			93,142	74,786
Proceeds from sales and maturities of investments	3,298	10,899	712,278	890,928
Purchase of investments, net	(1,009,720)	(656,500)	(727,212)	(970,319)
(Additions to) investments held by trustees for capital spend	(2,531)	(490,572)		
Drawdown of investments held by trustees for capital spend	137,763	411,333		
Change in restricted assets	(844,697)	(696)		
Other non-operating revenues, net	(1,967)			

Net cash provided (used) by investing activities	**(1,627,027)**	**(584,737)**	**87,592**	**(6,115)**
Net increase (decrease) in cash and cash equivalents	**(692,138)**	**482,413**	**152,408**	**221**
Cash and cash equivalents, beginning of year	2,105,439	1,623,026	270,502	270,281
Cash and cash equivalents, end of year	**$1,413,301**	**$2,105,439**	**$422,910**	**$270,502**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF CASH FLOWS *(continued)*

Years ended June 30, 2022 and 2021 *(in thousands of dollars)*

	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	($762,294)	($594,390)	$69,351	$51,023
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expense	428,130	425,623		
Allowance for uncollectible accounts	54,437	44,899	558	592
Donated securities, excluding permanent endowment			(115,890)	(72,582)
Change in unamortized discount on pledges			204	1,257
Change in assets and liabilities:				
Accounts receivable	(396,314)	(109,825)		
Pledges receivable			(65,797)	(70,331)
Inventories	(8,096)	(559)		
Other assets	(6,667)	32,323		
Accounts payable	77,434	(3,664)		
Accrued salaries	(6,354)	257,369		
Retiree health and other employee benefits	(755,641)	319,688		
Pension benefits	1,533,995	(7,730)		
Deferred revenue	35,671	16,037		
Annuities payable and liabilities to life beneficiaries			1,295	887
Other liabilities	(184,297)	249,740	69,401	(24,303)
Deferred inflows of resources			749	(65)
Net cash provided (used) by operating activities	**$10,004**	**$629,511**	**($40,129)**	**($113,522)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired with a liability at year-end	$38,522	$64,499		
Capital assets acquired through capital lease at year-end	167,746	26,146		
Operating activities - Contributions			$115,786	$71,982
Noncapital financing - Additions to permanent endowments			2,796	2,820
Beneficial interest in irrevocable split-interest agreements			105	599
Change in fair value of interest rate swaps classified as hedging derivatives	4,225	3,078		
Capital asset transfers from (to) University	(108)	26		
Amortization of deferred financing costs	995	954		
Amortization of bond premiums and cost of issuance write-off	(13,542)	(14,295)		

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2022 and 2021 (in thousands of dollars)

	UCSF FOUNDATION	
	2022	2021
ASSETS		
Noncurrent assets		
Investments	$336,383	$359,681
Total assets	336,383	359,681
NET POSITION HELD IN CUSTODIAL FUNDS		
Custodial investment funds, restricted	336,383	359,681
Total net position held in custodial funds	**$336,383**	**$359,681**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended June 30, 2022 and 2021 (in thousands of dollars)

	UCSF FOUNDATION	
	2022	2021
ADDITIONS		
New additions	$6,148	$1,973
Reinvested distributions	11,293	18,659
Changes in fair market value of investments, net	(40,166)	76,786
Total additions	(22,725)	97,418
DEDUCTIONS		
Withdrawals	(573)	(450)
Total withdrawals	(573)	(450)
Increase in net position held in custodial funds	-23,298	96,968
NET POSITION		
Beginning of year	359,681	262,713
End of year	**$336,383**	**$359,681**

See accompanying Notes to Financial Statements

Notes to Financial Statements

Organization

The University of California ("the University") was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board ("The Regents") is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit. Additionally, the University's financial statements, which cover ten campuses, five medical schools and medical centers, four law schools, and a statewide Division of Agricultural and Natural Resources, along with a number of other fiduciary activities, are subjected to an independent annual audit.

Financial Reporting Entity

University of California, San Francisco

The University of California, San Francisco (UCSF) was founded in 1874 and is one of the ten campuses that comprise the University. UCSF is a leading university dedicated to promoting health worldwide through advanced biomedical research, graduate-level education in the life sciences and health professions, and excellence in patient care. It consists of the schools of medicine, dentistry, nursing, and pharmacy, the graduate division (collectively, the Campus), as well as UCSF Medical Center, UCSF Faculty Clinical Practices, Langley Porter Psychiatric Hospital and Clinics, and Benioff Children's Hospital (collectively, UCSF Health). UCSF is the only campus of the University of California that is devoted exclusively to graduate and professional education and training in the health sciences.

UCSF's financial statements include the accounts of the Campus and UCSF Health. The Campus includes the Campus Facilities Improvement Association (CFIA), a legally separate, not-for-profit public benefit corporation, established for charitable and educational purposes, including facilitating the development, financing, construction and management of buildings and facilities. All members of the Board of Directors of CFIA are appointed by and can be removed by The Regents. The Regents have the authority to approve the budget for CFIA. CFIA provides services almost entirely for the benefit of The Regents on behalf of UCSF. Accordingly, CFIA is included in UCSF's financial reporting entity as a blended component unit. The operations of most student government or associated student organizations are also included in the reporting entity because UCSF has certain fiduciary responsibilities for these organizations.

The University of California system is subjected to an annual audit of the consolidated financial statements. UCSF's financial statements are included in the University of California's consolidated financial statements. The financial statements for UCSF have not been separately audited.

The University of California, San Francisco Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the Campus and the University. The University of California, San Francisco Foundation (the Foundation) was incorporated in 1982 as a not-for-profit public benefit corporation organized for the purpose of accepting and administering the full range of private contributions to UCSF. Although governed by an independent board, the Foundation is affiliated with, and its assets are dedicated for, the sole benefit of UCSF. The financial activities of the separately incorporated Foundation are not recorded at UCSF until such time as gifts are transferred from the Foundation to the Campus or UCSF Health. However, the Foundation activity is included in the UCSF financial statements and footnotes in separate columns as a discretely presented component unit. Additional information about the Foundation may be found in their stand-alone audited financial statements.

UCSF Benioff Children's Hospital Oakland

The Regents are also the sole corporate and voting member of UCSF Benioff Children's Hospital Oakland (BCHO), a private, not-for-profit 501(c)(3) corporation. A Board of Directors comprised primarily of independent directors serves as the governing body of BCHO. Certain corporate powers are reserved to The Regents, including the power to appoint and remove directors and to approve BCHO's strategic plan and budget. Children's Hospital and Research Center Foundation ("BCHO Foundation"), a nonprofit public benefit corporation, is organized and operated for the purpose of supporting BCHO. UCSF Health provides certain management services for BCHO. Since UCSF has the ability to impose its will on BCHO, under GASB requirements, the results of BCHO, including its foundation, are consolidated as part of UCSF and are included as part of UCSF's results.

Significant Accounting Policies

The financial statements of UCSF and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. UCSF and the Foundation follow accounting principles issued by the Governmental Accounting Standards Board (GASB).

In January 2017, the GASB issued Statement No. 87, Leases (GASB 87), effective for UCSF's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as those leases lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The effects of adopting GASB 87 in UCSF's financial statements for the year ended June 30, 2021, were as follows:

	UCSF		
(in thousands of dollars)	**AS PREVIOUSLY REPORTED**	**EFFECT OF ADOPTION OF GASB 87**	**AS RESTATED**
STATEMENTS OF NET POSITION			
ASSETS			
Accounts receivable, net	$1,114,508	$4,408	$1,118,916
Current assets	**6,024,142**	**4,408**	**6,028,550**
Capital assets, net	6,041,096	510,552	6,551,648
Other noncurrent assets	58,876	67,484	126,360
Noncurrent assets	**10,147,194**	**578,036**	**10,725,230**
Total assets	**16,171,336**	**582,444**	**16,753,780**
LIABILITIES			
Accounts payable	410,521	(94)	410,427
Current portion of long-term debt	92,216	42,272	134,488
Other current liabilities	451,028	(1,472)	449,556
Current liabilities	**2,216,748**	**40,706**	**2,257,454**
Long-term debt	4,133,742	497,279	4,631,021
Noncurrent liabilities	**11,228,279**	**497,279**	**11,725,558**
Total liabilities	**13,445,027**	**537,985**	**13,983,012**
DEFERRED INFLOWS OF RESOURCES	**3,162,275**	**67,215**	**3,229,490**
NET POSITION			
Net investment in capital assets	2,276,110	(30,759)	2,245,351
Unrestricted	(4,456,673)	8,003	(4,448,670)
Total net position	**$1,865,422**	**($22,756)**	**$1,842,666**
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Other operating revenues, net	$338,946	($6,800)	$332,146
Total other operating revenue	**338,946**	**(6,800)**	**332,146**
Total operating revenues	**7,607,356**	**(6,800)**	**7,600,556**
Supplies and materials	1,074,791	(56)	1,074,735
Depreciation and amortization	367,869	57,754	425,623
Other operating expenses	317,767	(65,901)	251,866
Total operating expenses	**8,203,149**	**(8,203)**	**8,194,946**
Operating income (loss)	**(595,793)**	**1,403**	**(594,390)**
Interest expense	(172,673)	(21,391)	(194,064)
Loss on disposal of capital assets	(3,230)	(312)	(3,542)
Other nonoperating revenues (expenses)	283,397	9,003	292,400
Total nonoperating revenues (expenses), net	**2,007,917**	**(12,700)**	**1,995,217**
Income before other changes in net position	**$1,412,124**	**($11,297)**	**$1,400,827**
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and utilities	($2,491,274)	$65,517	($2,425,757)
Other operating receipts/(payments)	630,875	(6,799)	624,076
Net cash provided by operating activities	**570,793**	**58,718**	**629,511**

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on debt and financing obligations	(69,910)	(43,872)	(113,782)
Interest paid on debt and financing obligations	(166,443)	(21,277)	(187,720)
Other	17,672	6,431	24,103
Net cash used by capital and related financing activities	**(395,888)**	**(58,718)**	**(454,606)**
Reconciliation of loss from operations to net cash provided by operating activities:			
Operating income (loss)	(595,793)	1,403	(594,390)
Depreciation and amortization expense	367,869	57,754	425,623
Accounts payable	(3,587)	(77)	(3,664)
Other liabilities	250,102	(362)	249,740
Net cash provided by operating activities	**$570,793**	**$58,718**	**$629,511**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through leases	$1,089	$25,057	$26,146

The notes to the financial statements for the year ended June 30, 2021 have been restated to reflect the adoption of GASB 87.

New accounting pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for UCSF's fiscal year beginning July 1, 2022. The Statement defines a conduit debt obligation and clarifies the accounting and financial reporting for conduit debt obligations with additional or voluntary commitments by issuers. UCSF is evaluating the effect that Statement No. 91 will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for UCSF's fiscal year beginning July 1, 2022. The Statement provides guidance for financial reporting for public-private and public-public partnership arrangements and availability payment arrangements. UCSF is evaluating the effect that Statement No. 94 will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for UCSF's fiscal year beginning July 1, 2022. Under this Statement, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability. UCSF is evaluating the effect that Statement No. 96 will have on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, effective for UCSF's fiscal year beginning July 1, 2023. The Statement requires disclosures of descriptive information about accounting changes and error corrections and addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. UCSF is evaluating the effect that Statement No. 100 will have on their financial statements.

In June 2022, the GASB issued Statement No. 101, Compensated Absences, effective for UCSF's fiscal year beginning July 1, 2024. The Statement replaces Statement No. 16, Accounting for

Compensated Absences, to align recognition and measurement guidance for all types of compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement also establishes guidance for measuring a liabilities for leave that has not been used. Under Statement No. 101, UCSF's compensated absences liabilities are expected to increase. UCSF is evaluating the full effect those requirements will have on their financial statements.

Cash and cash equivalents. Cash and cash equivalents consist of bank deposits and balances in money market funds held in nationally recognized banking institutions, and balances held in The Regents Short Term Investment Pool (STIP). The STIP pool has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. Balances include amounts held for endowment purposes that are classified as noncurrent cash and cash equivalents.

UCSF and the Foundation consider all balances in demand deposit accounts to be cash. UCSF classifies all other highly liquid cash equivalents with original maturities less than one year as short-term investments.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures, and other operating expenses for campuses and medical centers is invested in STIP. Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of 5.5 years.

Substantially all of UCSF’s cash and cash equivalents are invested in STIP. Investment income is reported as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Additional information on cash and investments can be obtained from the University’s Annual Financial Report of the University.

Investments. UCSF’s investments consist of investments in the UC Regents Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP), and General Endowment Pool (GEP). The Regents, as the governing body, are responsible for the oversight of the University’s investments and establish investment policy, which is carried out by the Chief Investment Officer. Asset and Risk allocation Policy guidelines are provided to the campus foundations by the Investment Committee of The Regents.

Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by broker/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout, real assets and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2022 and 2021.

Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate, real assets and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions and risks inherent to the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported NAV of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's statement of revenues, expenses and changes in net position.

Foundation investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

UCSF has entered into interest rate swap agreements to limit the exposure of their variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. UCSF's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the statement of net position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statement of revenues, expenses and changes in net position.

Investments held by trustee. Investments held by trustee consist of bond proceeds held by the Treasurer of The Regents. Bond proceeds remain invested with the Treasurer until capital project costs are incurred.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, local government and private grants and contracts, amounts due from students, affiliation agreements, and other educational and auxiliary activities. Foundation receivables include receivables related to investments sold.

Pledges receivable, net. Written unconditional promises to make future payments of private gifts to UCSF or the Foundation, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Beneficial interests in irrevocable split-interest agreements. The beneficial interests in irrevocable split-interest agreements represent the UCSF's right to the portion of the benefits from the irrevocable split-interest agreements that are administered by third parties and are recognized as an asset and deferred inflows of resources. These are measured at fair value and are reported as other noncurrent assets in the statement of net position. Changes in the fair value of the beneficial interest asset are recognized as an increase or decrease in the related deferred inflows of resources. At the termination of the agreement, net assets received from the beneficial interests are recognized as revenues.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other sources. Home mortgage loans, primarily to faculty, are provided from the University's STIP and from other UCSF sources, and are collateralized by deeds of trust on properties concentrated in the San Francisco Bay Area.

Inventories. Inventories, consisting primarily of pharmaceuticals, medical supplies and printed forms, are stated on a first-in, first-out basis at cost.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

(shown in years)	
Infrastructure	25
Buildings and improvements	10-40
Equipment	2-20
Computer software	3-7
Intangible assets	2 - indefinite
Library books and collections	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections are not depreciated.

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the Foundation has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the statement of net position. Gifts subject to such agreements administered by the Foundation are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. The Foundation's residual interest is reported in deferred inflows of resources in the statement of net position. At the termination of the agreement, the Foundation's residual interest is recorded as gift revenue in the statement of revenues, expenses and changes in net position.

Unearned revenue. UCSF unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees, and clinical trials. Foundation unearned revenue comprises conditional pledge payments received from a donor where the conditions and milestone events specified by the donor have not yet been met by the University.

Funds held for others. Funds held for others result from UCSF, or the Foundation, acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to UCSF or the UCSF Foundation.

Federal refundable loans. Certain loans to students are administered by UCSF, with funding primarily supported by the federal government. UCSF's Statement of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Pollution remediation obligations. Upon an obligating event, UCSF estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as other noncurrent liabilities.

Asset retirement obligations. Upon an obligating event, UCSF records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, material and equipment.

Retiree health benefits and liability. The University established the University of California Retiree Health Benefits Trust (UCRHBT) to allow certain University locations and affiliates, including UCSF, to share the risks, rewards, and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serve as trustee of UCRHBT and have the authority to amend or terminate the Trust.

UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

The University's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the University of California Retiree Health Benefit Trust (UCRHBT) fiduciary net position. The fiduciary net position and changes in net position of UCRHBT has been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Net Pension Liability. UCSF records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Pension obligations also include the net pension liability for the Retirement Plan for Children's Hospital & Research Center at Oakland ("CHRCO Plan"). The CHRCO Plan's net pension liability, pension expense and deferred inflows or outflows are measured and reported using methodologies consistent with those described above for UCSF's pension obligations.

Due to University. Additional deposits in UCRP have been made using University resources to fund the gap between the approved contribution rates and the required contributions based on The Regents funding policy. These deposits, carried as internal loans to the University, are being repaid, plus accrued interest, over a thirty-year period through a supplemental pension assessment. Supplemental pension assessments are reported as pension expense. Additional deposits in UCRP by the University and changes in the proportionate share of the internal loans, are reported as other changes in net assets.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. UCSF classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the shorter of the remaining life of the old or new debt.

UCSF and the Foundation classifies changes in irrevocable split-interest agreements as deferred inflows of resources.

UCSF classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources.

Changes in net pension liability and net retiree health benefit liability not included in pension expense and retiree health benefits expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of UCSF's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. UCSF and the Foundation classify net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

> ***Nonexpendable.***The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCSF or the Foundation is classified as nonexpendable net position. This also includes Foundation permanent endowment funds.
>
> ***Expendable.*** The net position whose use by UCSF or the Foundation is subject to externally imposed restrictions that can be fulfilled by actions of UCSF or the Foundation, pursuant to those restrictions, or that expire by the passage of time is classified as expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted net position. Unrestricted net position may be designated for specific purposes by management or The Regents. The Foundation's unrestricted net position may be designated for specific purposes by their Board of Overseers. Substantially all of the unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted sources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, UCSF's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding assets available to pay such obligations.

Revenues and expenses. Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from UCSF Health and faculty physicians practicing as the UCSF Faculty Practices, educational activities, and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCSF are presented in the statement of revenues, expenses and changes in net position as operating activities.

UCSF Health revenue includes net patient service revenue reported at the estimated net realizable amounts from patients, third-party payors including Medicare and Medi-Cal, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. UCSF Health believe that they are in compliance with all applicable laws and regulations related to the Medicare and Medi-Cal programs. UCSF Health estimate and recognize a provision for uncollectible accounts based on historical experience. Substantially, all of UCSF Health's operating expenses are directly or indirectly related to patient care activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UCSF are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since GASB does not consider them to be related to the principal operating activities of UCSF.

The Foundation was established to financially support UCSF. Private gifts to the Foundation are recognized as operating revenues as the revenues are fundamental to the core mission of the Foundation. When the gift or grant is transferred from the Foundation to UCSF, UCSF records the revenue as either nonoperating revenue, or a capital gift or grant. The Foundation records these transfers as an operating expense.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, direct government grants from the American Rescue Plan Act

(ARPA), Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, Build America Bond federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation (or depreciation) in the fair value of investments, interest expense and the gain (loss) on the disposal of capital assets.

UCSF received grants under certain provisions of the ARPA and CARES Act, reported as nonoperating revenues, to minimize the impacts of lost revenues and increased expenses related to COVID-19. UCSF received grants under the Higher Education Emergency Relief Fund to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. UCSF Health received grants under the CARES Act Provider Relief Fund for lost revenues and health care related expenses related to operational changes to prepare for treating patients with COVID-19.

State capital appropriations, capital gifts and grants and gifts for permanent endowment purposes are classified as other changes in net position.

Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of UCSF. Certain waivers of student tuition and fees, considered to be scholarship allowances, are recorded as an offset to revenue.

UCSF recognizes certain scholarship allowances, including financial aid and fee waivers, as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as by third parties making payments on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

State appropriations. The state of California provides appropriations to the University that are allocated to UCSF on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement or other specific operating purposes are reported as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grants and contracts revenue. UCSF receives grants and contracts revenue from governmental and private sources. UCSF recognizes revenue associated with the direct cost of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCSF's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2022, the facilities and administrative cost recovery totaled $335 million, which consisted of $219 million from federally sponsored programs and $116 million from other sponsors. For the year ended June 30, 2021, the facilities and administrative cost recovery totaled $315 million, which consisted of $211 million from federally sponsored programs and $104 million from other sponsors.

Charity care. UCSF Health provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. UCSF Health also provide services to other patients under publicly sponsored programs, which may reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these persons and the expected reimbursement is included in the estimated cost of charity care.

Compensated absences. UCSF accrues annual leave for employees, including employer-related costs, at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCSF programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. University of California Retirement System plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The Foundation is also qualified for tax exempt under IRC Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are qualified for exemption under IRC Section 501(c)(3). Income received by UCRHBT is tax-exempt under IRC Section 115(a).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

1. Cash and Cash Equivalents

The University maintains centralized management for substantially all of UCSF's cash and cash equivalents. Cash and cash equivalents consist of bank deposits and balances in money market funds held in nationally recognized banking institutions, and balances held in The Regents Short Term Investment Pool (STIP). The STIP pool has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. Cash in demand deposit accounts is minimized by sweeping available cash balances into University investment accounts on a daily basis. UCSF had depository bank balances of $26.3 million and $9.9 million at June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, the carrying amount of the Foundation's cash and cash equivalents was $423 million and $271 million, respectively, compared to bank balances of $423 million and $271 million, respectively. Deposits in transit and cash awaiting investment are the primary differences between the carrying amount and bank balances. Included in bank balances are deposits in STIP of $334 million and $221 million at June 30, 2022 and 2021, respectively.

Bank balances are collateralized by U.S. government and corporate money market securities held in the name of the bank, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to the Standard Maximum Deposit Insurance Amount of $250,000 per depositor and account ownership category at each institution. The Foundation's uncollateralized cash balances totaling $1.3 million are covered by the FDIC Standard Maximum Deposit Insurance as of June 30, 2022.

The Foundation does not have exposure to foreign currency risk in its demand deposit accounts.

2. Investments

The composition of investments, by investment type and fair value at June 30, is as follows:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
EQUITY SECURITIES				
Domestic			$ 109,393	$ 166,427
Foreign				
Equity securities			**109,393**	**166,427**
FIXED-INCOME SECURITIES				
U.S. Treasury bills, notes and bonds			104,229	69,726
U.S. government-backed securities			10,706	12,267
U.S. government-backed asset-backed			7,456	7,808
U.S. government guaranteed			**122,391**	**89,801**
OTHER U.S. DOLLAR DENOMINATED				
Corporate bonds			24,765	27,915
U.S. agencies			982	998
U.S. agencies, asset-backed			111,287	111,272
Corporate - asset-backed securities			21,297	20,294
Supranational/Foreign			923	997
Other U.S. dollar denominated			**159,254**	**161,476**
COMMINGLED FUNDS				
Absolute-return funds			662,066	694,476
Balanced funds	$ 7,367,225	$ 6,317,565	36,833	43,440
U.S. equity funds			324,508	464,519
Non-U.S. equity funds			227,720	329,030
Other	1,154	1,488		
Real estate/REIT			119,969	91,540
Commingled funds	**7,368,379**	**6,319,053**	**1,371,096**	**1,623,005**
Private equity			1,051,658	928,810
Real estate			13,415	13,009
Other investments	578	679	2,230	3,688
Total investments	**7,368,957**	**6,319,732**	**2,829,437**	**2,986,216**
Less: Custodial investment funds - external pool participants			(336,383)	(359,681)
Less: Current portion	(2,848,527)	(2,282,171)	(37,758)	(25,160)
Noncurrent portion	**4,520,430**	**4,037,561**	**2,455,296**	**2,601,375**
Beneficiary interests in irrevocable split-interest agreements included in other assets			2,928	2,468
Total noncurrent	**$ 4,520,430**	**$ 4,037,561**	**$ 2,458,224**	**$ 2,603,843**

The University-managed commingled funds (UC pooled funds) serve as the core investment vehicle for UCSF.

A description of the funds used is as follows:

Total Return Investment Pool (TRIP)

The Total Return Investment Pool (TRIP) allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP supplements STIP by investing in an intermediate-term, higher-risk portfolio allocated across equities, fixed-income and liquid alternative strategies, and allows participants to maximize the return on their long-term capital. The objective of TRIP is to generate a rate of return above the policy benchmark, after all costs and fees, consistent with liquidity, cash flow requirements and the risk. UCSF's investment in TRIP is classified as commingled balanced funds.

Investments in TRIP require at least one calendar quarter notice to the University for any redemptions or withdrawals. Withdrawals will occur on the last business day of the month. Investments into TRIP are subject to certain withdrawal guidelines such as limiting the withdrawals to 10 percent of the current value of TRIP in any one quarter.

General Endowment Pool (GEP)

The General Endowment Pool (GEP) is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. UCSF's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from UCSF's perspective.

Blue and Gold Pool (BGP)

The Blue and Gold Pool (BGP) is an investment pool established by The Regents and is available to the University and its related entities. The objective of BGP is to provide a low cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used.

Foundation's Investments

As the Foundation's governing board, the Board of Directors retains ultimate fiduciary responsibility and authority for all matters related to investment of Foundation assets. Pursuant to the University's policies on campus foundations, the Foundation's Board of Directors has elected to oversee the management of its investments rather than delegating that function to The Regents.

The Foundation has entered into an investment management agreement with its Investment Company subsidiary to provide investment management services within the scope of the investment policy approved by the Board of Directors. Investments managed by the Investment Company are associated with the Unendowed Investment Pool (UIP) and Endowed Investment Pool (EIP).

The Foundation's Board of Directors has delegated authority for oversight of investment policy to the Investment Company Board, with authority for implementation of investment policies further delegated to the Investment Company. Long term, foundational investment policy elements, and any changes thereto, must be approved by the Board of Directors, while more mechanical elements, which are updated annually, are approved by the Investment Company Board.

Unendowed Investment Pool

All gifts intended for current expenditure and unspent EIP payout are invested in the UIP. The UIP portfolio is managed so as to maximize returns consistent with safety of principal and liquidity considerations necessary to meet UCSF's cash flow requirements. Investment Guidelines for the UIP provide for investment primarily in readily marketable money market and fixed income securities and STIP. UIP Investment Guidelines address credit quality and concentration of credit risk, and provide for performance evaluation against relevant benchmarks.

Endowed Investment Pool

The Foundation's endowment and certain other balances are managed in a unitized investment pool. The EIP is the primary investment vehicle for endowed gift funds, and other balances include external entities who invest in the EIP. Participants may purchase or redeem shares monthly at the unitized value of the pool at the time of purchase or redemption. Payout is allocated to participants based on the number of shares held.

All EIP assets are classified as non-current regardless of maturity due to the long-term nature of the intended use of gifts or affiliated entity funds invested in the pool.

EIP is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors.

EIP investments authorized by the Board of Directors include cash and cash equivalents, readily marketable equity and fixed income securities, and alternative investments including hedge funds, private equity funds and real assets.

The equity portion of the endowed portfolio may include both domestic and foreign equities, including foreign currency denominated, common and preferred stocks, actively managed and passive (index) strategies.

The fixed income portion of the endowed portfolio may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities.

EIP cash is held as cash, money market mutual funds or The Regents STIP, with an objective of maximizing current income to the extent consistent with the preservation of capital and liquidity, and maintenance of a stable $1.00 per share net asset value.

EIP investment guidelines address credit quality and concentration of credit risk, and provide for performance evaluation against relevant benchmarks.

Custodial Investment Funds - External Pool Participants

As a result of its affiliation with UCSF, BCHO Foundation entered into an agreement with the Foundation to manage the investment of their endowed and unrestricted funds in the Foundation's EIP. With the exception of unrestricted, non-endowed investments, BCHO Foundation is charged the same fee as all other pool participants. The external portion of EIP net position includes $316 million and $337 million held for BCHO Foundation at June 30, 2022 and 2021, respectively.

Due to participation in the EIP by an affiliated foundation, the pool is considered a governmental external investment pool. The external portion of the EIP is discretely presented in these financial statements as Custodial Investment Funds, and such investments are not owned or contributed to the Foundation.

Because a separate annual financial report of the EIP has not been and is not planned to be issued, additional required disclosures are provided throughout the Foundation's financial statements.

The EIP's statement of net position and statement of operations and changes in net position as of and for the periods ended June 30, 2022 and 2021 are as follows:

(in thousands of dollars)	2022	2021
ASSETS		
Cash and cash equivalents	$83,581	$52,732
Receivable for investments sold	19,853	22,039
Accrued investment income	2,865	2,715
Investments	2,614,491	2,780,429
Other assets	1,391	8,500
Total assets	**2,722,181**	**2,866,415**
LIABILITIES		
Payable for investments purchased		3,098
Other liabilities	102,055	85,725
Total liabilities	**102,055**	**88,823**
NET POSITION AS HELD FOR ALL POOL PARTICIPANTS		
Internal portion	2,283,743	2,417,911
External portion	336,383	359,681
Total net position	**$2,620,126**	**$2,777,592**

(in thousands of dollars)	2022	2021
Revenues from investment income	$16,197	$9,265
Expenses for investment management	(18,620)	(17,454)
Net investment income	**(2,423)**	**(8,189)**
Realized gain	117,090	157,218
Change in unrealized gain	(315,008)	546,480
Net realized and unrealized gain	**(197,918)**	**703,698**
Income from operations	(200,341)	695,509
Distributions to participants	(115,956)	(101,482)
Net share transactions	158,831	168,707
Increase in net position	**(157,466)**	**762,734**
NET POSITION		
Beginning of year	2,777,592	2,014,858
End of year	**$2,620,126**	**$2,777,592**

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, can affect both equity and fixed-income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates.

Credit risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as liquidity, financial weakness or bankruptcy. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have little or no credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, such as Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The primary purpose of the UIP is to invest funds to meet the spending needs of UCSF, and capital preservation and liquidity are the primary investment objectives of the UIP. The benchmark return for the unendowed portfolio, the Barclays 1-3 Year U.S. Treasury Index, reflects a return with minimal credit risk.

The primary purpose of the EIP fixed income asset class is to provide liquidity, generate income and maintain overall diversification. The benchmark return for the fixed income portion of the EIP is the Barclays 1-3 Year U.S. Treasury Index.

The credit risk profile for fixed income securities held at June 30, 2022 and 2021 is as follows:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2022	2021	2022	2021
FIXED- OR VARIABLE-INCOME SECURITIES:				
U.S. government guaranteed		$386	$122,391	$89,801
OTHER U.S. DOLLAR DENOMINATED:				
AAA			132,845	129,813
AA			1,523	2,299
A			9,459	10,095
BBB			6,806	5,861
BB			1,115	2,544
Not rated			7,506	10,864
COMMINGLED BOND FUNDS:				
U.S. bond funds - Not rated		328		
Non-U.S. bond funds - Not rated		128		
Money market funds - Not rated		38		

UCSF's commingled funds - balanced funds (GEP, BGP and TRIP) are not rated. UCSF's certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total $336.4 million and $359.7 million at June 30, 2022 and 2021, respectively.

Custodial credit risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned.

Substantially all of UCSF's and the Foundation's securities are registered in the University's and the Foundation's, respectively, name by the custodial bank as an agent for the University and the Foundation, respectively. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of credit risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools and other pooled investments are not subject to concentration of credit risk. Investments in the various investment pools managed by the Office of the Chief Investment Officer of The Regents and the Foundation are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of investments that comprises more than five percent of total investments.

The Foundation’s investment policy requires that the portfolio be adequately diversified to limit exposure to concentration of credit risk.

Endowed portfolio investment policy for fixed income holdings requires that no more than 5 percent of the portfolio's market value may be held in the securities of a single corporate issuer. Equity holdings are to be diversified according to economic sector, industry, number of holdings and other investment characteristics, with no more than 10 percent at purchase or 20 percent at market in any one issuer.

Unendowed portfolio investment policy specifies that no more than 5 percent of total assets will be invested in the securities of a single issuer at the time of purchase, with the exception of securities issued or guaranteed by the U.S. government, its agencies, or GSE’s or collateralized by such securities or loans.

At June 30, 2022 and 2021, no single issuer comprised more than 5 percent of the Foundation’s EIP and total investment balances.

Interest-rate risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis-point (1-percentage-point) change in the level of interest rates. It is not a measure of time.

Portfolio guidelines for the Foundation limit the maximum weighted average effective duration of the UIP to not greater than 125 percent of the benchmark, and seven years is the maximum stated maturity or average life for an individual security at the time of purchase.

The duration of the fixed income portion of the EIP is to be maintained between three and six years.

The effective durations for fixed income securities at June 30, 2022 and 2021 are as follows. Information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

The effective duration of fixed-income securities at June 30, 2022 and 2021 follows:

	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
FIXED-INCOME SECURITIES				
U.S. government				
U.S. Treasury notes		5.5	1.6	1.56
U.S. government-backed			3.41	4.65
U.S. government-backed asset-backed securities			0.75	0.96
Other U.S. dollar denominated				
Corporate bonds			2.83	2.96
U.S. agencies			0.7	1.7
U.S. agencies - asset-backed securities			3.22	3.15
Corporate - asset-backed securities			1	0.91
Foreign currency denominated				
Government/Sovereign			1.43	2.35

UCSF considers the effective duration for money market funds to be zero and effective duration information for the EIP is unavailable.

Fixed income investments include various mortgage-backed securities, collateralized mortgage obligations and callable bonds that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features.

Mortgage pass-through securities

These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac), and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Corporate asset-backed securities

Corporate asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.

Collateralized mortgage obligations

Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates. In falling interest-rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In rising interest-rate environment, the opposite is true. The Foundation does not invest in principal-only or interest-only CMOs.

Callabe bonds

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem or call a bond earlier than its maturity date. The Foundation must then replace the called bond with a bond that may have a lower yield. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, 2022 and 2021, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2022	2021	2022	2021
Mortgage pass-through securities			$20,567	$21,289
Corporate asset-backed securities			21,297	20,294
Collateralized mortgage obligations			99,158	98,789
Total			**$141,022**	**$140,372**

At June 30, 2022 and 2021, the effective duration for fixed income securities that are considered to be highly sensitive to changes in interest rates is as follows:

	UCSF		UCSF FOUNDATON	
	2022	2021	2022	2021
Mortgage pass-through securities			4.82	3.57
Corporate asset-backed securities			1	0.91
Collateralized mortgage obligations			2.74	2.3

Foreign currency risk

The University’s strategic asset allocation policy for TRIP, BGP and GEP as well as the UCSF Foundation's asset allocation strategy includes allocations to non-U.S. equities and non-dollar-denominated bonds. These investments may be hedged at the discretion of the Investment Manager. Foreign currency risk is an accepted risk of the investment strategy. Portfolio guidelines for fixed income securities also allow exposure to non-U.S. dollar denominated bonds. Exposure to foreign currency risk from these securities is permitted, and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage.

At June 30, 2022 and 2021, UCSF and the Foundation is subject to foreign currency risk as a result of holding various currency denominations in the following investments:

	UCSF		UCSF FOUNDATION	
(in thousands of dollars)	2022	2021	2022	2021
Fixed Income Securities				
Mexican Peso			$923	$997
Total fixed income securities			**923**	**997**
COMMINGLED FUNDS (various currency denominations)				
Commingled funds - Non-U.S. equity		$373	227,720	329,030
Commingled funds - Non-U.S. bonds		128		
Real estate investment trusts		96		
Commingled funds - Absolute return			256,955	265,550
Commingled funds - Private equity			189,846	199,056
Total commingled funds		**597**	**674,521**	**793,636**
Total exposure to foreign currency risk		**$597**	**$675,444**	**$794,633**

Alternative investment risks

Alternative investments include ownership interests in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies, including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. Underlying holdings can include financial assets, such as marketable securities, non-marketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally, these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously related to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that they are compensated for performance, are considered and reviewed by the Foundation and Investment Company management. Real assets may be subject to physical damage from a variety of means, such as loss from natural causes, theft of assets, lawsuits involving rights, and other loss and damage, including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from natural causes. Intangible assets are subject to legal challenge and other possible impairment.

Endowment payout

For the years ended June 30, 2022 and 2021 endowment payout was allocated to UCSF Foundation donor-restricted endowment funds (internal pool) and custodial funds (external pool participants), as follows:

(in thousands of dollars)	2022	2021
Net accumulated gains and corpus	$107,074	$93,717
Endowment payout	**$107,074**	**$93,717**

Endowment payout is shown net of endowment cost recovery fees of $8.9 million and $7.8 million for 2022 and 2021, respectively.

A portion of endowment payout may be reinvested if stipulated by agreement with the donor.

As a result of market volatility, the market value of some permanent endowments can be less than their historical gift value. The underwater amount of such endowments was $6 million and $4,006 at June 30, 2022 and 2021, respectively. Under UPMIFA, investment income and accumulated realized and unrealized gains may be expended in support of the operational requirements of UCSF programs.

3. Fair Value Measurements

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, commingled funds (exchange traded funds and mutual funds), and other publicly traded securities.

Level 2 – Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds (institutional funds not listed in active markets), and other assets that are valued using market information.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.

Not Leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of 6/30/2022:

(in thousands of dollars)	UCSF				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
COMMINGLED FUNDS:					
Balanced funds				$7,367,225	$7,367,225
Other					1,154
Other investments					578
Total				**$7,367,225**	**$7,368,957**

(in thousands of dollars)	UCSF FOUNDATION - Total Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$109,393				$109,393
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$122,391			122,391
Other U.S. dollar denominated		158,331			158,331
Foreign currency denominated		923			923
Commingled funds	36,833		$25,243	$1,309,021	1,371,097
Private equity			144,425	907,232	1,051,657
Real estate			13,415		13,415
Other investments			2,230		2,230
Total investments	**146,226**	**281,645**	**185,313**	**2,216,253**	**2,829,437**
Beneficial interests in split-interest agreements included in other assets			2,928		2,928
Total investments	**$ 146,226**	**$ 281,645**	**$ 188,241**	**$ 2,216,253**	**$ 2,832,365**
Less: Custodial investment funds					(336,383)
Total UCSF investments					**$2,495,982**

(in thousands of dollars)	Endowed Investment Pool Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$83,883				$83,883
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$66,319			66,319
Other U.S. dollar denominated		92,423			92,423
Commingled funds			$25,243	$1,309,021	1,334,264
Private equity			144,425	907,232	1,051,657
Total endowed investments	**83,883**	**158,742**	**169,668**	**2,216,253**	**2,628,546**
Less: Investments held outside of EIP			($500)	(13,555)	(14,055)
Total EIP investments	**$83,883**	**$158,742**	**$169,168**	**$2,202,698**	**$2,614,491**
Less: Custodial investment funds					(336,383)
Total UCSF EIP investments					**$2,278,108**

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2021:

(in thousands of dollars)	UCSF				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
U.S. GOVERNMENT GUARANTEED:					
U.S. Treasury bills, notes, and bonds		$386			$386
COMMINGLED FUNDS:					
U.S. equity funds	$621				621
Non-U.S. equity funds	373				373
U.S. bond funds	328				328
Non-U.S. bond funds	128				128
Money market funds	38				38
Balanced funds				$6,317,565	6,317,565
Publicly traded real estate investments trusts	293				293
Total	**$1,781**	**$386**		**$6,317,565**	**$6,319,732**

(in thousands of dollars)	UCSF FOUNDATION - Total Investments				
	Quoted Prices in Active Market	Other Observable	Unobservable Inputs	Net Asset Value	
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Equity securities	$166,427				$166,427
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$89,801			89,801
Other U.S. dollar denominated		160,479			160,479
Foreign currency denominated		997			997
Commingled funds	43,440			$1,579,565	1,623,005
Private equity			$86,252	842,558	928,810
Real estate			13,009		13,009
Other investments	1,570		2,118		3,688
Total investments	**211,437**	**251,277**	**101,379**	**2,422,123**	**2,986,216**
Beneficial interests in split-interest agreements included in other assets			2,468		2,468
Total investments	**$211,437**	**$251,277**	**$103,847**	**$2,422,123**	**$2,988,684**
Less: Custodial investment funds					(359,681)
Total UCSF investments					**$2,629,003**

(in thousands of dollars)	ENDOWED INVESTMENT POOL INVESTMENTS				
	Quoted Prices in Active Market (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
Equity securities	$166,427				$166,427
FIXED OR VARIABLE INCOME SECURITIES:					
U.S. government guaranteed		$32,000			32,000
Other U.S. dollar denominated		89,590			89,590
Commingled funds				$1,579,565	1,579,565
Private equity			$86,252	842,558	928,810
Total endowed investments	**166,427**	**121,590**	**86,252**	**2,422,123**	**2,796,392**
Less: investments held outside of EIP			(922)	(15,041)	(15,963)
Total EIP investments	**$166,427**	**$121,590**	**$85,330**	**$2,407,082**	**$2,780,429**
Less: Custodial investment funds					(359,681)
Total UCSF EIP investments					**$2,420,748**

Investment related commitments

The Foundation has contractual commitments to make additional investments in private equity and other privately structured investment vehicles reported at NAV. The following table presents significant terms of such agreements, including unfunded commitments, redemption frequency and redemption notice period, for the Foundation's alternative investments measured at NAV as of June 30, 2022:

(in thousands of dollars)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
INVESTMENT TYPE				
COMMINGLED FUNDS:				
Absolute return	$371,490		Monthly, Quarterly, Semi-Annually, Annually	30 - 90 days
Absolute return	286,829	$115,470	Not eligible for redemption	n/a
U.S. equity	159,995		Quarterly, Semi-Annually, Annually	45 - 90 days
U.S. equity	164,513		Not eligible for redemption	n/a
Non-U.S. equity	139,180		Weekly, Monthly, Quarterly, Semi-Annually, Annually	6 - 365 days
Non-U.S. equity	88,541		Not eligible for redemption	n/a
Private equity	907,232	463,747	Not eligible for redemption	n/a
Real estate/REIT	98,473	38,077	Not eligible for redemption	n/a
Total investments measured at NAV	**2,216,253**	**617,294**		
Less: Investments held outside of EIP	(13,555)			
Total EIP investments measured at NAV	**$ 2,202,698**	**$ 617,294**		

In addition to the amounts shown above, the Foundation has additional commitments totaling $39.5 million associated with investments for where no capital has been called by the manager as of June 30, 2022.

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total $336.4 million and $359.7 million at June 30, 2022 and 2021, respectively

4. Accounts Receivable, net

Accounts receivable and the allowances for uncollectible amounts at June 30, 2022 and 2021 for UCSF are as follows:

(in thousands of dollars)	2022			2021
	Campus	UCSF Health	Total UCSF	Total UCSF
Federal government	$186,420		$186,420	$105,793
State government	39,476		39,476	34,619
Local and private	100,117		100,117	64,537
Patient receivables		$1,063,676	1,063,676	883,425
Student	4,782		4,782	(54)
Other	182,585	18,993	201,578	125,741
Total accounts receivable	**513,380**	**1,082,669**	**1,596,049**	**1,214,061**
Less: Allowance for uncollectible amounts	(13,141)	(119,933)	(133,074)	(95,145)
Accounts receivable, net	**$500,239**	**$962,736**	**$1,462,975**	**$1,118,916**

Foundation net accounts receivable primarily consists of receivable for investments sold of $20 million at June 30, 2022 and $22 million at June 30, 2021. This is due to trade date versus settlement date differences with investment trades executed late in the fiscal year and where the cash settlement occurred after the fiscal year end.

5. Pledges Receivable, net

The composition of pledges receivable at June 30, 2022 and 2021 is as follows:

(in thousands of dollars)	UCSF		UCSF FOUNDATION	
	2022	2021	2022	2021
Total pledges outstanding	$1,026	$975	$198,526	$132,729
Less: Unamortized discount to fair value		(21)	(2,385)	(2,181)
Less: Allowance for uncollectible pledges		(7)	(2,556)	(1,998)
Total pledges receivable, net	**1,026**	**947**	**193,585**	**128,550**
Less: Current portion of pledges receivable	(1,026)	(600)	(43,287)	(37,427)
Noncurrent portion of pledges receivable, net		**$347**	**$150,298**	**$91,123**

Future gross receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2022 are as follows:

(in thousands of dollars)	UCSF	UCSF FOUNDATION
Pledges due in one year or less	$1,026	$44,325
Pledges due between one and five years		146,701
Pledges due in more than five years		7,500
Total pledges outstanding	**$1,026**	**$198,526**

Pledges from two donors represent more than 10 percent of total pledges receivable at June 30, 2022. They represent 90.1 percent and 74.8 percent in the aggregate of total pledges receivable at June 30, 2022 and 2021, respectively.

In addition to the pledge balances and revenue reflected in these financial statements, the Foundation has pledges that will be recognized as conditions and milestone events are met by UCSF, and non-binding intentions that donors may satisfy through other related entities. Endowment pledges are also not reflected in these financial statements, and endowment pledge payments are recognized as additions to endowments at the time payments are received.

6. Notes and Mortgages Receivable

Notes and mortgages receivable at June 30, 2022 and 2021, along with the allowances for uncollectible amounts for UCSF, are as follows:

(in thousands of dollars)	2022	2021
Notes and mortgages receivable	$21,583	$22,663
Less: Allowance for uncollectible amounts	(304)	(336)
Total notes and mortgages receivable, net	**21,279**	**22,327**
Less: Current portion of notes and mortgages receivable	(11,006)	(13,013)
Noncurrent portion of notes and mortgages receivable, net	**$10,273**	**$9,314**

7. Land, Infrastructure, Buildings, Equipment, Libraries and Collections

UCSF's capital asset activity for the years ended June 30, 2022 and 2021 is as follows:

(in thousands of dollars)	2020	Additions	Disposals	2021	Additions	Disposals	2022
ORIGINAL COST							
Land	$497,080	$25	($11)	$497,094			$497,094
Infrastructure	63,914			63,914			63,914
Buildings and improvements	6,654,128	813,436	($6)	7,467,558	$445,425	($3,068)	7,909,915
Equipment and software	1,797,898	95,936	(61,836)	1,831,998	86,933	(154,911)	1,764,020
Right-of-use assets	601,178	27,669	(9,982)	618,865	163,746	(18,876)	763,735
Libraries and collections	111,244	1,911	(5,497)	107,658	1,056	(3,629)	105,085
Construction in progress	945,516	(204,922)		740,594	33,346		773,940
Capital assets, at original cost	**$10,670,958**	**$734,055**	**($77,332)**	**$11,327,681**	**$730,506**	**($180,484)**	**$11,877,703**

(in thousands of dollars)	2020	Depreciation and Amortization	Disposals and Transfers	2021	Depreciation and Amortization	Disposals and Transfers	2022
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure, buildings and improvements	$2,920,355	$245,499		$3,165,854	$259,804	($2,765)	$3,422,893
Equipment and software	1,363,605	122,025	($58,696)	1,426,934	111,008	(156,530)	1,381,412
Right-of-use assets	57,986	57,754	(7,427)	108,313	56,914	(17,734)	147,493
Libraries and collections	80,389	345	(5,802)	74,932	404	(3,686)	71,650
Accumulated depreciation and amortization	**4,422,335**	**$425,623**	**($71,925)**	**4,776,033**	**$428,130**	**($180,715)**	**5,023,448**
Capital assets, net	**$6,248,623**			**$6,551,648**			**$6,854,255**

8. Debt

UCSF directly finances the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. Commercial paper provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

Outstanding debt

UCSF's outstanding debt at June 30, 2022 and 2021 is as follows:

(in thousands of dollars)	Interest Rate Ranges	Maturity Years	2022	2021
INTERIM FINANCING:				
Commercial paper	0-0.2%	2023	$52,257	$7,827
Bank loans			6	
LONG-TERM FINANCING:				
University of California General Revenue Bonds	0.3-5.8%	2023-2115	1,986,576	2,026,975
University of California Limited Project Revenue Bonds	0.4-5.9%	2023-2052	292,305	309,905
University of California Medical Center Pooled Revenue Bonds	2.0-6.6%	2023-2120	2,200,265	1,283,995
Other capital lease obligations	0-4.2%	2023-2095	663,178	544,143
CFIA third-party obligations	5.0-6.5%	2023-2052	366,700	372,820
Unamortized premiums, net			250,258	219,844
Total outstanding debt			**5,811,545**	**4,765,509**
Less: Current portion of outstanding debt			(190,804)	(134,488)
Total long-term debt			**$5,620,741**	**$4,631,021**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, was capitalized through June 30, 2019. Total interest expense during the years ended June 30, 2022 and 2021 was $205 million and $194 million, respectively.

Outstanding debt activity

The activity with respect to UCSF's current and noncurrent debt for the years ended June 30, 2022 and 2021 is as follows:

YEAR ENDED JUNE 30, 2022 *(in thousands of dollars)*	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total
Debt, beginning of year	$7,827	$3,807,366	$544,144	$406,172	$4,765,509
New obligations	44,808	1,049,191	165,803		1,259,802
Refinancing		(82,577)	(1,183)		(83,760)
Principal payments	(372)	(64,536)	(45,586)	(6,120)	(116,614)
Amortization of premiums		(11,574)		(1,818)	(13,392)
Total debt, end of year	**52,263**	**4,697,870**	**663,178**	**398,234**	**5,811,545**
Less: Current portion	(51,876)	(86,957)	(43,779)	(8,192)	(190,804)
Noncurrent portion	**$387**	**$4,610,913**	**$619,399**	**$390,042**	**$5,620,741**

YEAR ENDED JUNE 30, 2021 *(in thousands of dollars)*	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total
Debt, beginning of year	$93,212	$3,316,804	$563,971	$413,903	$4,387,890
New obligations	18,368	639,743	28,457		686,568
Refinancing		(74,818)	(2,305)		(77,123)
Principal payments	(103,753)	(61,968)	(45,979)	(5,831)	(217,531)
Amortization of premiums		(12,395)		(1,900)	(14,295)
Total debt, end of year	**7,827**	**3,807,366**	**544,144**	**406,172**	**4,765,509**
Less: Current portion	(7,067)	(74,995)	(44,386)	(8,040)	(134,488)
Noncurrent portion	**$760**	**$3,732,371**	**$499,758**	**$398,132**	**$4,631,021**

Commercial paper

The commercial paper program is issued in two series with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the UCSF Health.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the UCSF. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the UCSF.

University of California revenue bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the UCSF. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require UCSF to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The Indentures permit UCSF to issue additional bonds as long as certain conditions are met.

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of UCSF consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires UCSF to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with UCSF's General Revenue Bonds.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Limited Project Revenue Bond Indenture requires UCSF to achieve the sum of revenues equal to 1.1 times debt service and maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes.

Medical Center Pooled Revenue Bonds are issued to finance UCSF Health's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds.

Leases

UCSF entered into leases resulting in right-to-use assets totaling $663 million and $554 million for the years ended June 30, 2022 and 2021, respectively.

UCSF has leases for land, buildings and equipment under agreements that extend through 2120. Some leases include one or more options to renew, with renewal term that can extend the lease term from one to 39 years. Leases may also include options to terminate the leases.

Certain of UCSF's lease agreements include rental payments adjusted periodically for inflation. This lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. UCSF also subleases certain real estate to third parties.

UCSF measures the lease liability at the present value of payment expected to be made during the lease term. Leases with a term of 12 months or less, real estates with cumulative undiscounted payments of less than $300,000 (including option periods) or equipment leases with cumulative undiscounted payments of less than $100,000 (including option periods) are recognized as operating expense on a straight-line basis over the lease term. If the interest rate implicit in the lease can not be readily determined, UCSF uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payments during the lease term.

Future minimum payments on leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousand of dollars)	UCSF		
	Principal	Interest	Total
Year Ending June 30,			
2023	$43,779	$23,530	$67,309
2024	41,179	22,429	63,608
2025	38,820	20,956	59,776
2026	31,543	19,736	51,279
2027	31,151	17,670	48,821
2028-2032	141,883	71,982	213,865
2033-2037	138,674	43,892	182,566
2038-2042	81,357	21,992	103,349
2043-2047	29,900	14,200	44,100
2048-2052	27,788	10,132	37,920
2053-2057	22,124	6,829	28,953
Thereafter	34,980	63,422	98,402
Total	**$663,178**	**$336,770**	**$999,948**

CFIA third-party obligations

Neuroscience building

UCSF and CFIA have entered into an operating agreement that governs the arrangement between the parties with respect to the development, construction and financing of the Sandler Neurosciences Center (the Center). CFIA, through a conduit issuer, issued taxable Build America Bonds (BABs) as well as tax-exempt revenue bonds to finance the Center.

UCSF entered into a ground lease with CFIA, and CFIA subleased the ground to the developer in exchange for a commitment to pay amounts equal to base rent payments that are due to the developer under the building lease between UCSF and the developer. The sublease for the land was effective on March 24, 2010 and will terminate upon expiration of the building lease base rent payments. The developer has assigned the building lease payments to CFIA's trustee, therefore, UCSF makes payments directly to CFIA's trustee to pay debt service for the Series 2010A and Series 2010B revenue bonds starting on the commencement date of the ground sublease.

Under the ground lease between UCSF and CFIA, the ground has been leased to CFIA in exchange for the federal interest subsidies that are received by CFIA for the BABs subsidy. All BABs subsidy payments received by CFIA since the commencement of the building lease payments have been paid to UCSF. This ground lease was effective on March 24, 2010 and will terminate upon expiration of the building lease.

Psychiatry Building (2130 Third Street)

UCSF and CFIA have entered into an operating agreement that governs the arrangement between the parties with respect to the development, construction and financing of construction and management of a clinical, training and research facility to be known as the "Child, Teen, and Family Center and Department of Psychiatry Building" (Psychiatry Building). CFIA, through a conduit issuer, issued tax-exempt revenue bonds to finance the building.

UCSF entered into a ground lease with CFIA and CFIA subleased the ground to the new developer in exchange for a commitment to pay amounts equal to base rent payments that are due to the new developer under the 2130 Third Street lease between UCSF and the developer. The sublease for the land was effective on December 14, 2017 and will terminate upon expiration of 2130 Third Street's lease base rent payments. The new developer has also assigned 2130 Third Street's lease payments to CFIA's trustee; therefore, UCSF makes payment directly to CFIA's trustee to pay debt service for the Series 2017 Series revenue bonds starting on the commencement date of the ground sublease.

Derivative financial instruments

UCSF has entered into an interest-rate swap agreement to limit the exposure to changes in market interest rates in connection with certain variable-rate Medical Center Pooled Revenue Bonds. The interest-rate swap agreement is a contractual agreement entered into between UCSF and a counterparty of fixed-and variable-rate interest payments periodically over the life of the agreement without the underlying notional principal amounts or underlying contract. The payments correspond to an equity index, interest rate or currency. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. UCSF's counterparties are major financial institutions.

Derivative financial instruments are recorded at fair value as either assets or liabilities in the statements of net position. Certain derivative financial instruments are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values). Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statements of revenues, expenses and changes in net position.

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2022 and 2021, along with the credit rating of the associated counterparty, are as follows:

Type	Objective	Notional Amount 2022	Notional Amount 2021	Effective Date	Maturity Date	Cash Paid or Received	Terms	Counterparty Credit Rating	Fair Value 2022	Fair Value 2021
Pay fixed, receive variable interest-rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	$48,905	$52,900	2020	2032	None	Pay fixed 3.59%; receive 58% of Federal Funds Rate plus 0.56%	Aa2/A+	($3,405)	($7,630)
Pay fixed, receive variable interest-rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	525	260	2023	2047	None	Pay fixed 0.926% and 1.238%; receive 70% of Federal Funds Rate - H.15	A2/A		
Pay fixed, receive variable interest-rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		265	2023	2047	None	Pay fixed 1.238%; receive 70% of Federal Funds Rate - H.15	A1/AA-		

(in thousands of dollars)

Hedging derivative financial instrument risk factors

Credit risk

UCSF could be exposed to credit risk if the counterparties to the swap contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. UCSF faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by UCSF provided by the counterparties.Swap contracts with negative fair values are not exposed to credit risk. Although UCSF has entered into the interest rate swap contracts with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements. There are no collateral requirements related to the swaps held by the UCSF.

Interest-rate risk

There is a risk the value of the interest-rate swaps will decline because of changing interest rates. The values of the interest-rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes UCSF to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt, while the basis of the variable receipt on the interest rate swap is taxable. Tax-exempt interest rates can change without a corresponding change in the Federal Funds rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market.

Termination risk

There is termination risk for interest rate swaps classified with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. For the interest rate swap held by the UCSF expiring in 2032, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the forward starting swaps, the termination threshold is reached when either the credit quality rating for the underling Medical Center Pooled Revenue Bonds or the swap counterparty's rating falls below Baa2 or BBB. Upon termination, UCSF may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Future debt service and hedging derivative interest-rate swaps

Future debt service payments for the UCSF's fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2022, and thereafter, are shown below. Although not a prediction by UCSF of the future interest rate cost of the variable-rate bonds or the impact of the interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net interest rate swap payments will change. Future debt service payments for each of the five fiscal years subsequent to June 30, 2022 and thereafter are shown below:

(in thousands of dollars)

	Commercial Paper	University Revenue Bonds	Capital Leases	Third-Party CFIA	Total Payments	Principal Payments	Interest Payments
2023	$52,263	$274,861	$67,309	$27,559	$421,992	$176,324	$245,668
2024		272,556	63,608	27,557	363,721	122,696	241,025
2025		321,936	59,776	27,560	409,272	172,921	236,351
2026		270,907	51,279	27,690	349,876	118,615	231,261
2027		330,849	48,821	27,582	407,252	181,781	225,471
2028-2032		1,415,457	213,865	136,173	1,765,495	723,075	1,042,420
2033-2037		1,379,226	182,566	132,758	1,694,550	822,638	871,912
2038-2042		1,319,088	103,349	128,568	1,551,005	892,604	658,401
2043-2047		1,222,673	44,100	123,408	1,390,181	963,216	426,965
2048-2052		871,176	37,920	80,116	989,212	782,619	206,593
2053-2057		235,727	28,953		264,680	173,199	91,481
Thereafter		953,878	98,402		1,052,280	431,598	620,682
Total future debt service	**52,263**	**8,868,334**	**999,948**	**738,971**	**10,659,516**	**$5,561,286**	**$5,098,230**
Less: Interest component of future payments		(4,389,189)	(336,770)	(372,271)	(5,098,230)		
Principal portion of future payments	**52,263**	**4,479,145**	**663,178**	**366,700**	**5,561,286**		
Adjusted by:							
Unamortized bond premium		218,725		31,534	250,259		
Total debt	**$52,263**	**$4,697,870**	**$663,178**	**$398,234**	**$5,811,545**		

Additional information on the revenue bonds can be obtained from the 2021-2022 annual report of the University of California.

For cash flow hedges, future debt service payments for the variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2022, and thereafter are as presented below. Although not a prediction by UCSF of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2022, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)	Variable-Rate Bond			
	Principal	Interest	Interest Rate Swap, Net	Total Payments
Year Ending June 30,				
2023	$4,145	$247	$1,027	$5,419
2024	4,290	229	934	5,453
2025	4,450	204	839	5,493
2026	4,615	182	746	5,543
2027	4,780	159	652	5,591
2028-2032	26,625	411	1,683	28,719
Total	**$48,905**	**$1,432**	**$5,881**	**$56,218**

9. Self-Insurance and Other Liabilities

Self-insurance programs

The University is self-insured or insured through Fiat Lux for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplementally insured coverage for any program in the past three fiscal years. The University charges UCSF predetermined premium rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCSF's statements of revenues, expenses and changes in net position. UCSF's financial statements do not reflect any liability amounts for self-insurance claims, as these estimated liabilities are recorded by the University.

UCSF Health is self-insured for medical malpractice, workers' compensation and employee health care. Self-insurance liability totaled $17.6 million and $17.9 million at June 30, 2022 and 2021, respectively.

Other liabilities

UCSF's other liabilities at June 30, 2022 and 2021 are as follows:

(in thousands of dollars)	2022		2021	
	Current	Noncurrent	Current	Noncurrent
Vacation leave		$39,959		$38,392
Deferred revenue		5,090		5,454
Other	$141,842	32,983	419,557	20,855
Accrued interest	32,883		23,219	
Interfund payables	2,350		3,969	
Interest-rate swap agreements		3,405		7,630
Deferred rent	456	8	2,811	7
Total other liabilities	**$177,531**	**$81,445**	**$449,556**	**$72,338**

Foundation's other liabilities at June 30, 2022 and 2021 are as follows:

(in thousands of dollars)	2022		2021	
	Current	Noncurrent	Current	Noncurrent
Payable to UCSF	$119,322		$41,427	
Other		$19,872		$393
Total other liabilities	**$119,322**	**$19,872**	**$41,427**	**$393**

10. Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2022 and 2021 is summarized as follows:

(in thousands of dollars)	2022	2021
DEFERRED OUTFLOW OF RESOURCES		
Net pension liability	$1,386,438	$802,952
Net retiree health benefits liability	1,293,791	1,476,391
Loss on debt refunding	7,017	14,415
Interest rate swap agreements	3,405	7,630
Total deferred outflows	**$2,690,651**	**$2,301,388**
DEFERRED INFLOW OF RESOURCES		
Net pension liability	$73,850	$1,958,212
Net retiree health benefits liability	2,029,735	1,184,901
Irrevocable split-interest agreement	17,195	19,162
Lessor leases	61,932	67,215
Total deferred inflows	**$2,182,712**	**$3,229,490**

11. Retirement Plans

Most University employees participate in UCRS. UCRS consists of UCRP, a governmental defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; UC-VERIP, a defined benefit plan for University employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement; and the Children’s Hospital and Research Center Oakland Pension Plan (CHRCO Pension Plan), a defined benefit plan fully funded with CHRCO contributions. The Regents has the authority to establish and amend the benefit plans except for the CHRCO Pension Plan. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by US Bank (the Trustee). Additional information on the retirement plans can be obtained from the 2021-2022 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu.

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents’ funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University’s independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University’s total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Employee contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate on behalf of all UCRP active members. The contribution rate was 15 percent for the year ended June 30, 2022 and 14.5 percent for the year ended June 30, 2021. The University contribution rate will remain at 14 percent for the fiscal years ending June 30, 2023 and 2024, increase to 15 percent for the fiscal years ending June 30, 2025 and then will be increased by 0.5 percent per year, on July 1st, until reaching 17.0 percent.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or, if they are a member of certain tiers, a lump sum equal to the present value of their accrued benefits.

The University’s membership in UCRP for the campuses and medical centers at June 30, 2022 was 310,170 total members consisting of 72,654 retirees and beneficiaries receiving benefits, 35,731 inactive members entitled to but not yet receiving benefits, 81,884 active vested members and 50,600 active nonvested members.

The net position held in trust for pension benefits attributable to UCRP included in the UCRP Statement of Plan Fiduciary Net Position was $(81) billion and ($92) billion at June 30, 2022 and June 30, 2021, respectively. Total pension liability was $103 billion and $98 billion, resulting in a net pension liability of $21 billion and $6 billion at June 30, 2022 and 2021, respectively.

Net pension liability

UCSF's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined by rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. The actuarial assumptions used as of June 30, 2022 and 2021 were based on the results of an experience study conducted for the period of July 1, 2014 through June 30, 2018.

UCSF's net pension liability was calculated using the following methods and assumptions:

(shown in percentages)	2022	2021
Inflation	2.5 %	2.5 %
Investment rate of return	6.75	6.75
Projected salary increases	3.7-6.0	3.7-6.0
Cost-of-living adjustments	2	2

For preretirement mortality rates, the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table was used. For postretirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 110 percent for other female members. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables above were projected generationally with the two-dimensional mortality improvement scale MP-2018.

The long-term expected investment rate of return assumption for UCRP was determined based on the aforementioned experience study, using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2022 and 2021 are summarized in the following table:

(shown in percentages)	Target Allocation	Long-Term Expected Real Rate of Return
ASSET CLASS		
U.S. equity	27.6 %	5.6 %
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High yield bonds	2.5	3.7
TIPS	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
Total	**100.0 %**	**5.4 %**

Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2022 and 2021 was 6.75 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2022 and 2021.

Sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2022 net pension liability of the University calculated using the June 30, 2022 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
UCSF Health	$3,563,417	$2,175,275	$1,042,579
Campus	2,961,328	1,807,732	866,421
Total	**$6,524,745**	**$3,983,007**	**$1,909,000**

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources for the years ended June 30:

(in thousands of dollars)	2022			2021
	UCSF Health (excl BCHO)	Campus	Total	Total
DEFERRED OUTFLOWS OF RESOURCES				
Changes of assumptions or other inputs	$132,131	$109,806	$241,937	$523,098
Net excess of projected over actual earnings on pension plan investments	421,822	350,549	772,371	
Changes in proportion and differences between location's contributions and proportionate share of contributions	115,289	3,878	119,167	108,854
Difference between expected and actual experience	56,069	46,596	102,665	103,928
Total deferred outflows of resources	**$725,311**	**$510,829**	**$1,236,140**	**$735,880**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$12,097	$10,053	$22,150	$33,094
Net excess of actual over projected earnings on pension plan investments				1,858,643
Changes in proportion and differences between location's contributions and proportionate share of contributions		25,197	25,197	23,831
Total deferred inflows of resources	**$12,097**	**$35,250**	**$47,347**	**$1,915,568**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2022 related to pensions that will be recognized in pension expense during the next five years are as follows:

(in thousands of dollars)	UCSF Health (excl BCHO)	Campus	Total
Year ending June 30,			
2023	$261,580	$177,946	$439,526
2024	100,643	47,043	147,686
2025	31,722	(3,677)	28,045
2026	319,269	254,267	573,536
Thereafter			
Total	**$713,214**	**$475,579**	**$1,188,793**

The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pretax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403 (b) and 457(b) Plans accept pretax employee contributions and UCSF may also make contributions on behalf of certain members of management. Benefits from the UCRSP plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Children's Hospital and Research Center Oakland Pension Plan (CHRCO Pension Plan)

CHRCO administers the CHRCO Pension Plan as the sponsor and plan assets are held by U.S. Bank (the Trustee). The CHRCO Pension Plan is a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that covers active and retired employees. The CHRCO Pension Plan was amended effective January 1, 2012 to exclude unrepresented employees hired or rehired on or after January 1, 2012. The CHRCO Pension Plan provides retirement, disability and death benefits to plan participants. Benefits are based on a participant's length of service, age at retirement and average compensation as defined by the CHRCO Pension Plan.

The net pension liability for the CHRCO Pension Plan was calculated based upon the following assumptions as of June 30, 2022: 3.0 percent inflation, 6.75 percent investment rate of return, projected salary increases-represented employees: 3.75 percent for the fiscal year ended June 30, 2022; 4.0 percent for fiscal years ending June 30, 2023 and 2024 and 3.75 percent for fiscal years ending June 30, 2025 and thereafter; unrepresented employees: 3.0 percent for fiscal year ended June 30, 2022, 4.0 percent for fiscal years ending June 30, 2023 and 2024 and 3.0 percent for fiscal years ending June 30, 2025 and thereafter and no cost-of-living adjustments. The net pension liability for the CHRCO Pension Plan was calculated based upon the following assumptions as of June 30, 2021: 2.75 percent inflation, 6.50 percent investment rate of return, projected salary increases-represented employees: 3.75 percent for fiscal year ended June 30, 2021 and thereafter; unrepresented employees: 3.0 percent for fiscal years ending June 30, 2022 and 2023 and 3.75 percent thereafter and no cost-of-living adjustments. CHRCO recognized pension expense of $49.1 million and $28.8 million for the years ended June 30, 2022 and 2021, respectively.

The actuarial assumptions used in the June 30, 2022 and 2021 valuations were based on the results of an experience review conducted during 2019. In 2022, the mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2021. In 2021, the mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2020.

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by contacting CHRCO.

Membership in the CHRCO plan at June 30, 2022 was 4,368 total members consisting of 1,301 retirees and beneficiaries receiving benefits, 1,182 inactive members entitled to but yet not receiving benefits and 1,885 active members.

Contributions

Employer contributions for the CHRCO Pension are determined under IRC Section 430. Employees are not required or permitted to contribute to the CHRCO Plan.

CHRCO net pension liability

The net pension liability for CHRCO was measured as of June 30 and the total pension liability was determined by an actuarial valuation as of January 1, rolled forward to June 30. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for the CHRCO Pension Plan are as follows:

(shown in percentages)	Portfolio Percentage	Long-Term Expected Real Rate of Return
ASSET CLASS		
U.S. equity large cap	40.0 %	3.3 %
U.S. equity small cap	20.0	5.8
Developed international equity	20.0	4.2
Emerging market equity	10.0	5.4
Core fixed income	10.0	(1.2)
Total	**100.0 %**	

CHRCO discount rate

The discount rate used to estimate the total pension liability was 6.75 percent and 6.5 percent for June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the Plan under IRC Section 430's minimum requirements for a period of 7 and 10 years for its unrepresented and represented employees, respectively, and that all future assumptions are met. Based on these assumptions, the CHRCO Pension Plan fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

CHRCO sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2022 net pension liability calculated using the June 30, 2022 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% Decrease (5.75)%	Current Discount (6.75)%	1% Increase (7.75)%
Net pension liability (asset)	$208,948	$119,718	$45,825

CHRCO deferred outflows of resources and deferred inflows of resources

As of June 30, deferred outflows and inflows of resources were as follows:

(in thousands of dollars)	2022	2021
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$30,774	$35,852
Changes of benefit terms	11	31
Changes of assumptions	15,236	19,796
Net difference between projected and actual earnings on pension plan investments	79,132	
Total deferred outflows of resources	**$125,153**	**$55,679**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$2,579	
Changes of assumptions	$23,925	7,165
Net difference between projected and actual earnings on pension plan investments		35,479
Total deferred inflows of resources	**$26,504**	**$42,644**

University of California Retirement Savings Program (UCRSP)

UCRSP includes four defined contribution plans providing savings incentives and additional retirement security for all eligible employees:

- Defined Contribution Plans (Defined Contribution Plan and Supplemental Defined Contribution Plan)
- Tax Deferred 403(b) Plan
- 457(b) Deferred Compensation Plan
- University of California Public Employees Retirement System-Voluntary Early Retirement Incentive Program Plan (PERS-VERIP)

The Defined Contribution Plan accepts both pre-tax and after-tax employee contributions. The Supplemental Defined Contribution Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pre-tax employee contributions, and UCSF may also make contributions on behalf of certain members of management. PERS-VERIP is a defined benefit plan providing lifetime supplemental retirement income and survivor benefits. Benefits from the UCRSP plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Information related to plan assets and liabilities for UCSF is not readily available. Additional information on the retirement plans can be obtained from the 2021-2022 Annual Reports of the University of California Retirement Plan, the University of California Retirement Savings Program, and the University of California PERS-VERIP at https://www.ucop.edu/financial-accounting/financial-reports/retirement-system-annual-reports.html.

12. Retiree Health Plans

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The Regents has the authority to establish and amend the plan.

Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts. Additional information on the retiree health plans can be obtained from the 2021-2022 annual reports of the University of California at http://reportingtransparency.universityofcalifornia.edu/.

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75 and increasing to 100 percent after 20 years of service. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.36 and $2.58 per $100 of UCRP covered payroll effective July 1, 2021 and 2020, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Net Retiree Health Benefits Liability

UCSF's proportionate share of the University's net retiree health benefits liability as of June 30 is as follows:

(in thousands of dollars)	2022		2021	
	Proportion of net retiree health benefits liability	Proportionate share of net retiree health benefits liability	Proportion of net retiree health benefits liability	Proportionate share of net retiree health benefits liability
UCSF Health (excl. BCHO)	10.4 %	$2,041,112	10.3 %	$2,493,992
Campus	9.3	1,820,541	9.0	2,189,203
Total	**19.7 %**	**$3,861,653**	**19.3 %**	**$4,683,195**

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown in percentages)	2022	2021
Discount rate	3.54%	2.16%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Health care cost trend rates	Initially ranges from 1.4 to 14.6 decreasing to an ultimate rate of 3.9 for 2075 and later years.	Initially ranges from 2.7 to 7.5 decreasing to an ultimate rate of 4.0 for 2075 and later years.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2022 and 2021 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. For pre-retirement mortality rates, the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table were used. For post-retirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Retiree Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 110 percent for other female members. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. For disable members, rates were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All morality rates are projected generationally with the two-dimensional mortality improvement scale MP-2018.

Sensitivity of net retiree health benefits liability to health care cost trend rate

The following presents the June 30, 2022 net retiree health benefits liability of UCSF calculated using the June 30, 2022 health care cost trend rate assumption with initial trend ranging from 1.4 percent to 14.6 percent grading down to an ultimate trend of 3.9 percent over 53 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)	1% Decrease	Current Discount	1% Increase
	(0.4% TO 13.6%) Decreasing to (2.9%)	(1.4% TO 14.6%) Decreasing to (3.9%)	(2.4% TO 15.6%) Decreasing to (4.9%)
UCSF Health	$1,698,005	$2,041,112	$2,492,091
Campus	1,514,512	1,820,541	2,222,786
Total	**$3,212,517**	**$3,861,653**	**$4,714,877**

Discount rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2022 and 2021 was 3.54 percent and 2.16 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index rate since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of net retiree benefits liability to the discount rate assumption

The following presents the June 30, 2022 net retiree health benefits liability of UCSF calculated using the June 30, 2022 discount rate assumption of 3.54 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% Decrease	Current Discount	1% Increase
	(2.54)%	(3.54)%	(4.54)%
UCSF Health	$2,419,019	$2,041,112	$1,740,588
Campus	2,157,610	1,820,541	1,552,493
Total	**$4,576,629**	**$3,861,653**	**$3,293,081**

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources as of the years ended June 30:

(in thousands of dollars)	2022			2021
	UCSF Health (excl. BCHO)	Campus	Total	Total
DEFERRED OUTFLOWS OF RESOURCES				
Changes in proportion and differences between location's contributions and proportionate share of contributions	$236,246	$124,421	$360,667	$349,431
Changes of assumptions or other inputs	476,251	424,785	901,036	1,117,489
Net difference between projected and actual earnings on plan investments	671	599	1,270	951
Difference between expected and actual experience	16,289	14,529	30,818	8,520
Total deferred outflows of resources	**$729,457**	**$564,334**	**$1,293,791**	**$1,476,391**
DEFERRED INFLOWS OF RESOURCES				
Changes in proportion and differences between location's contributions and proportionate share of contributions	$58,876	$46,904	$105,780	$128,966
Changes of assumptions or other inputs	720,009	642,202	1,362,211	366,682
Difference between expected and actual experience	296,915	264,829	561,744	689,253
Total deferred inflows of resources	**$1,075,800**	**$953,935**	**$2,029,735**	**$1,184,901**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2022 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

(in thousands of dollars)	UCSF Health (excl. BCHO)	Campus	Total
Year ending June 30,			
2023	($16,160)	($51,798)	($67,958)
2024	(28,505)	(62,809)	(91,314)
2025	(53,355)	(79,402)	(132,757)
2026	(37,459)	(36,303)	(73,762)
2027	(33,622)	(23,937)	(57,559)
Thereafter	(177,242)	(135,352)	(312,594)
Total	**($346,343)**	**($389,601)**	**($735,944)**

13. Endowments and Foundation Gifts

Endowments and gifts are administered either by the University, UCSF Foundation or BCHO Foundation.

The book value and market value for endowments for the years ended June 30, 2022 and 2021 are as follows:

(in thousands of dollars)	2022		2021	
	Book Value	Market Value	Book Value	Market Value
Endowments - The Regents	$1,342,152	$2,821,377	$1,346,325	$3,114,074
Endowments - The Foundation	1,830,831	2,291,207	1,688,347	2,435,366
Endowments - BCHO Foundation	277,038	316,380	259,967	337,111
Total endowments	**$3,450,021**	**$5,428,964**	**$3,294,639**	**$5,886,551**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made.

As a result of market volatility, the market value of some permanent endowments can be less than their historical gift value. The underwater amount of such endowments was $6 million and $4,006 at June 30, 2022 and 2021, respectively. Under UPMIFA, investment income and accumulated realized and unrealized gains may be expended in support of the operational requirements of UCSF programs.

14. Segment Information

UCSF Health revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. UCSF Health's operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information for UCSF Health is as follows:

(in thousands of dollars)	2022	2021
CONDENSED STATEMENTS OF NET POSITION		
ASSETS		
Current assets	$3,534,329	$3,185,919
Capital assets, net	3,099,391	2,877,749
Other assets	1,701,085	908,097
Total assets	**8,334,805**	**6,971,765**
Total deferred outflows of resources	**1,608,623**	**1,375,878**
LIABILITIES		
Current liabilities	1,536,573	1,550,888
Long-term debt	2,623,038	1,569,766
Other noncurrent liabilities	5,051,583	3,779,976
Total liabilities	**9,211,194**	**6,900,630**
Total deferred inflows of resources	**1,136,331**	**1,709,997**
NET POSITION		
Net investment in capital assets	1,684,128	1,708,884
Restricted: Nonexpendable endowments and gifts	33,006	31,676
Restricted: Expendable capital projects and other	102,802	105,018
Unrestricted	(2,224,033)	(2,108,562)
Total net position	**($404,097)**	**($262,984)**

(in thousands of dollars)	2022	2021
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN POSITION		
Net patient service revenue	$5,909,588	$5,239,018
Grants and contracts	12,566	17,121
Other operating revenue	345,107	311,609
Operating expenses before depreciation	(5,965,567)	(5,228,177)
Depreciation expense	(217,195)	(222,729)
Operating income (loss)	**84,499**	**116,842**
Nonoperating revenue	(54,375)	397,454
Income (loss) before other changes in net position	**30,124**	**514,296**
Other, including donated assets	(171,237)	(114,019)
Increase (decrease) in net position	**(141,113)**	**400,277**
NET POSITION		
Beginning of year, as previously reported	(262,984)	(655,769)
Cumulative effect of accounting change		(7,492)
Beginning of year, as restated	(262,984)	(663,261)
End of year	**($404,097)**	**($262,984)**

(in thousands of dollars)	2022	2021
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$553,945	$929,720
Noncapital financing activities	(38,937)	210,353
Capital and related financing activities	552,642	(374,436)
Investing activities	(867,480)	22,601
Net increase in cash and cash equivalents	**200,170**	**788,238**
Cash and cash equivalents, beginning of year	2,146,459	1,358,221
Cash and cash equivalents, end of year	**$2,346,629**	**$2,146,459**

15. Commitments and Contingencies

Contractual Commitments

UCSF have entered into various construction contracts. The remaining costs of UCSF projects, excluding interest, as of June 30, 2022 are estimated to be approximately $471 million.

Under an agreement with a private, non-profit hospital, UCSF Health paid in contributions $90 million in aggregate capital investments through a series of newly formed joint ventures with the hospital over the course of the initial 10 years of the agreement. As of June 30, 2022, UCSF Medical Center deposited $30 million to a designated bank account for this purpose with the amount reported as prepaid expenses and other assets. An additional service agreement was signed for UCSF Medical Center to operate certain outpatient clinics whose sole corporate member is the same non-profit hospital.

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UCSF management believes that any liabilities arising from such audits will not have a material effect on its financial position.

UCSF are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCSF management and general counsel are of the opinion that the outcome of such matters will not have a material effect its financial position.

16. Operating Expenses by Function

Operating expenses, by functional classification, for the years ended June 30 are as follows:

(in thousands of dollars)	2022	2021
Instruction	$387,140	$307,097
Research	1,406,174	1,261,213
Public service	227,908	196,989
Academic support	379,180	343,514
Student services	30,533	29,373
Institutional support	259,277	257,275
Operations and maintenance of plant	102,846	85,741
Student financial aid	32,778	25,368
Medical center	5,978,791	5,224,716
Auxiliary enterprises	36,832	37,268
Depreciation	428,130	425,623
Impairment of capital assets	1,168	769
Total operating expenses	**$9,270,757**	**$8,194,946**