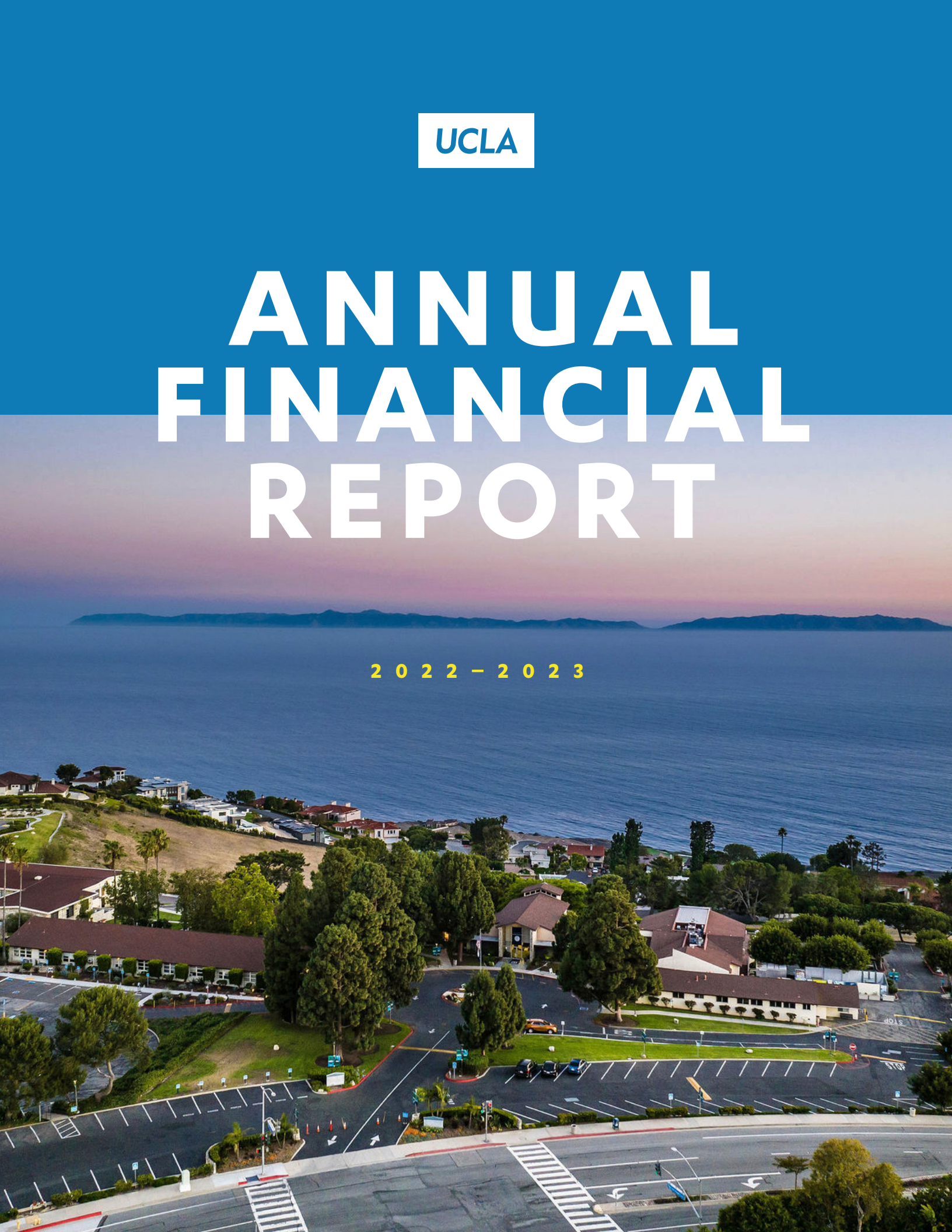


The UCLA logo, consisting of the letters "UCLA" in a white, sans-serif font, is centered within a white rectangular box. This box is positioned in the upper portion of the image, which features a blue sky background.

UCLA

ANNUAL FINANCIAL REPORT

2022 – 2023

The background of the entire page is an aerial photograph. The top half shows a clear blue sky. Below the sky, a wide expanse of the Pacific Ocean stretches across the frame, with distant mountains visible on the horizon. In the foreground, the UCLA campus is visible, featuring several large, multi-story buildings with brown roofs, lush green trees, and parking lots. A road with white crosswalks and traffic lights is in the immediate foreground.





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LETTER FROM THE CHANCELLOR



Photo by David Esquivel/UCLA, Chancellor Gene D. Block

This fiscal year saw the growth of UCLA's footprint within Los Angeles, exciting new research initiatives, efforts to expand access to higher education and two historic NCAA championship titles for our Bruins.

In the summer of 2023, I announced my decision to step down as UCLA's chancellor at the close of the 2023-24 academic year. Leading this institution for nearly 17 years has been the greatest privilege of my life. Throughout our time here, my wife Carol and I have been fortunate to witness UCLA's remarkable growth and evolution — and this past fiscal year was no exception.

The 2022-23 fiscal year at UCLA was marked by an unprecedented expansion of the university's physical footprint. In September 2022, we acquired the former Marymount California University campus in Palos Verdes and residences in San Pedro, which will enable UCLA to grow and expand student access in line with the UC system's 2030 enrollment goals, strengthen our connections to the greater Los Angeles region and deepen our institution's research and public service impact — especially in the areas of sustainability and environmental justice. Less than a year later, in June 2023, we made another significant move, acquiring the iconic Trust Building in downtown L.A. Marking the culmination of a decade-long vision, this acquisition not only gives us a foothold in the city center but also symbolizes our commitment to fostering greater ties with the diverse communities of Los Angeles.



Photo by David Esquivel/UCLA, The historic Trust Building at 433 S. Spring St. adds to UCLA's presence downtown and will help the university deepen its connections to the city and its communities.



Photo by Reed Hutchinson/UCLA, A UCLA student scrubs headstone at the Los Angeles National Cemetery as part of Serve LA Day, which brought together Bruins and Trojans in community service projects.

These were not the only physical changes to UCLA during the fiscal year. In March 2023, the Hammer Museum celebrated a much-anticipated expansion and transformation of its physical spaces. And throughout the year, we worked on a renovation of the former Crest Theater in anticipation of its reopening as the UCLA Nimoy Theater. These projects further reinforce UCLA's dedication to the city and its vibrant arts scene.

While change was certainly a theme of the year, longstanding traditions also played a part. One of UCLA's most significant community service traditions is our annual Volunteer Day. In September 2022, the event took on a new and exciting form as UCLA joined forces with cross-town rival USC to create Serve LA 2022, drawing more than 2,000 volunteers from across Los Angeles and even overseas. The UCLA and USC volunteer centers worked together to organize 44 service sites in the L.A. region, while alumni networks led another 11 initiatives in locations from the Conejo Valley to Vietnam. Projects ranged from supporting schools and food banks to aiding homeless shelters and beautifying parks.

“I am deeply grateful to everyone who continues to make our institution a shining example of the very best of public higher education, both in California and across the globe.”

● Gene D. Block

By any number of measures, UCLA maintained a strong trajectory during the fiscal year. On the philanthropic front, we raised \$692 million in gifts and pledges. While major contributions were certainly a significant part of this, they were bolstered by a broad display of generosity from our donors, with more than 70,000 gifts received and 94% coming in at under \$10,000. Donors from all 50 states in the U.S., as well as 60 other countries, showed their support for the university. These contributions will aid our efforts to make higher education more accessible, enhance campus programs, advance research initiatives and expand the university's engagement with its communities.

One of our most notable accomplishments in the 2022–23 fiscal year was bringing in \$1.67 billion in external research funding. This remarkable achievement is a testament to the relentless dedication and innovative thinking of our brilliant faculty, academic staff and student researchers. The projects our scholars took on this year truly ran the gamut: New research initiatives included a major center, supported by donors Andrea and Donald Goodman and Renee and Meyer Luskin, focused on the study of the human microbiome and its role in disease prevention; the Initiative to Study Hate, an ambitious social impact project that brings together a consortium of scholars to understand and curb group hate in its many forms; partnerships between UCLA and the state of California focused on mitigating the effects of climate change; and a significant expansion of the UCLA Health Homeless Healthcare Collaborative, which sends out teams of doctors, nurses and social workers to provide free medical and behavioral care to unhoused people in Los Angeles.

UCLA's remarkable academic reputation and prestigious standing mean that we continue to attract thousands of promising applicants every year (unfortunately, far more

than we can enroll — hence our plans for expansion). We received more than 169,800 applications for fall 2023 admission, with approximately 145,900 coming from freshman applicants and nearly 24,000 from transfer applicants — making UCLA the most applied-to four-year university in the nation.

Reflecting our success in these and other areas, UCLA was ranked the number one public university by *U.S. News & World Report* for the seventh consecutive year, and was also recognized as the top public university for veterans. These achievements are thanks to the tireless efforts, unwavering determination, creative thinking and exceptional abilities of the incredible Bruin community.



Photo courtesy of UCLA, First Thursdays Arts Avenue



Photo by Dana Cuff/cityLAB—UCLA, UCLA's BruinHub in the John Wooden Center provides student commuters and those experiencing housing insecurity a place to rest.

One notable event that occurred during the fiscal year was the signing of historic contract agreements between the University of California and academic employees represented by the United Auto Workers in the fall of 2022. We celebrated the ratification of four contracts, which place the compensation and benefits we offer our academic workers among the very best in the nation. The agreements, including UC's first-ever collective bargaining agreement with graduate student researchers, offer major pay increases, enhanced family leave benefits, healthcare support for dependents, transit benefits, improved job security, and more. The process leading to the final contracts — which included a strike of academic workers — was at times challenging for our campus, but we are grateful to have reached these agreements and to provide greater support for critical members of the university community.

As UCLA continues to grow and change, we continue to prioritize fostering an inclusive and supportive environment for students of all backgrounds. This year UCLA expanded its basic needs services through the creation of a new center in the heart of campus. Generously funded in part by a \$1 million donation, this center is a hub for essential programs providing emergency funding, food assistance, financial literacy training, housing aid, child care resources and space for commuters. With significant support from alum and donor Peter Merlone,

we also launched the UCLA Affordability Initiative, an effort to raise money for scholarships and ensure that a UCLA education can remain available to talented individuals of all financial means.

As a land grant institution that values the history of the land we inhabit, UCLA respects both the historical and contemporary presence of Native Americans in the Los Angeles area. We have worked with local tribal leaders on several initiatives in recent years that elevate the presence and contributions of native peoples, including instituting a formal land acknowledgment of the Gabrielino/Tongva peoples as the traditional land caretakers of the land on which our campus sits, which we read at large events; and signing an agreement with members of the Gabrielino/Tongva to incorporate traditional planting, harvesting and gathering practices into the way we care for our physical campus. To provide greater support for Indigenous communities and advance scholarship tied to issues that impact them, UCLA formally established a full Department of American Indian Studies in fall 2022. I have also appointed Professors Angela R. Riley and Shannon Speed as my special advisors on Native American and Indigenous affairs. They are working to advance UCLA's new Native American and Pacific Islander Bruins Rising Initiative, which promotes access and opportunity for members of these groups.

In the realm of athletics, the achievements at UCLA have been nothing short of exceptional. Taking the spotlight this past year were the women's soccer and men's volleyball teams, both of which claimed NCAA championships. These impressive wins bring UCLA's total number of championship titles to an astounding 121, solidifying our place as one

of the foremost collegiate sports programs in the nation. The top-seeded women's soccer team claimed its second national title in an intense double-overtime match against North Carolina, while the men's volleyball team secured its 20th championship win by defeating two-time defending champions University of Hawaii.



Photo courtesy of UCLA Athletics, UCLA women's soccer team poses with the NCAA championship trophy after defeating the University of North Carolina Tar Heels on Dec. 5, 2022.

We also welcomed several outstanding administrators to our leadership team this fiscal year:

- Dr. Steven Dubinett was named our dean of the David Geffen School of Medicine (DGSOM). He is also a founding director of the UCLA Clinical and Translational Science Institute. A member of our faculty since 1988, he previously served as associate vice chancellor for research, senior associate dean for translational research and interim dean at our medical school. Dubinett was honored with a lifetime achievement award from the American Thoracic Society in 2023.
- Miguel García-Garibay was appointed senior dean of the UCLA College. A member of our chemistry and biochemistry faculty since 1992, he has served as dean of physical sciences since 2016. He continues in his role as physical sciences dean and, as senior dean, will be responsible for overseeing strategic planning, budgeting and decision-making related to staffing, policies and development within the College as a whole. He will also represent the College on campus, within the UC system and in the larger community.
- Alissa Park is our new dean of the UCLA Samueli School of Engineering. She was most recently the Lenfest Earth Institute Professor of Climate Change and chair of the earth and environmental engineering department at Columbia University, where she was a faculty member for 16 years. She is widely recognized as one of the nation's leading carbon capture and conversion technology experts.
- Michael Waterstone, a distinguished legal scholar and expert in disability and civil rights law, is our new dean of the UCLA School of Law. A UCLA alum, he served as the Fritz B. Burns Dean at LMU Loyola Law School and as a senior vice president at Loyola Marymount University before returning to his alma mater in the summer of 2023.
- Erin Sanders O'Leary is the inaugural vice provost for teaching and learning at UCLA. In this role, she will oversee the new Teaching and Learning Center and drive innovation and collaboration in instruction across the university. Previously, O'Leary served as

executive director of the Center for the Advancement of Teaching Excellence at the University of Illinois Chicago, where she was also an associate adjunct professor of biological sciences and microbiology and immunology. Prior to that, she worked at UCLA for six years as the founding director of the Center for Education Innovation & Learning in the Sciences and a faculty member in the Department of Microbiology, Immunology & Molecular Genetics and Life Sciences Core Education.

The incredible support of those who believe in UCLA's important public mission has been instrumental in achieving this year's milestones. I am deeply grateful to everyone who continues to make our institution a shining example of the very best of public higher education, both in California and across the globe. I look forward to carrying our current momentum into my final year as chancellor and helping to set up UCLA's next leader for success.

Sincerely,



Gene D. Block
Chancellor



CAMPUS AND FINANCIAL HIGHLIGHTS

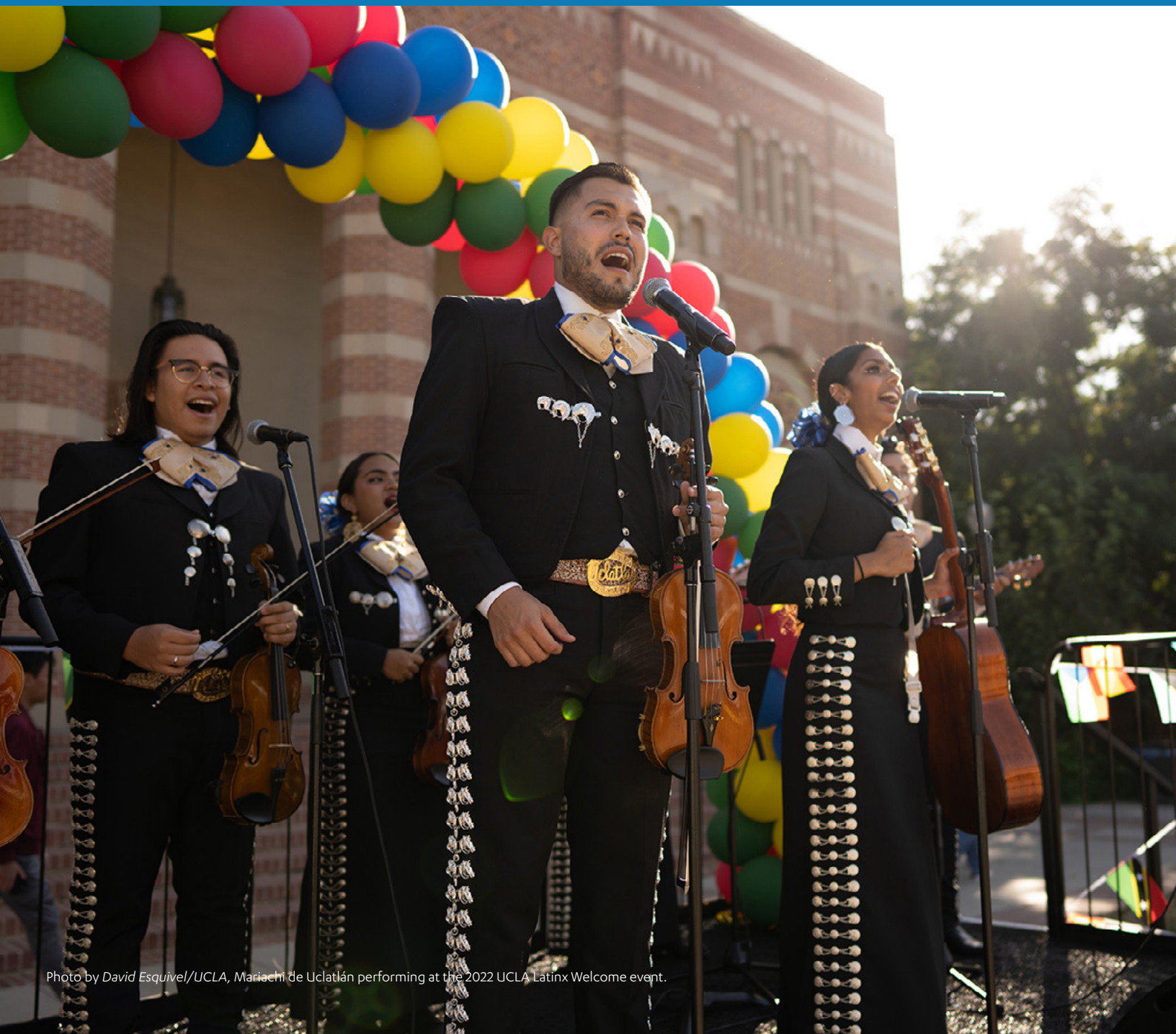


Photo by David Esquivel/UCLA, Mariachi de Uclatlán performing at the 2022 UCLA Latinx Welcome event.

CAMPUS AND FINANCIAL HIGHLIGHTS

Years ended, 2023 and 2022 (in millions of dollars)

	2023	2022
CAMPUS LAND AREA	680 acres	476 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	32,423	32,122
Graduates, Interns, and Residents	15,409	15,397
EMPLOYEE COUNT		
Full-Time Equivalent	40,402	38,440
NET POSITION		
Beginning of Year	\$(1,409)	\$336
End of Year	\$(1,271)	\$(1,409)
ASSETS:		
Total Current Assets	\$2,875	\$2,972
Total Noncurrent Assets and Deferred Outflows	\$17,184	\$17,218
	\$20,059	\$20,190
LIABILITIES:		
Total Current Liabilities	\$2,409	\$2,348
Total Noncurrent Liabilities and Deferred Inflows	\$18,921	\$19,251
	\$21,330	\$21,599
REVENUE:		
Operating Revenue	\$9,883	\$9,048
Nonoperating Revenue (Primary Activities)	\$1,300	\$1,446
	\$11,183	\$10,494
Principal Sources of Operating Revenue:		
Student Tuition and Fees	\$983	\$975
Grants and Contracts	\$1,390	\$1,306
Sales and Services	\$7,279	\$6,550
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	\$674	\$696
EXPENDITURES:		
Operating Expense	\$11,520	\$10,598
Nonoperating Expense (Primary Activities)	\$226	\$298
	\$11,746	\$10,896
Principal Operating Expenditures:		
Salaries and Wages	\$4,898	\$4,482
Benefits	\$2,600	\$2,290
Supplies and Materials	\$1,567	\$1,420

MANAGEMENT'S DISCUSSION AND ANALYSIS



Photo courtesy of UCLA Athletics, Players celebrate a point during their NCAA championship victory over the University of Hawaii on May 6.

The objective of this Management's Discussion and Analysis (MD&A) is to help readers of the University of California Los Angeles' (UCLA's) financial statements better understand the financial position and operating activities for the year ended June 30, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2021, 2022, 2023, etc.) in this discussion refer to the fiscal years ended June 30.

UCLA is one of 10 campuses within the University of California system (the University). The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). 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—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation (JCCF). The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the notes to the financial statements focus mainly on the campus; information relating to The UCLA Foundation and the Jonsson Cancer Center Foundation can be found in separately issued audited financial statements at www.uclafoundation.org and www.cancer.ucla.edu. Also, audited financial statements for the UCLA Medical Center are in the University of California's combined medical centers report, available at <https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html>.

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 Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE). The

consolidated audited financial report of the University of California is available at <http://www.universityofcalifornia.edu/reportingtransparency>.

The Los Angeles Campus of the University of California

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget of approximately \$11.1 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 680 acres and is devoted to undergraduate and graduate scholarship serving over 47,800 students in the following schools:

College of Letters and Science

General
Humanities
Institute of the Environment & Sustainability
International Institute
Life Sciences
Physical Sciences
Social Sciences

Health Sciences Programs

David Geffen School of Medicine
Jonathan and Karin Fielding School of Public Health
School of Dentistry
School of Nursing
Semel Institute for Neuroscience and Human Behavior

Professional Schools

School of Education & Information Studies
Henry Samueli School of Engineering & Applied Sciences
John E. Anderson School of Management
Meyer and Renee Luskin School of Public Affairs
School of Law
School of the Arts and Architecture
School of Theater, Film and Television
Herb Alpert School of Music

Basic Biomedical Sciences

Letters and Science: Basic Biomedical Sciences
Medicine: Basic Biomedical Sciences

During the 2022-23 academic year, UCLA offered approximately 7,100 undergraduate and graduate courses in 190 subject areas, producing more than 451,000 enrollments in primary classes and 237,000 enrollments in laboratory and discussion sections. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 7,300 research projects are being conducted on campus at any given time. For 2023, UCLA expenditures for research were approximately \$1.10 billion. UCLA was ranked the No. 1 public university in the country by *U.S. News & World Report* for the seventh year in a row.

UCLA Extension offers the public over 4,800 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth, attracting over 36,000 individual students from the communities of Southern California and worldwide.

UCLA employed over 51,500 faculty, administrators and staff (including casual and student employees), filling approximately 40,400 full-time-equivalent positions, and spent \$7.5 billion in compensation costs for the fiscal year ended June 30, 2023. UCLA's employees are distinguished for their contributions to education, research, and public service.

Distinguished honors and awards to UCLA alumni and faculty include the following:

- Three alumni awarded Nobel Prizes for chemistry (1951, 1984, 2010), two for economics (1990, 2009), two for physiology or medicine (2013, 2021), and one for peace (1950)
- Four faculty members awarded Nobel Prizes for chemistry (1960, 1987, 1997, 2016), two for physics (1965, 2020), one for physiology or medicine (1998), and one for economic sciences (2012)
- Eleven alumni awarded Rhodes Scholarships (1936, 1948, 1955, 1962, 1969, 1971, 1973, 1997, 2009, 2010)
- Eleven faculty members and two alumni awarded the President's National Medal of Science from the National

Science Foundation (1964, 1965, 1966, 1970, 1989, 1991, 1993, 1994, 1996, 1999, 2007, 2011)

- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Four alumni, two faculty, and one staff members awarded the Presidential Medal of Freedom (1963, 1984, 1993, 2000, 2003, 2016)

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer Museum, and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

During the fiscal year 2023, UCLA's on-campus physical plant included 227 existing buildings. Off campus, UCLA owns or manages 168 buildings and has 195 existing leases for various programmatic activities. UCLA has 22 libraries, housing more than 12 million volumes, a cogeneration power plant, the Luskin Conference Center, the UCLA Conference Center at Lake Arrowhead, on-campus student housing for more than 14,000 undergraduates, off-campus student and faculty apartments, and more.

UCLA Health System is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, UCLA Mattel Children's Hospital, and the many UCLA Faculty Practice Groups. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. For the 34th consecutive year, UCLA Health hospitals earned a coveted placement on the 2023-24 *U.S. News & World Report* Best Hospitals national honor roll, a distinction reserved for only the 22 hospitals with the highest-quality care. It is nationally ranked in 14 adult and 9 pediatric specialties and rated high performing in 20 adult procedures and conditions. The UCLA Medical Center comprises the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at <http://www.uclahealth.org>.

Key Operating metrics for the UCLA Medical Center for the fiscal years ended June 30 are included in Table MDA.1:

Table MDA.1: UCLA Medical Center Operating Metrics

			Increase / (Decrease)	
	2023	2022	Amount	%
Operating Statistics				
Licensed beds	801	801		
Admissions	38,436	37,742	694	1.8%
Average daily census	787	745	42	5.6%
Discharges	38,458	37,689	769	2.0%
Average length of stay	7.50	7.20	0.30	4.2%
Patient days	287,335	271,855	15,480	5.7%
Case mix index	2.32	2.29	0.03	1.3%
Outpatient visits	868,652	872,507	(3,855)	(0.4)%
Outpatient Visits				
Hospitals and clinics	789,124	798,793	(9,669)	(1.2)%
Emergency visits	79,528	73,714	5,814	7.9%
Total	868,652	872,507	(3,855)	(0.4)%

An Overview – The following table reflects the composition of UCLA for 2023, listing enrollment figures, full-time-equivalent employee figures, and operating expenses by organization.

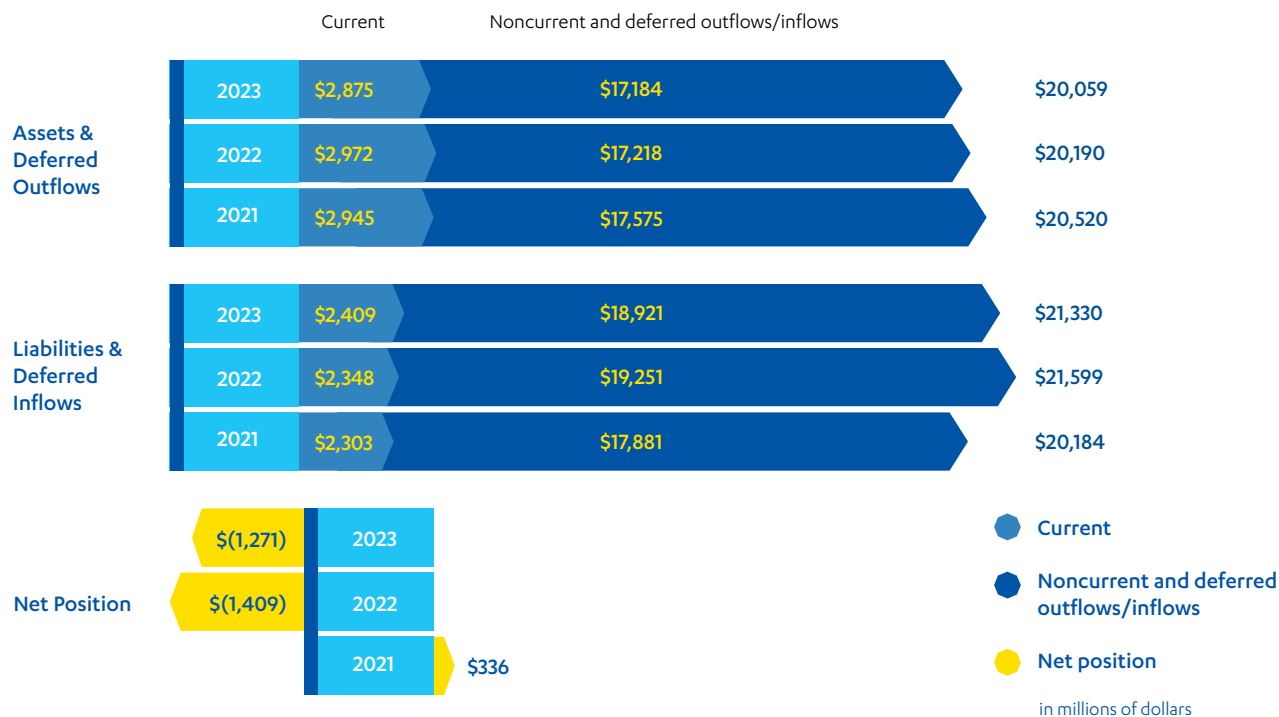
Table MDA.2: UCLA Overview for 2023

<i>(in millions of dollars)</i>	Undergraduates	Graduates, Interns and Residents	Full Time Equivalent (Includes Students)	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
Organizations	Fall Enrollment		Employees	Operating Expenses			
College of Letters and Science	25,955	3,171	3,627	\$421	\$205	\$131	\$757
School of Dentistry		513	313	39	19	23	81
School of Education & Information Studies	90	830	334	37	20	23	80
School of Engineering & Applied Science	4,008	2,534	902	107	55	48	210
School of Law		1,329	374	55	28	39	122
School of Management		2,357	489	81	39	62	182
School of Medicine		2,266	10,159	1,604	737	1,046	3,387
School of Music	436	146	154	18	9	8	35
School of Nursing	209	370	134	16	9	7	32
School of Public Affairs	188	591	265	33	17	17	67
School of Public Health		780	360	43	23	33	99
School of the Arts and Architecture	566	311	458	38	20	11	69
School of Theater, Film and Television	340	211	194	22	11	7	40
Basic Biomedical Sciences	631		188	20	12	18	50
Medical Center			10,639	1,290	738	1,461	3,489
Medical Group			2,987	306	183	350	839
Neuropsychiatric Hospital			400	48	27	16	91
Semel Institute			812	82	47	48	177
University Extension			326	38	19	30	87
All Others			7,287	600	382	22	1,004
Subtotal Organizations	32,423	15,409	40,402	4,898	2,600	3,400	10,898
Depreciation Expense						549	549
Impairment of Capital Assets						36	36
Other Operational Expenditures						37	37
Total	32,423	15,409	40,402	\$4,898	\$2,600	\$4,022	\$11,520

THE CAMPUS' FINANCIAL POSITION

The University implemented a new accounting standard, Government Accounting Standard Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the University's fiscal year beginning July 1, 2022. Under GASB 96, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability. Financial information for 2022 has been restated to retroactively apply this new accounting standard.

Display 1: UCLA's Financial Position



The Statements of Net Position present the financial position of UCLA at the end of each year. They display all of UCLA's assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position. The major components of the Statements of Net Position as of June 30, 2023, 2022, and 2021 are presented in Table MDA.3:

Assets, Deferred Outflows & Inflows, Liabilities, Net Position

Table MDA.3: Statements of Net Position

(in millions of dollars)

	2023	2022	2021*
ASSETS			
Investments	\$8,843	\$8,182	\$8,779
Accounts receivable, net	1,281	1,266	1,144
Capital assets, net	7,822	7,842	7,934
Other assets	381	367	389
Total assets	18,327	17,657	18,246
DEFERRED OUTFLOWS OF RESOURCES			
	1,732	2,533	2,274
LIABILITIES			
Debt, including			
commercial paper	6,238	6,435	5,989
Net pension liability,			
including pension			
payable to UCOP	5,868	5,923	2,670
Net retiree health			
benefits liability	4,851	4,412	5,491
Other liabilities	2,071	2,037	1,999
Total liabilities	19,028	18,807	16,149
DEFERRED INFLOWS OF RESOURCES			
	2,302	2,792	4,035
NET POSITION			
Net investment in			
capital assets	2,196	1,969	2,574
Restricted:			
Nonexpendable	350	347	345
Expendable	2,280	2,154	2,294
Unrestricted	(6,097)	(5,879)	(4,877)
Total net position	\$(1,271)	\$(1,409)	\$336

*Does not reflect adoption of GASB 96

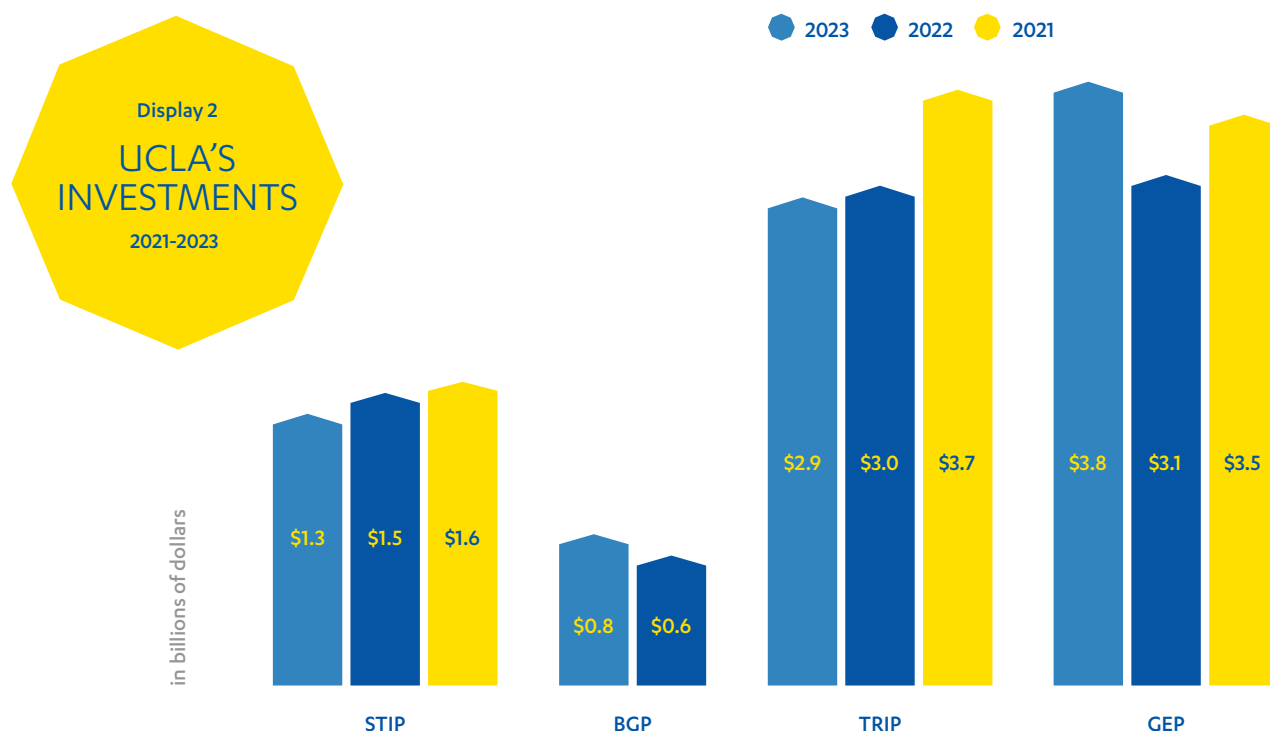
The Campus' Assets and Deferred Outflows

UCLA's assets and deferred outflows of resources totaled \$20.1 billion in 2023, compared to \$20.2 billion in 2022 and \$20.5 billion in 2021. Net capital assets have decreased due to depreciation and disposals in excess of continued investments in facilities. Investments increased in 2023 due to positive financial market returns. Deferred outflows have fluctuated primarily due to changes in UCLA's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in four investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), the Blue and Gold Pool (BGP), and the General Endowment Pool (GEP). Cash for operations are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created to enhance returns by passively investing funds in the equity and fixed-income markets while still maintaining liquidity. The investment policy for TRIP is balanced between equities and fixed income while the investment policy for BGP is more heavily weighted toward equities. GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The University utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had returns of 8.2 percent in 2023, (7.6) percent in 2022 and 33.7 percent in 2021. BGP was restarted on April 1, 2021 and had a return of (15.2) percent through June 30, 2022 and 13.3 percent in 2023. TRIP had returns of 8.6 percent, (11.3) percent and 21.2 percent in 2023, 2022, and 2021, respectively. STIP had positive returns of 2.8 percent, 0.4 percent and 0.8 percent in 2023, 2022, and 2021, respectively.



Capital assets, net

UCLA's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continued at a brisk pace in order to provide the facilities necessary to support UCLA's teaching, research, and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures, and infrastructure projects. Total additions to capital assets were \$664 million in 2023 as compared to \$658 million in 2022 and \$882 million in 2021. Completed buildings and improvements in 2023 include seismic upgrades and renovations to the UCLA Luskin Public Affairs Building for \$27 million. Acquisitions in 2023 include former Marymount California University Campus (now known as UCLA South Bay Campus) for \$45 million, former Marymount California University Villas (now known as UCLA South Bay Villas) for \$35 million, and the South Spring Street Trust Building in downtown Los Angeles for \$30 million.

Major projects under construction include the Neuropsychiatric Replacement Hospital with cumulative costs of \$86 million.

Other assets

Other assets include cash, investments held by trustees, pledges receivable, notes and mortgages receivable, and inventories.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2023, deferred outflows decreased due to higher than expected investment returns for the University of California Retirement Plan (UCRP) portfolio. In 2022, deferred outflows increased due to lower than expected investment returns for the UCRP portfolio.

The campus' liabilities and deferred inflows

UCLA's liabilities and deferred inflows of resources decreased to \$21.3 billion in 2023 as compared to \$21.6 billion in 2022, and increased as compared to \$20.2 billion in 2021. The change in 2023 was primarily related to the decrease in the liability for pension benefits due to favorable market returns in the UCRP investment portfolio. The change in 2022 was primarily related to the increase in the liability for pension benefits.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including equity contributions, state support, gifts, revenue bonds, bank loans, and leases. Commercial paper and bank loans provide interim financing for capital assets during the

construction period. Outstanding debt decreased by \$0.2 billion in 2023 and increased by \$0.4 billion in 2022.

UCLA's debt, which is used primarily to finance capital assets, includes \$19 million, \$37 million, and \$19 million of commercial paper outstanding at the end of 2023, 2022, and 2021, respectively. Total debt outstanding was \$6.2 billion at the end of 2023 compared to \$6.4 billion and \$6.0 billion at the end of 2022 and 2021, respectively.

In 2023, General Revenue Bonds totaling \$387.3 million in tax-exempt bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of UCLA and refund general revenue bonds totaling \$358.6 million and medical center pooled revenue bonds totaling \$43.3 million.

In 2022, Medical Center Revenue Bonds of \$400 million were issued for operations and \$234 million to finance the acquisition, construction, improvement and renovation of certain facilities at UCLA's medical centers. Reductions to outstanding debt include \$217 million for scheduled principal payments.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings decreased by \$18 million in 2023 compared to 2022, and increased by \$18 million in 2022 compared to 2021. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling \$700 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate bonds, commercial paper, and other liquidity needs.

Net pension liability and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. UCLA's net pension liability was \$4.4 billion, \$4.5 billion, and \$1.5 billion in 2023, 2022, and

2021, respectively. The changes were driven primarily by investment returns for the UCRP portfolio. In 2023, market performance was favorable compared to expected returns, and in 2022, market performance was unfavorable compared to expected returns. The total investment rate of return for UCRP was 10.1 percent in 2023, (10.8) percent in 2022 and 30.5 percent in 2021. The discount rate used to estimate the net pension liability was 6.75 percent in 2023, 2022 and 2021, respectively.

UCLA's net retiree health benefits liability was \$4.9 billion, \$4.4 billion, and \$5.5 billion in 2023, 2022, and 2021, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health benefits liability based on the current practices of providing such benefits. The University funds the retiree health benefits through the University of California Retiree Health Benefit Trust (UCRHBT) based on a projection of benefits on a pay-as-you-go basis, and the assets in the trust are not currently sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liability. The increase in the net retiree health benefits liabilities in 2023 were primarily driven by an actuarial loss from higher than projected health care premium rates. The changes in the net retiree health benefits liabilities in 2022 were primarily driven by the changes in the discount rates used to estimate the net retiree health benefits liability. The discount rates as of June 30, 2023, 2022 and 2021 were 3.65 percent, 3.54 percent and 2.16 percent, respectively.

Other liabilities

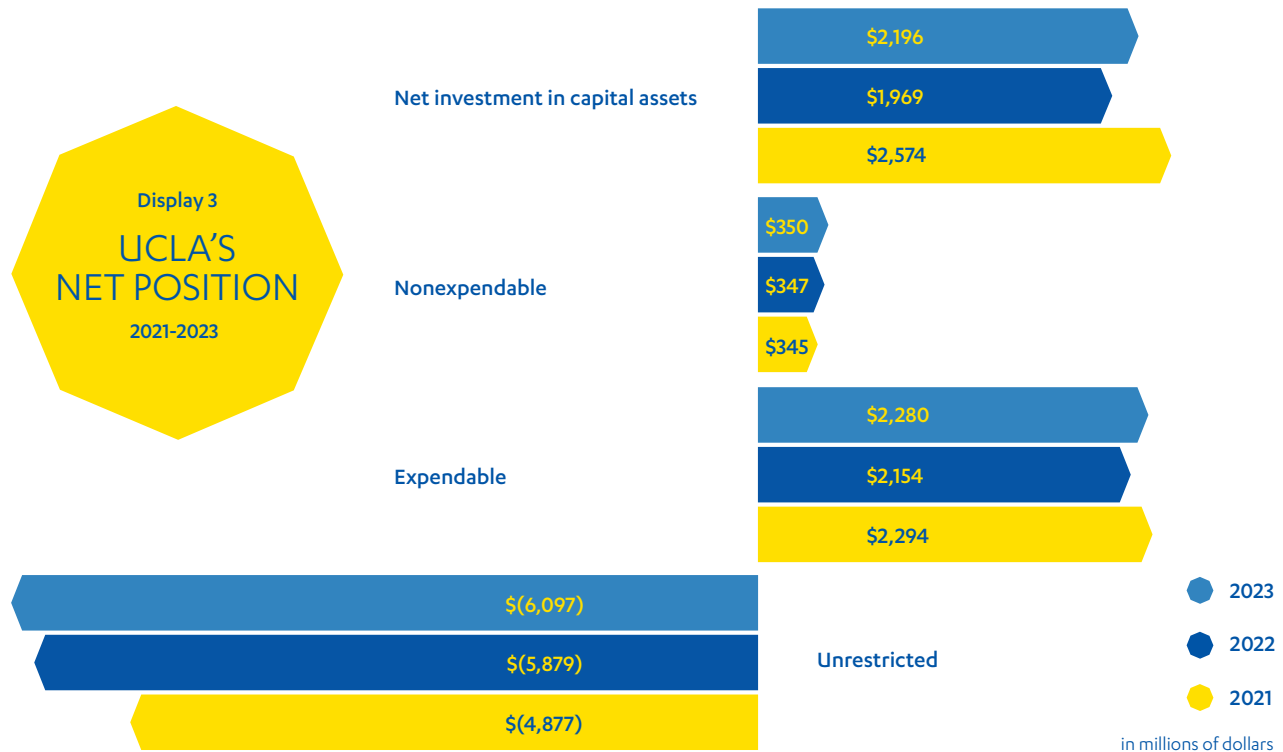
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, and federal refundable loans.

Deferred inflows of resources

Deferred inflows of resources are related to gains on debt refundings, sales of certain future patent royalty revenues, and certain changes in the net pension and net retiree health benefits liabilities. 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.

THE CAMPUS' NET POSITION

Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities and deferred inflows are deducted. UCLA's net position was \$(1,271) million in 2023, compared to \$(1,409) million in 2022 and \$336 million in 2021. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



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 \$2.2 billion in 2023 compared to \$2.0 billion in 2022 and \$2.6 billion in 2021. To support its growth, UCLA continues to invest in its physical facilities, and financing with debt is used for a significant portion of the investments. Net investment in capital assets increased in 2023 by \$0.2 billion as UCLA continues to invest in its physical facilities and decreased in 2022 by \$0.6 billion due to depreciation and disposals outpacing non-financed capital spending.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments as well as minority interests. In 2023 and 2022, the increases 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 its use. Restricted expendable net position may be spent only in accordance with the restrictions placed upon it and may include endowment income and gains, subject to UCLA's spending policy; support received from gifts, state or federal appropriations; 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 and gains.

Unrestricted

Net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital projects or for other purposes.

THE CAMPUS' RESULTS OF OPERATIONS

The Statements of Revenues, Expenses, and Changes in Net Position present the campus' operating results and indicate whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts, and investment income. A summarized comparison of the operating results for 2023, 2022, and 2021, arranged in a format that matches the revenue supporting the primary activities of UCLA with the expenses associated with these primary activities, is shown in Table MDA.4:

Photo by *Todd Cheney/UCLA*, (From left) Donald and Andrea Goodman and Renee and Meyer Luskin came together to make a gift of \$20 million to establish a new center at UCLA focused on the human microbiome and its effect on health.



Table MDA.4: UCLA's Results of Operations

	2023			2022			2021*		
	Operating	Non-operating	Total	Operating	Non-operating	Total	Operating	Non-operating	Total
<i>(in millions of dollars)</i>									
REVENUES									
Student tuition and fees, net	\$983		\$983	\$975		\$975	\$891		\$891
State educational appropriations		\$674	674		\$696	696		\$454	454
Direct government grants		6	6		136	136		64	64
Federal Pell Grants		54	54		51	51		53	53
Grants and contracts, net	1,390		1,390	1,306		1,306	1,188		1,188
Medical center, net	3,679		3,679	3,321		3,321	3,128		3,128
Educational activities, net	3,076		3,076	2,790		2,790	2,497		2,497
Auxiliary enterprises, net	524		524	439		439	164		164
Private gifts, net		391	391		404	404		405	405
Investment income, net		156	156		79	79		123	123
Other revenues	231	19	250	217	80	297	203	23	226
Revenues supporting primary activities	9,883	1,300	11,183	9,048	1,446	10,494	8,071	1,122	9,193
EXPENSES									
Salaries and wages	4,898		4,898	4,482		4,482	4,194		4,194
Pension benefits	1,075		1,075	942		942	372		372
Retiree health benefits	220		220	256		256	409		409
Other employee benefits	1,305		1,305	1,092		1,092	1,068		1,068
Scholarships and fellowships	147		147	205		205	181		181
Utilities	101		101	85		85	61		61
Supplies and materials	1,567		1,567	1,420		1,420	1,281		1,281
Depreciation and amortization	549		549	509		509	496		496
Interest expense		198	198		205	205		177	177
Other expenses	1,658	28	1,686	1,607	93	1,700	1,141	12	1,153
Expenses associated with primary activities	11,520	226	11,746	10,598	298	10,896	9,203	189	9,392
Income (loss) from primary activities	(1,637)	1,074	(563)	(1,550)	1,148	(402)	(1,132)	933	(199)
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			524			(815)			1,339
Income (loss) before other changes in net position			(39)			(1,217)			1,140
OTHER CHANGES IN NET POSITION									
State capital appropriations			105			1			
Capital gifts and grants, net			33			22			28
Additions to permanent endowments			1			4			9
Transfers			38			(555)			290
Change in net position			138			(1,745)			1,467
NET POSITION									
Beginning of year, as previously reported			(1,409)			336			(1,131)
End of year			\$(1,271)			\$(1,409)			\$336

*Does not reflect adoption of GASB 96

REVENUES SUPPORTING PRIMARY ACTIVITIES

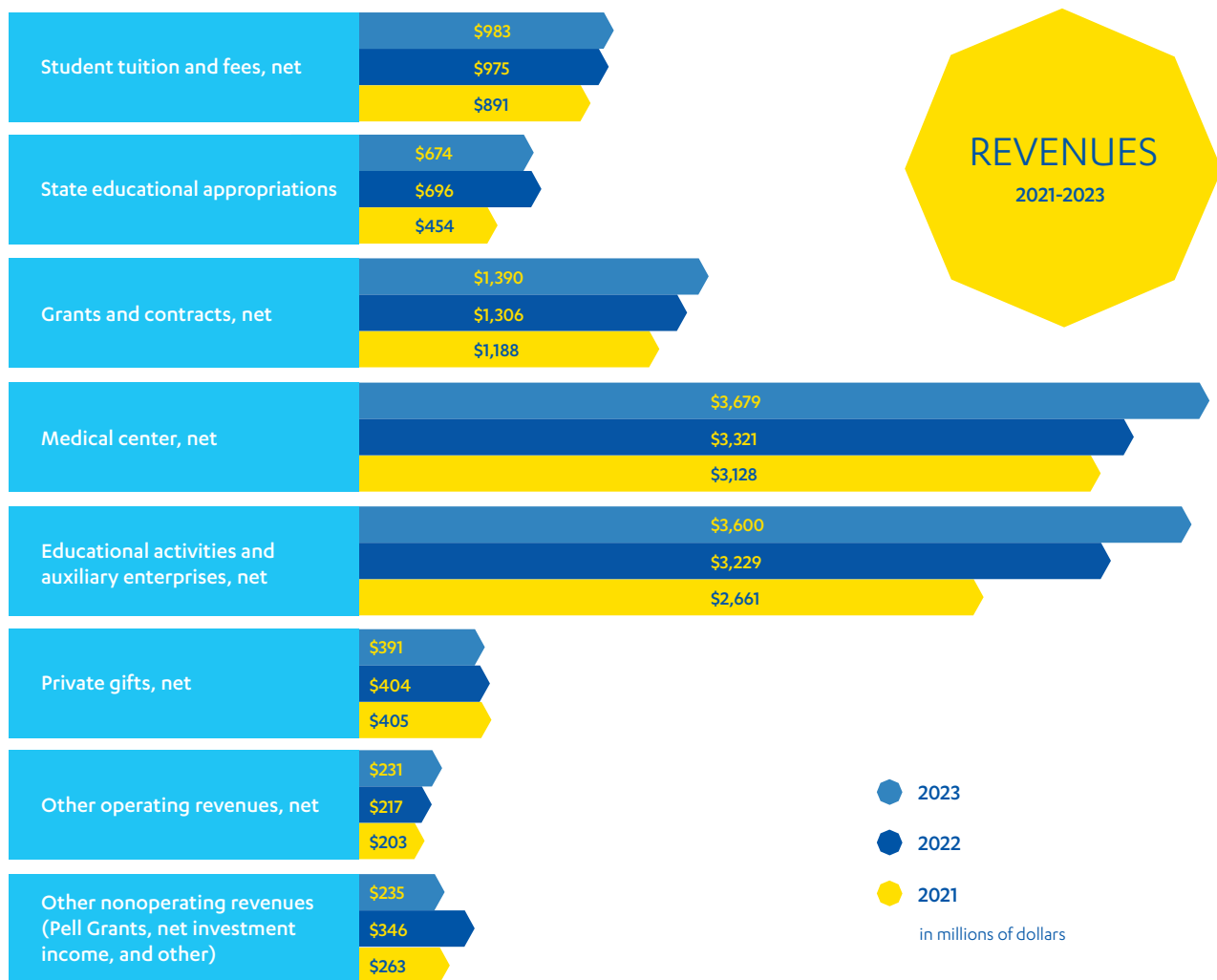
Revenues to support UCLA's primary activities, including those classified as nonoperating revenues, were \$11.2 billion, \$10.5 billion, and \$9.2 billion in 2023, 2022, and 2021, respectively. These diversified sources of revenue increased by \$689 million in 2023 and \$1,301 million in 2022.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the main components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from the medical center, educational activities, and auxiliary enterprises such as student housing, food service operations, and parking.

Revenues in the various categories have changed as follows:

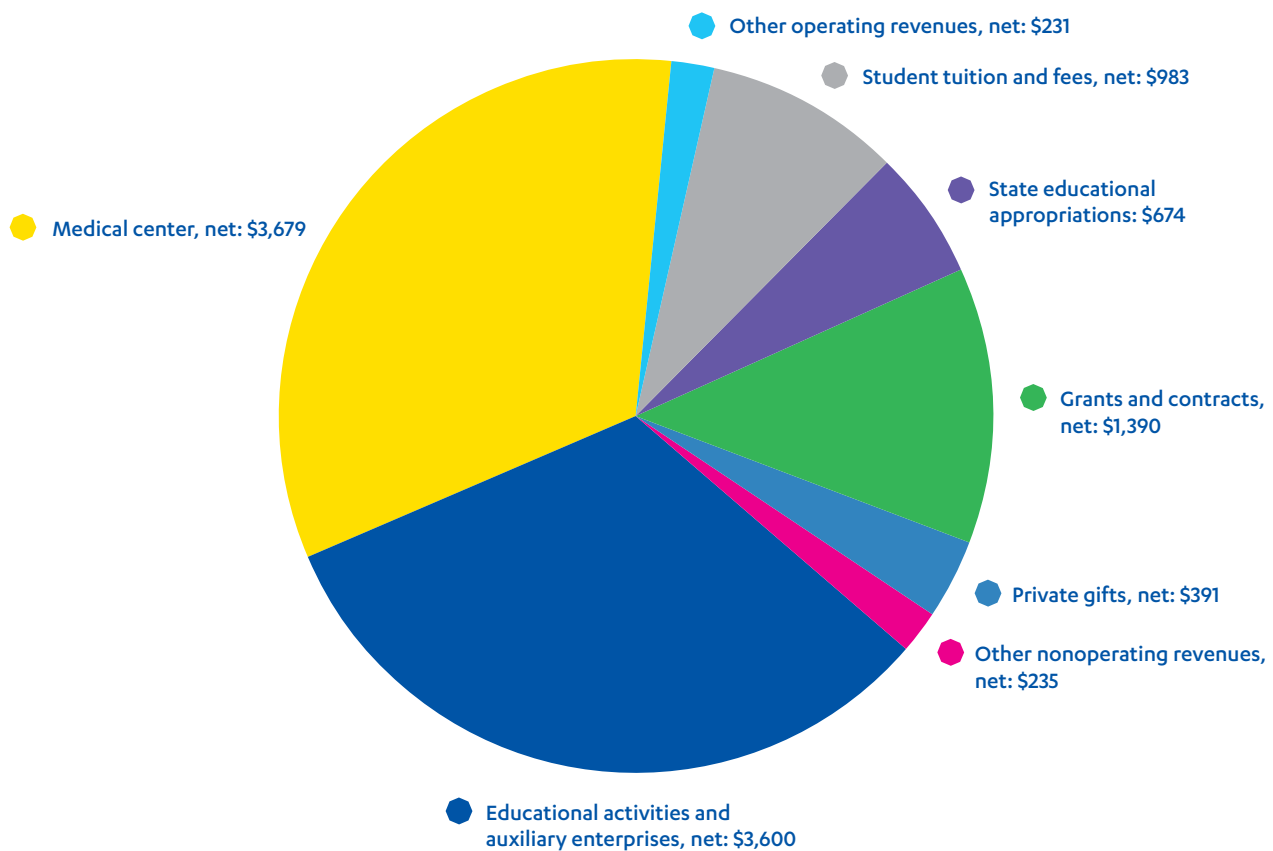
Display 4: UCLA's Revenues by Category



A major financial strength of UCLA is its diverse source of revenues, including those from student fees, federally sponsored grants and contracts, the medical center, the state of California, private support, and auxiliary enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that supported UCLA's primary activities in 2023 are as follows:

Display 5: UCLA's Operating and Nonoperating Revenues for 2023 (in millions of dollars)



Student tuition and fees, net

Net student tuition and fees were \$983 million, \$975 million, and \$891 million in 2023, 2022, and 2021, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were \$241 million, \$232 million, and \$252 million in 2023, 2022, and 2021, respectively. Student tuition and fees, net of scholarship allowances, increased by \$8 million in 2023 and by \$84 million in 2022, respectively.

Table MDA.5: Student Tuition and Fees

(in millions of dollars)	2023	2022	2021
Student tuition and fees	\$1,095	\$1,079	\$1,015
Summer sessions	49	50	52
University Extension	80	78	76
Scholarship allowance	(241)	(232)	(252)
Total	\$983	\$975	\$891

Enrollment grew by 0.66 percent in the 2022-23 academic year after growing by 3.30 percent in 2021-22. Consistent with the Tuition Stability Plan approved by the Regents in July 2021, mandatory tuition for undergraduates who enrolled prior to fall 2022 will remain flat through 2026-27; undergraduates who first enrolled in 2022-23 are assessed a mandatory tuition level that is 4.25 percent higher than the prior cohort; and undergraduates who first enrolled in 2023-24 are assessed a mandatory tuition level that is 5.0 percent higher than the prior cohort. For graduate students in State-supported programs, adjustments to mandatory tuition and fees are pegged to the rate of inflation beginning with the 2022-23 academic year. Professional degree supplemental tuition varies by discipline; certain increases were approved by the Regents for 2023, 2022 and 2021.

State educational appropriations

Educational appropriations from the state of California were \$674 million, \$696 million, and \$454 million in 2023, 2022, and 2021, respectively. State educational appropriations decreased by \$22 million in 2023 due to the discontinuation of one-time funds for Charles Drew University and the Climate Wildfire Institute. State educational appropriations increased by \$242 million in 2022 due to a restoration of state support cut during prior years, a further base budget increase and new one-time funds for deferred maintenance and other purposes.

Direct government grants

In 2023, 2022, and 2021, UCLA received funds under certain provisions of the Coronavirus Aid, Relief, and Economic Security (CARES), Coronavirus Response & Relief Supplemental Appropriations (CRRSA), and American Rescue Plan (ARP) Acts to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campus received \$4 million, \$103 million, and \$64 million in 2023, 2022, and 2021, respectively, in grants 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. UCLA Medical Center received \$2 million and \$6 million in 2023 and 2022, respectively, in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19. UCLA Medical Center did not receive such funding in 2021. In 2022, UCLA Medical Center received designated public hospital grants of \$27 million in support of their health care expenditures.

Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts, including facilities and administration cost recovery of \$270 million, \$245 million, and \$223 million in 2023, 2022, and 2021, respectively, was \$1,390 million, \$1,306 million, and \$1,188 million in 2023, 2022, and 2021, respectively.

In 2023, federal grants and contracts revenue increased \$21 million, or 2.6 percent, as compared to 2022. In 2022, federal grants and contracts revenue increased \$50 million, or 6.7 percent, as compared to 2021. Federal grants and contracts include federal facilities and administrative cost recovery of \$180 million, \$172 million, and \$158 million in 2023, 2022, and 2021, respectively. Changes in the federal budget impact UCLA's growth in federal grants and contracts.

Table MDA.6: Grants and Contracts Revenue Sources

<i>(in millions of dollars)</i>	2023	2022	2021
Federal government	\$821	\$800	\$750
State agencies	120	108	67
Private industries	359	316	295
Local government	90	82	76
Total	\$1,390	\$1,306	\$1,188

Medical center, net

Medical center revenue, net of allowances, increased \$358 million, or 10.8 percent, in 2023 and increased \$193 million, or 6.2 percent, in 2022. Revenue growth in 2023 and 2022 was the result of increases in both inpatient and outpatient volumes.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by \$286 million, or 10.3 percent, in 2023 and \$293 million, or 11.7 percent, in 2022, due to higher patient volumes.

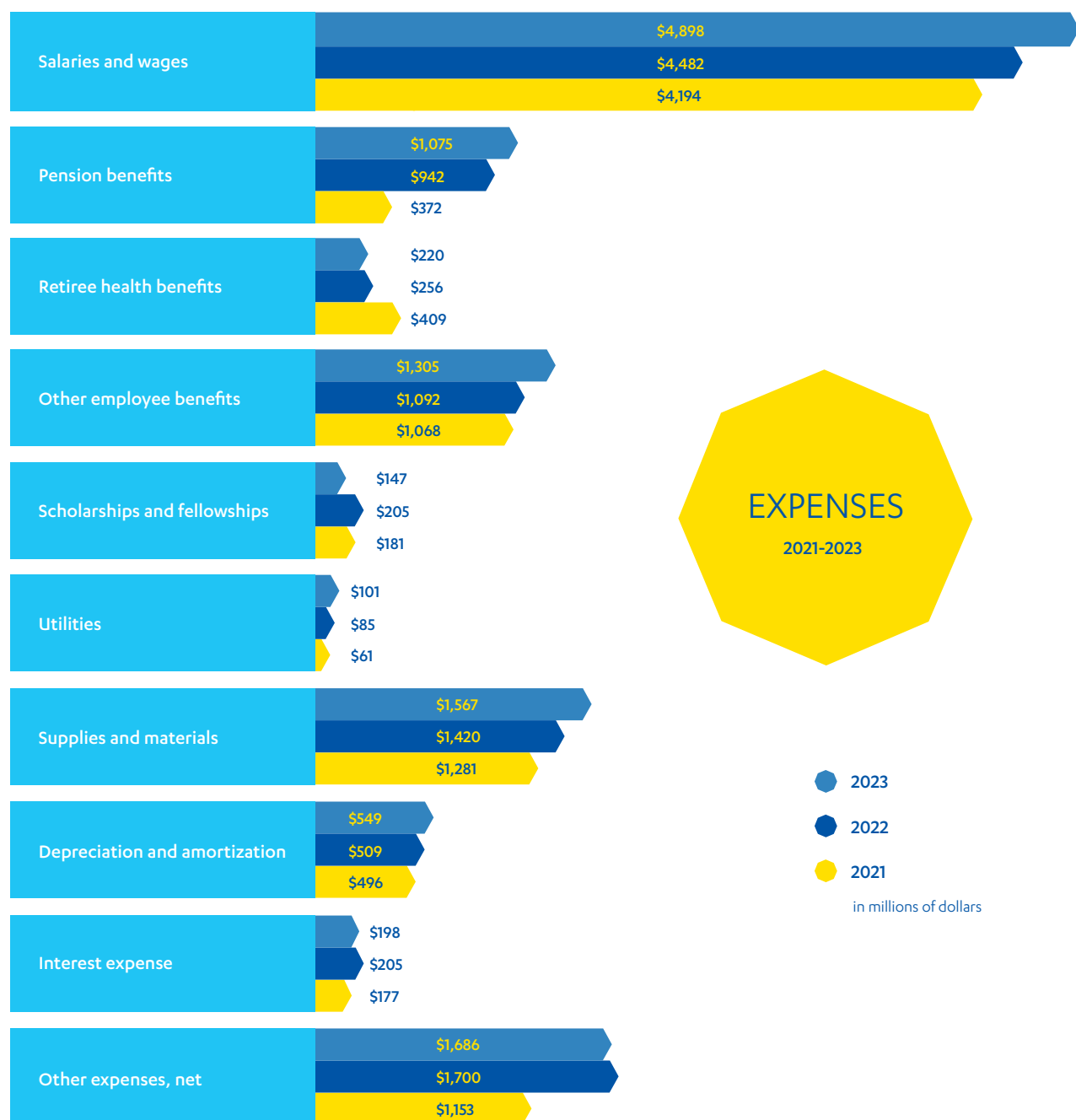
Auxiliary enterprises include housing, food service, parking, bookstores, the student center, union, and child-care centers. Revenue from auxiliary enterprises, net of allowances, increased by \$85 million, or 19.4 percent, in 2023 which is consistent with UCLA's initiative to expand campus housing while minimizing increases in housing costs for students. Revenues for auxiliary enterprises increased by \$275 million, or 168.0 percent, in 2022 as in-person classes resumed in person starting in fall 2021.

EXPENSES ASSOCIATED WITH PRIMARY ACTIVITIES

Expenses associated with UCLA's primary activities, including those classified as nonoperating expenses, were \$11.7 billion, \$10.9 billion, and \$9.4 billion in 2023, 2022, and 2021, respectively. These expenses increased in 2023 by \$850 million and in 2022 by \$1.5 billion. UCLA's operations continued to grow, principally at the medical center, and expenses increased consistent with the overall growth in operations. Pension expenses have caused significant fluctuations in expenses due to the performance of the financial markets. Retiree health benefits expenses decreased in 2023 and 2022 due to the changes in the discount rate.

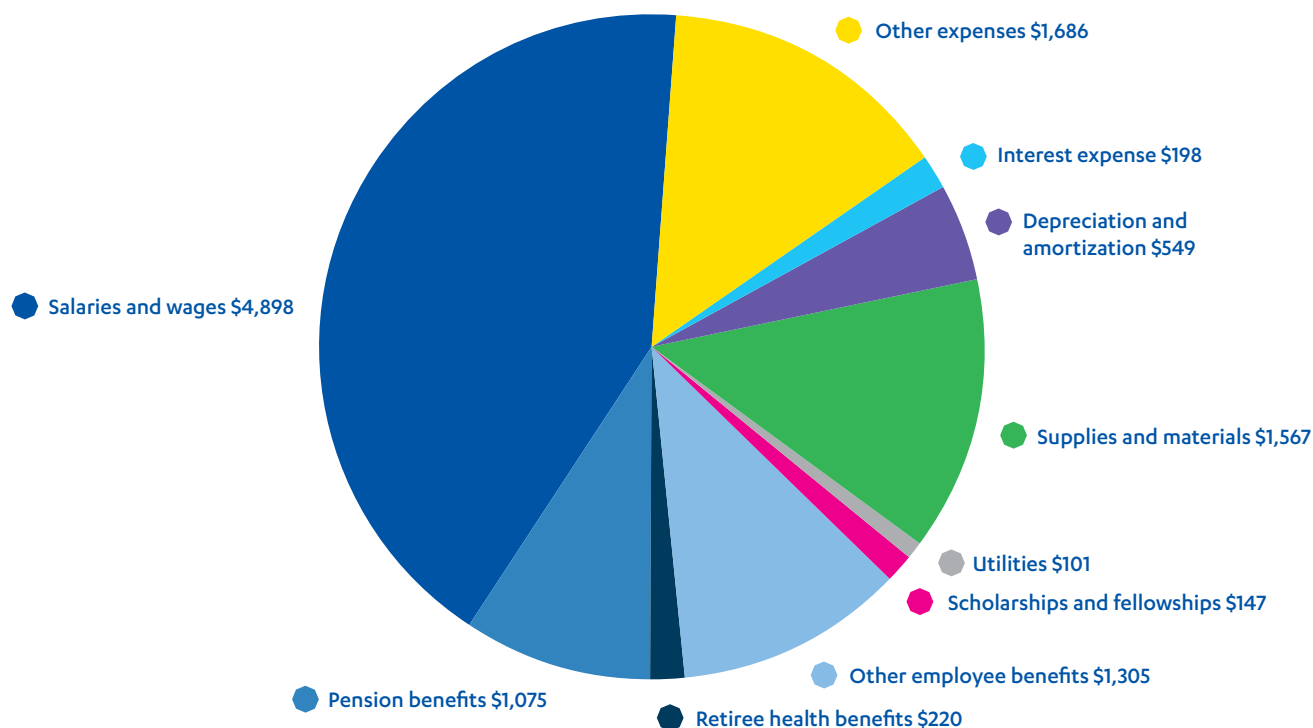
Expenses in the various categories are as follows:

Display 6: UCLA's Expenses by Category



Categories of both operating and nonoperating expenses related to UCLA's primary activities in 2023 are as follows:

Display 7: Expenses Related to Primary Activities in 2023 (in millions of dollars)



Salaries and benefits

Approximately two-thirds of UCLA's expenses are related to salaries and benefits. There were 40,402 full-time equivalent (FTE) employees in 2023, as compared to 38,440 FTEs in 2022. Total salaries and benefits expense increased by 10.7 percent in 2023, primarily driven by the increase in salaries and wages of \$416 million and pension expense of \$133 million. Total salaries and benefits expense increased by 12.1 percent in 2022, primarily driven by the increase in salaries and wages of \$288 million and pension expense of \$570 million.

In 2023, salaries increased by 9.3 percent, comprised of an increase in the number of FTEs and an increase in the average salary per FTE. In 2023, employee benefits,

excluding pension and retiree health benefits, increased by \$213 million, or 19.5 percent. Pension expense increased by \$133 million due to changes in actuarial assumptions related to the experience study. Retiree health benefits expense decreased by \$36 million, or 14.1 percent, due to an increase in the discount rate.

In 2022, salaries increased by 6.9 percent, comprised of an increase in the number of FTEs and an increase in the average salary per FTE. In 2022, employee benefits, excluding pension and retiree health care benefits, increased by \$24 million, or 2.2 percent. Pension expense increased by \$570 million due to lower than expected investment returns. Retiree health benefits expense decreased by \$153 million, or 37.4 percent, due to an increase in the discount rate.

Scholarships and fellowships

UCLA places a high priority on student financial aid as part of its commitment to affordability. Financial aid in all forms awarded by UCLA were \$450 million, \$489 million, and \$449 million in 2023, 2022, and 2021, respectively. Scholarship allowances which are netted against student tuition and fees were \$302 million, \$284 million, and \$268 million in 2023, 2022, and 2021, respectively. Scholarships and fellowships expense, representing payments of financial aid made directly to students and reported as an operating expense, were \$147 million, \$205 million, and \$181 million in 2023, 2022, and 2021, respectively. On a combined basis, financial aid in all forms decreased by \$39 million, or 8.0 percent, in 2023 as compared to 2022, and increased by \$40 million, or 8.8 percent, in 2022 as compared to 2021. Increases in financial aid, scholarships and fellowships in 2021 slowed since virtually all classes were held online and housing occupancy was limited. Increases in financial aid, scholarships and fellowships in 2022 are consistent with increases in enrollment, tuition, fees and housing costs. Financial aid includes direct payments to students of \$10.8 thousand, \$47.2 million, and \$20.9 million in 2023, 2022, and 2021, respectively, related to funds received under the CARES, CRRSA, and ARP Acts. UCLA's practice is to minimize the impact of cost increases on first-generation and low-income students.

Supplies and materials

During 2023 and 2022, supplies and materials costs increased by \$147 million, or 10.4 percent, and \$139 million, or 10.9 percent, respectively. The largest increases occurred at the medical centers due to increased patient volumes. In 2023, supply costs also increased for research activities related to increased federal contract and grant activities. In 2022 and 2021, the need for personal protective, laboratory and cleaning supplies due to the outbreak of COVID-19 caused significant increases in supplies expense. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. UCLA continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements, and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with GASB's reporting standards, operating losses were \$1.6 billion, \$1.6 billion, and \$1.1 billion in 2023, 2022, and 2021, respectively. The operating losses in 2023, 2022, and 2021 were offset by \$1,074 million, \$1,148 million, and \$933 million, respectively, of net nonoperating revenue that supports primary operating activities of UCLA. Expenses exceeded revenues associated with primary activities by \$563 million, \$402 million, and \$199 million in 2023, 2022, and 2021, respectively. These fluctuations have been primarily driven by changes in pension and retiree health benefits expenses.

Other nonoperating activities

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2023, UCLA recognized net appreciation in the fair value of investments of \$524 million. In 2022, UCLA recognized net depreciation in the fair value of investments of \$815 million, as compared to net appreciation of \$1,339 million in 2021. UCLA's portfolio returns fluctuate with the overall performance in the investment markets.

Other changes in net position

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

THE CAMPUS' CASH FLOWS

The Statement of Cash Flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2023 and 2022 is shown in Table MDA.7:

Table MDA.7: The Campus' Cash Flows

(in millions of dollars)

	2023	2022	Change
Cash received from operations	\$9,931	\$8,881	\$1,050
Cash payments for operations	(10,110)	(9,266)	(844)
Net cash used by operating activities	(179)	(385)	206
Net cash provided by noncapital financing activities	935	1,264	(329)
Net cash provided by operating and noncapital financing activities	756	879	(123)
Net cash used by capital and related financing activities	(749)	(686)	(63)
Net cash used by investing activities	(122)	(271)	149
Net increase in cash and cash equivalent	(115)	(78)	(37)
Cash and cash equivalent, beginning of year	1,480	1,558	(78)
Cash and cash equivalent, end of year	\$1,365	\$1,480	\$(115)

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between \$756 million and \$879 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, and private gifts and grants.

Net cash of \$749 million was used in 2023 for capital and related financing activities, primarily for purchases of capital assets, and principal and interest payments, partially offset by proceeds from debt issuance and commercial paper financing.

Net cash of \$122 million was used in 2023 for investing activities. The year-to-year change in cash used by investing activities is largely the result of routine timing of investment

purchases, sales, and investment income. In 2023, UCLA invested \$550 million into GEP and \$150 million into BGP. This purchase of GEP was partially funded by redeeming \$300 million of TRIP. Additionally, UCLA received annual distributions of \$141 million in GEP, \$97 million in TRIP, and \$37 million in STIP income to meet its liquidity needs.

LOOKING FORWARD - FACTORS IMPACTING FUTURE PERIODS

Governor Newsom signed SB 101 on June 27, 2023, and AB 102 on July 10, 2023; together with issue-specific budget trailer bills, these bills constitute the Budget Act of 2023-24. Together, the budget provides the University of California with \$329.2 million in new ongoing support in 2023-24, an increase of 7.5 percent over 2022-23 levels. The budget also includes one-time funding of \$142.5 million to support various programs across the University. The final State budget provides the University with new ongoing funds to finance new capital projects that the State had previously proposed

to support with larger one-time appropriations. This includes \$33.5 million in ongoing funding to replace \$437 million of one-time funds for student housing projects, and \$33.3 million in ongoing funding to replace \$498 million of one-time funds for Berkeley's Clean Energy Campus Project and campus expansion projects at Merced and Riverside.

The Budget Act reflects the second year of the Governor's multi-year compact with the University. Under the compact, the Governor will propose annual base budget increases of 5.0 percent for the University in 2022-23 through 2026-27. The University, in turn, has committed to specific and ambitious goals related to increasing access to the University of California, improving student success and advancing equity, increasing the affordability of a UC education, increasing intersegmental collaboration, supporting workforce preparedness and providing access to online course offerings.

For UCLA, the Permanent State General Fund preliminary allocation totaled \$611.9 million for fiscal year 2023-24 amounting to an increase of \$20 million to UCLA's ongoing support.

The UCLA Medical Center continues to face financial and competitive challenges in its regional markets, along with the added costs and responsibilities related to its function as an academic institution. 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, UCLA's medical centers also face 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 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 the medical centers.

UCLA must have a wide range of facilities to meet its education, research and public service goals and continues to

assess its long-term capital requirements. Support for the UCLA'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 the UCLA, 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 UCLA 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. UCLA 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.





TRANSMITTAL LETTER

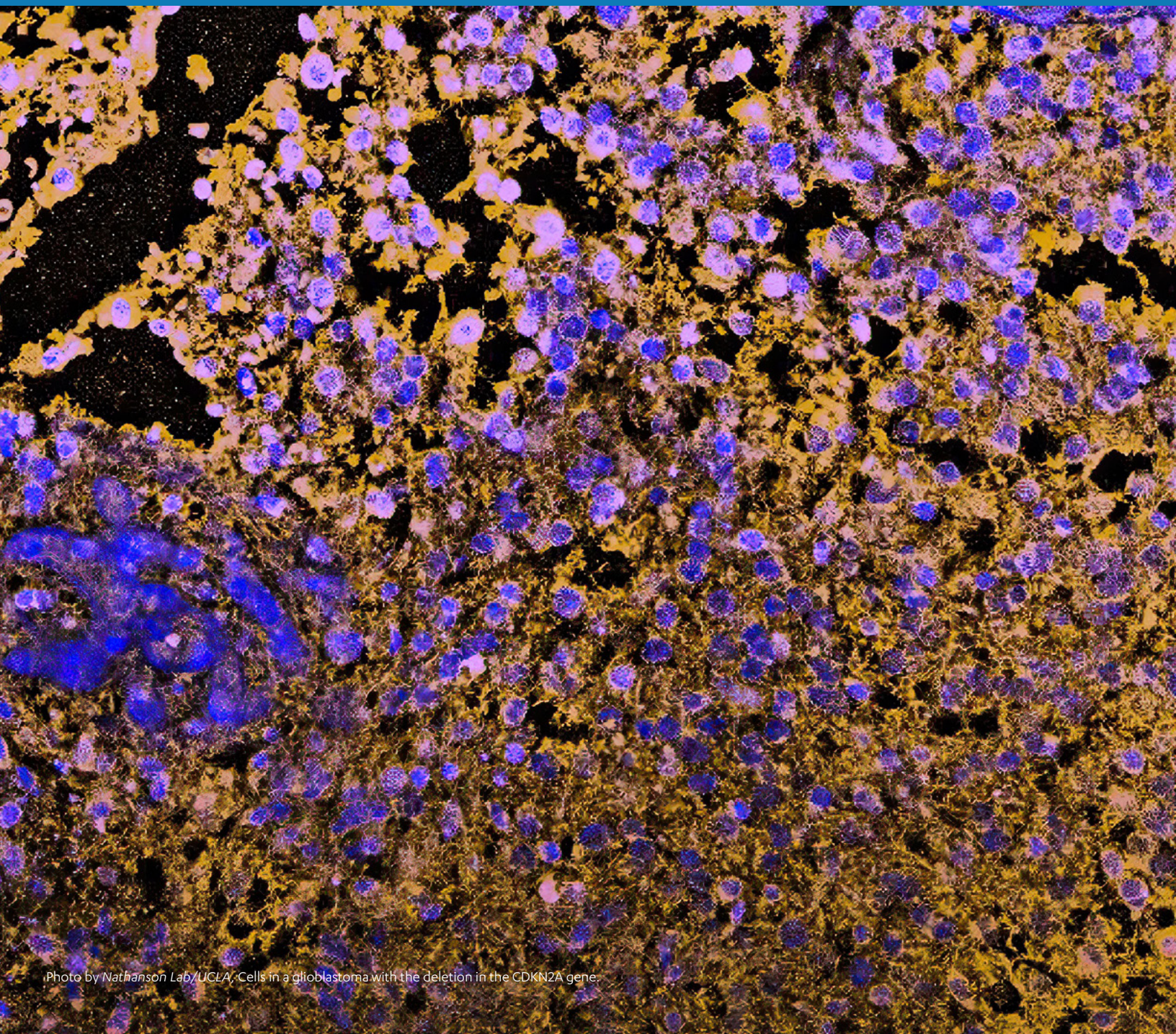


Photo by Nathanson Lab/UCLA. Cells in a glioblastoma with the deletion in the CDKN2A gene.



Photo by Perawit Boonchu/iStock.com

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal years ended June 30, 2023 and 2022.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the

financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundations."

On behalf of all those who are responsible for the fiscal stewardship of UCLA's resources, I submit the financial statements of the University of California, Los Angeles, for the fiscal years ended June 30, 2023 and 2022.

Respectfully,

Selina Martin

University Controller

UCLA Business & Finance Solutions

FINANCIAL STATEMENTS



Photo by *Tim Griffith*, Gayley Heights apartment exterior at night.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF NET POSITION (UNAUDITED)

	CAMPUS		FOUNDATIONS	
<i>At June 30, 2023 and 2022 (in thousands of dollars)</i>	2023	2022	2023	2022
ASSETS				
Cash	\$21,196	\$9,016	\$4,633	\$68,234
Short-term investments	1,344,017	1,471,073	1,129,711	748,877
Investments held by trustees	179	179		
Accounts receivable, net	1,281,343	1,266,007	17,216	12,899
Pledges receivable, net	14,118	22,797	54,067	103,963
Current portion of notes and mortgages receivable, net	4,738	5,511		
Inventories	116,350	113,198		
Other current assets	93,099	84,574		
Current assets	2,875,040	2,972,355	1,205,627	933,973
Investments	7,499,058	6,711,040	3,650,817	3,394,463
Investments held by trustees	808	796		
Pledges receivable, net	428	11,708	334,485	306,150
Notes and mortgages receivable, net	65,315	63,934		
Capital assets, net	7,821,534	7,841,515		
Other noncurrent assets	64,635	55,967	11,807	11,869
Noncurrent assets	15,451,778	14,684,960	3,997,109	3,712,482
Total assets	18,326,818	17,657,315	5,202,736	4,646,455
DEFERRED OUTFLOWS OF RESOURCES	1,731,766	2,533,067		
LIABILITIES				
Accounts payable	806,029	704,786	10,425	37,165
Accrued salaries	56,765	40,072		
Employee benefits	184,843	169,743		
Unearned revenue	453,141	420,424	2,705	2,723
Commercial paper	19,002	37,026		
Current portion of long-term debt	582,294	555,294		
Other current liabilities	307,010	420,623	14,641	9,538
Current liabilities	2,409,084	2,347,968	27,771	49,426
Federal refundable loans	44,177	51,100		
Obligations under life income agreements			29,365	29,954
Long-term debt	5,636,995	5,843,098		
Net pension liability	4,383,526	4,548,172		
Pension payable to UCOP	1,484,400	1,374,408		
Net retiree health benefits liability	4,850,562	4,412,002		
Other noncurrent liabilities	219,543	229,948		
Noncurrent liabilities	16,619,203	16,458,728	29,365	29,954
Total liabilities	19,028,287	18,806,696	57,136	79,380
DEFERRED INFLOWS OF RESOURCES	2,301,545	2,792,495	44,601	36,331
NET POSITION				
Net investment in capital assets	2,195,711	1,968,217		
Restricted:				
Nonexpendable	349,579	347,246	1,901,720	1,735,220
Expendable	2,280,644	2,154,326	1,932,816	1,862,545
Unrestricted	(6,097,182)	(5,878,598)	1,266,463	932,979
Total net position	\$(1,271,248)	\$(1,408,809)	\$5,100,999	\$4,530,744

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (UNAUDITED)

	CAMPUS		FOUNDATIONS	
Years ended June 30, 2023 and 2022 (in thousands of dollars)	2023	2022	2023	2022
OPERATING REVENUES				
Student tuition and fees, net	\$982,680	\$974,963		
Grants and contracts, net:				
Federal	821,239	799,817		
State	119,791	108,038		
Private	359,539	316,432		
Local	89,926	81,748		
Medical center, net	3,679,338	3,320,979		
Educational activities, net	3,075,811	2,790,357		
Auxiliary enterprises, net	523,748	439,045		
Foundation private gifts			\$596,379	\$526,655
Other operating revenues, net	231,302	216,418		
Total operating revenues	9,883,374	9,047,797	596,379	526,655
OPERATING EXPENSES				
Salaries and wages	4,898,171	4,481,683		
Pension benefits	1,074,704	941,907		
Retiree health benefits	219,947	255,629		
Other employee benefits	1,305,363	1,091,600		
Supplies and materials	1,566,529	1,420,056		
Depreciation and amortization	548,813	509,044		
Scholarships and fellowships	147,354	205,014		
Utilities	101,442	85,394		
Foundation grants			420,296	366,660
Other operating expenses	1,657,407	1,608,006	16,477	14,898
Total operating expenses	11,519,730	10,598,333	436,773	381,558
Operating income (loss)	(1,636,356)	(1,550,536)	159,606	145,097
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	673,521	696,174		
State hospital fee grants	5,804	8,679		
Direct government grants	6,277	135,512		
Build America Bonds federal interest subsidies	9,218	9,320		
Federal Pell Grants	53,555	50,683		
Private gifts, net	391,387	403,663		
Investment income:				
Short Term Investment Pool and other, net	107,021	59,744		
Endowment, net	49,327	19,386		
Foundation			45,648	43,099
Net appreciation (depreciation) in fair value of investments	523,932	(814,929)	209,225	(416,566)
Interest expense	(197,991)	(204,829)		
Loss on disposal of capital assets	(28,959)	(91,770)		
Other nonoperating revenues	4,371	61,760		
Net nonoperating revenues (expenses)	1,597,463	333,393	254,873	(373,467)
Income (loss) before other changes in net position	(38,893)	(1,217,143)	414,479	(228,370)
OTHER CHANGES IN NET POSITION				
Capital gifts and grants	33,336	22,093		
State capital appropriations	105,328	1,182		
Additions to permanent endowments	1,135	3,623	155,776	154,539
Transfers	36,655	(554,365)		
Change in net position	137,561	(1,744,610)	570,255	(73,831)
NET POSITION				
Beginning of Year	(1,408,809)	335,801	4,530,744	4,604,575
End of year	\$(1,271,248)	\$(1,408,809)	\$5,100,999	\$4,530,744

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (UNAUDITED)

	CAMPUS		FOUNDATIONS	
<i>Years ended June 30, 2023 and 2022 (in thousands of dollars)</i>	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	\$995,176	\$965,864		
Grants and contracts	1,326,448	1,238,738		
Medical center	3,645,768	3,327,191		
Educational activities	3,052,164	2,786,754		
Auxiliary enterprises	529,783	444,786		
Foundation private gifts			\$578,352	\$477,260
Payments to employees	(5,171,236)	(4,646,617)		
Payments to suppliers and utilities	(3,202,095)	(2,986,040)		
Payments for pension benefits	(485,942)	(419,144)		
Payments for retiree health benefits	(108,540)	(103,685)		
Payments for other employee benefits	(993,854)	(904,993)		
Payments for scholarships and fellowships	(147,354)	(205,014)		
Collection of loans from (loans issued to) students and employees	(608)	879		
Payments to campus and beneficiaries			(461,868)	(352,330)
Other receipts (payments)	184,816	38,236	(2,176)	65,217
Transfers - intercampus	196,915	78,226		
Net cash provided (used) by operating activities	(178,559)	(384,819)	114,308	190,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	672,884	695,115		
Federal Pell Grants	53,555	50,683		
Direct government grants	6,277	134,293		
State hospital fee grants	5,804	8,679		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			139,864	138,413
Other private gifts	411,346	419,227		
Proceeds from debt issuance		400,000		
Interest paid on debt	(32,879)	(14,712)		
Other receipts	11,061	59,219		
Transfers - intercampus	(193,048)	(488,729)		
Net cash provided by noncapital financing activities	935,000	1,263,775	139,864	138,413
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	339	17,688		
Payments of principal	(18,363)	(129)		
Interest paid	(1,055)	(352)		
State capital appropriations	104,028	1,383		
Build America Bonds federal interest subsidies	13,907	4,668		
Capital gifts and grants	18,364	35,538		
Proceeds from debt issuance	531,070	353,753		
Purchases of capital assets	(594,254)	(1,199,324)		
Refinancing or prepayment of outstanding debt	(493,459)	(236,884)		
Scheduled principal paid on debt	(216,714)	(197,115)		
Interest paid on debt	(223,908)	(192,537)		
Other receipts	3,362	3,761		
Transfers - intercampus	127,483	722,999		
Net cash used by capital and related financing activities	(749,200)	(686,551)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) / proceeds from sales and maturities of investments	(229,138)	(330,515)	(353,187)	(310,495)
Investment income, net of investment expenses	107,021	59,744	35,414	42,562
Net cash used by investing activities	(122,117)	(270,771)	(317,773)	(267,933)
Net change in cash and cash equivalents	(114,876)	(78,366)	(63,601)	60,627
Cash and cash equivalents, beginning of year	1,480,089	1,558,455	68,234	7,607
Cash and cash equivalents, end of year	\$1,365,213	\$1,480,089	\$4,633	\$68,234

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (CONTINUED)

	CAMPUS		FOUNDATIONS	
<i>Years ended June 30, 2023 and 2022 (in thousands of dollars)</i>	2023	2022	2023	2022
Cash and cash equivalents are comprised of the followings:				
Cash	\$21,196	\$9,016	\$4,633	\$68,234
Short-term investments	1,344,017	1,471,073		
Cash and cash equivalents Total	\$1,365,213	\$1,480,089	\$4,633	\$68,234
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$(1,636,356)	\$(1,550,536)	\$159,606	\$145,097
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation and amortization expense	548,813	509,044		
Noncash gifts			(39,862)	(89,993)
Allowance for uncollectible accounts	(70,442)	(33,569)	(273)	8,392
Loss on impairment of capital assets	35,564	5,445		
<i>Changes in assets and liabilities:</i>				
Investments held by trustees			(3,663)	(4,516)
Accounts receivable	(88,529)	(142,645)	541	(18)
Pledges receivable			21,833	35,538
Inventories	(3,152)	(682)		
Other assets	(15,699)	(15,119)		
Accounts payable	101,244	72,536	(24,178)	31,877
Accrued salaries	16,693	10,536		
Employee benefits	15,099	33,465		
Unearned revenue	(7,122)	19,598	(18)	(3,052)
Net pension liability	588,762	522,763		
Net retiree health benefits liability	109,424	150,065		
Other liabilities	227,142	34,280	322	66,822
Net cash provided (used) by operating activities	\$(178,559)	\$(384,819)	\$114,308	\$190,147
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	\$99,277	\$79,269		
Capital assets acquired through SBITAs	26,772	48,575		
Change in fair value of interest rate swaps classified as hedging derivatives	14,261	34,388		
Gifts of capital assets	14,971	5,853		
Other noncash gifts			\$55,788	\$106,139

See accompanying notes to financial statements.



Photo by Kim Rodgers, Students sit in the Gayley Heights common area.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022





1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) are 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.

Financial Reporting Entity

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subject to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus are not individually audited.

The Associated Students of UCLA’s (ASUCLA’s) financial data for the fiscal years ended June 30, 2023 and 2022 is included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA’s Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging

private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. The economic resources received or held by the foundations are entirely for the benefit of the campus. Due to the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the campus.

Basis of Presentation

The financial statements 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. UCLA follows accounting principles issued by the GASB.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a public institution, UCLA is considered a special-purpose government engaged primarily in a business-type activity under the provisions of GASB Statements Nos. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* and 35, *Basic Financial Statements — and Management’s Discussion and Analysis — for Public Colleges and Universities — an amendment of GASB Statement No. 34*. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Adoption of Accounting Pronouncement

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the University’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.

The adoption of GASB 96 did not result in any adjustments to the financial statements of the campus foundations. Table 1.1 presents the effects of adopting GASB 96 in UCLA’s financial statements for the year ended June 30, 2022. Upon adoption, the opening balances as of July 1, 2021, which were impacted by the effect of the adoption, were not restated because the effect of the adoption was not material to UCLA financial statements or disclosures.

Table 1.1: Effects of Adopting GASB 96 for 2022

UNIVERSITY OF CALIFORNIA LOS ANGELES			
(in thousands of dollars)	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Other current assets	\$86,675	\$(2,101)	\$84,574
Current assets	2,974,456	(2,101)	2,972,355
Capital assets, net	7,815,959	25,556	7,841,515
Noncurrent assets	14,659,404	25,556	14,684,960
Total assets	17,633,860	23,455	17,657,315
LIABILITIES			
Current portion of long-term debt	541,330	13,964	555,294
Other current liabilities	420,327	296	420,623
Current liabilities	2,333,708	14,260	2,347,968
Long-term debt	5,833,404	9,694	5,843,098
Noncurrent liabilities	16,449,034	9,694	16,458,728
Total liabilities	18,782,742	23,954	18,806,696
NET POSITION			
Net investment in capital assets	1,966,615	1,602	1,968,217
Unrestricted net position	(5,876,497)	(2,101)	(5,878,598)
Total net position	\$(1,408,310)	\$(499)	\$(1,408,809)

Table 1.1: Effects of Adopting GASB 96 for 2022 (Continued)

UNIVERSITY OF CALIFORNIA LOS ANGELES			
(in thousands of dollars)	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
OPERATING EXPENSES			
Depreciation and amortization	\$493,813	\$15,231	\$509,044
Other operating expenses	1,623,202	(15,196)	1,608,006
Total operating expenses	10,598,298	35	10,598,333
Operating loss	(1,550,501)	(35)	(1,550,536)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(204,365)	(464)	(204,829)
Net nonoperating revenues	224,051	109,342	333,393
Loss before other changes in net position	(1,326,450)	109,307	(1,217,143)
Change in net position	\$(1,744,111)	\$(499)	\$(1,744,610)
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and utilities	\$(3,001,236)	\$15,196	\$(2,986,040)
Net cash used by operating activities	(400,015)	15,196	(384,819)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,201,912)	2,588	(1,199,324)
Scheduled principal paid on debt and leases	(179,499)	(17,616)	(197,115)
Interest paid on debt and leases	(192,369)	(168)	(192,537)
Net cash used by capital and related financing activities	(671,355)	(15,196)	(686,551)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	(1,550,501)	(35)	(1,550,536)
Depreciation and amortization expense	493,813	15,231	509,044
Net cash used by operating activities	\$(400,015)	\$15,196	\$(384,819)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through SBITAs		\$48,575	\$48,575

Significant Accounting Policies

The significant accounting policies of UCLA are as follows:

Cash

UCLA and the foundations consider all balances in demand deposit accounts to be cash. UCLA classifies deposits in the University's Short Term Investment Pool (STIP) as short-term investments.

Investments

Investments are measured and reported 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 brokers/dealers who actively trade in these markets. Certain securities may be valued on a basis of the price provided by a single source.

Investments also include private equities, private credit, absolute return funds, real estate, real asset, and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, 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, 2023 and 2022.

Interests in certain direct investments in real estate and private credit 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.

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 Statements of Revenues, Expenses, and Changes in Net Position.

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.

The foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Foundations' columns.

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.

The University has entered into interest rate swap agreements to limit the exposure of its 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. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the Statements 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 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.

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, accrued income on investments, and other receivables. Other receivables include local government and private grants and contracts, educational activities, and amounts due from lessees, students, employees, and faculty.

Pledges receivable, net

Unconditional pledges of private gifts to UCLA or the foundations, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net 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.

Notes and mortgages receivable, net

Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are funded from the University's STIP and from other University sources. Mortgage loans funded by STIP are classified as investments, and loans provided by other sources are classified as mortgages receivable in the Statement of Net Position.

Inventories

Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical center consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

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, right-to-use lease assets, right-to-use subscription-based information technology arrangement (SBITA) assets, and other similar arrangements. Leases and SBITAs are recorded at the estimated present value of future payments, net of amounts paid in advance, and capitalizable implementation costs. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost equals or exceeds \$35,000 and if they have a useful life of more than one year. Minor renovations are considered operating expenses. Equipment with a cost equal to or 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 useful life of the asset. Assets under leases and SBITAs are amortized over the shorter of the lease or subscription term or the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the useful life of the asset.

Estimated useful lives are shown in Table 1.2:

Table 1.2: Estimated Useful Lives

	Years
Infrastructure	25
Buildings and improvements	15 - 33
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.

Unearned revenue

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 for housing and dining services.

Federal refundable loans

Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's Statements of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed.

Bond premium

The bond premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

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 independent insurers. 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.

Obligations under life income agreements

Obligations under life income agreements represent trusts with living income beneficiaries where UCLA 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 Statements of Net Position. Gifts subject to such agreements administered by UCLA are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. At the termination of the agreement, UCLA's residual interest is recorded as gift revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

Pollution remediation obligations

Upon an obligating event, UCLA 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 a liability. Pollution remediation liabilities generally involve groundwater, soil, and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2023 and 2022, reducing the pollution remediation liability.

Asset retirement obligations

Upon an obligating event, UCLA 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, materials and equipment. The estimated remaining useful lives of these assets range from 2 to 27 years.

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. UCLA classifies gains on refunding of debt, increases in the fair value of hedging derivatives, and certain lease payments to be received as deferred inflows of resources. UCLA's deferred inflows of resources related to changes

in irrevocable split-interest agreements are included in the financial statements of the University. UCLA classifies losses on refunding of debt, decreases in the fair value of hedging derivatives, and certain asset retirement obligations as deferred outflows of resources. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split interest agreements are recognized when the resources become available to spend. Lease revenues are recognized over the lease term.

Changes in the net pension and net retiree health liabilities not included in expenses 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 UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted. UCLA and the foundations classify the net position resulting from transactions with purpose or time 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 UCLA or the foundations, is classified as restricted nonexpendable. This includes UCLA's and the foundations' permanent endowment funds.

Also included in restricted nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by UCLA or the foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the foundations pursuant to those restrictions or that expire by the passage of time is classified as restricted expendable.

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

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, UCLA'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 UCLA's assets available to pay such obligations.

Revenues and expenses

Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from medical centers, educational activities, and auxiliary enterprises. Expenses incurred in conducting the programs and services of UCLA are presented in the Statements of Revenues, Expenses, and Changes in Net Position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the primary mission of UCLA are mandated by 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 UCLA.

Nonoperating revenues and expenses also include state educational appropriations, state hospital fee grants, direct government grants from Coronavirus Response & Relief

Supplemental Appropriations (CRRSA) Act, American Rescue Plan (ARP) Act, Build America Bond federal interest subsidies, net appreciation (or depreciation) in the fair value of investments, interest expense, and the loss on the disposal of capital assets.

UCLA received grants under certain provisions of the CRRSA and ARP Acts, reported as nonoperating revenues, to minimize the impacts of lost revenues and increased expenses related to COVID-19. UCLA received grants under the Higher Education Emergency Relief Fund (HEERF) 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. For the years ended June 30, 2023 and 2022, UCLA Medical Center 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.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the primary mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

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 student tuition and fees provide for the current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student unions and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30 as shown in Table 1.3:

Table 1.3: Scholarship Allowances

(in thousands of dollars)

	2023	2022
Student tuition and fees	\$240,542	\$232,481
Auxiliary enterprises	61,811	51,043
Scholarship allowances	\$302,353	\$283,524

State appropriations

The state of California provides appropriations to the University 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 research related to AIDS, tobacco, and breast cancer are reported as state grants and contracts operating revenue.

Grant and contract revenue

UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs 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 UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2023, the facilities and administrative cost recovery totaled \$270 million, which consisted of \$180 million from federally sponsored programs and \$90 million from other sponsors. For the year ended June 30, 2022, the facilities and administrative cost recovery totaled \$245 million, which consisted of \$172 million from federally sponsored programs and \$73 million from other sponsors.

Medical center revenue

Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal, and others, for services rendered, as well

as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. 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. It is reasonably possible that estimated amounts accrued could change significantly based upon settlements, or as additional information becomes available.

Net pension liability

UCLA records a 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 have 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.

Retiree health benefits and liability

UCLA's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the UCRHBT's fiduciary net position. The fiduciary net position and changes in net position of UCRHBT have 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.

Campus and medical center contributions toward retiree health costs made to UCRHBT are shown as operating activities in the Statements of Cash Flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the Statements of Cash flows.

Compensated absences

UCLA accrues annual leave, including employer-related costs, for employees 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 allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA 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. The UCLA Foundation, the Jonsson Cancer Center Foundation, and Associated Students UCLA also qualified for tax exemption under Section 501(c)(3).

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.

New accounting pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). The Statement addresses issues that have been identified during implementation and application of certain GASB Statements. Upon the issuance of GASB 99, The University adopted the requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of non-monetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB 34, as amended, and terminology updates related to GASB 53 and GASB 63. The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) have been adopted by the University, and are effective for the University's fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB 53 are effective for the University's fiscal year 2024. The University is evaluating the effect these requirements 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* (GASB 100), effective for the University'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. As GASB Statement No. 100 is based on an unknown possible future event, materiality cannot be determined. The University will continue to evaluate for any potential impact in the future.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101), effective for the University'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 liability for leave that has not been used. As of June 30, 2023, the University reported compensated absences liability of \$1.3 billion. Under GASB 101, the University's compensated absences liability is expected to increase. The University is evaluating the full effect that GASB 101 will have on its financial statements.

2. CASH

UCLA's cash is maintained and managed centrally by the University of California Office of the President (the "UCOP"). Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's Investors Service (Moody's), A- or higher by Standard & Poors (S&P) or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2023 and 2022, the carrying amount of the University's cash and cash equivalents, generally held in five nationally recognized banking institutions, was \$0.6 billion and \$1.1 billion, respectively, compared to bank balances of \$257.7 million and \$300.0 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

At June 30, 2023 and 2022, UCLA cash was \$21.2 million and \$9.0 million, respectively.

The carrying amount of the campus foundations' cash at June 30, 2023 and 2022 was \$4.6 million and \$68.2 million, respectively, compared to bank balances of \$3.8 million and \$67.9 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include \$0.8 million and \$0.3 million in excess of the FDIC limits at June 30, 2023 and 2022, respectively. The campus foundations do not have exposure to foreign currency risk in their cash.

3. INVESTMENTS

The Regents, as the governing board of the University, is responsible for the oversight of the University's investments and establishes an investment policy, which is carried out by the Chief Investment Officer (CIO). These investments are associated with Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP), General Endowment Pool (GEP), and other investment pools managed by the CIO, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the CIO. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Committee of The Regents.

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 UCLA is invested in STIP. The available cash in endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of three years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their intermediate-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 is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed-income, and alternative investments.

BGP is an investment pool whose objective 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.

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 and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for BGP, GEP, other investment pools, and separate investments include equity securities, fixed-income securities, and certain other asset classes. The equity portion of the investment portfolios includes both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except STIP. Absolute return strategies, which may incorporate short sales, plus derivative

positions to implement or hedge an investment position, are also authorized for all pools except STIP.

Derivative instruments, including futures, forward contracts, options, and swap contracts, are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

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, may affect both equity and fixed-income securities.

More details about the University of California's investments, securities lending, derivative financial instruments, and investments held by trustees can be found in the audited University of California Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are shown in Table 4.1:

Table 4.1: Accounts Receivable and the Allowance for Uncollectible Accounts

	UCLA				UCLA FOUNDATIONS
	STATE & FEDERAL GOVERNMENT	MEDICAL CENTER	OTHER	TOTAL	
<i>(in thousands of dollars)</i>					
At June 30, 2023					
Accounts receivable	\$144,590	\$715,123	\$580,954	\$1,440,667	\$17,216
Allowance for uncollectible accounts	(885)	(121,868)	(36,571)	(159,324)	
Accounts receivable, net	\$143,705	\$593,255	\$544,383	\$1,281,343	\$17,216
At June 30, 2022					
Accounts receivable	\$160,866	\$649,296	\$576,516	\$1,386,678	\$12,899
Allowance for uncollectible accounts	(985)	(89,611)	(30,075)	(120,671)	
Accounts receivable, net	\$159,881	\$559,685	\$546,441	\$1,266,007	\$12,899

UCLA's other accounts receivable are primarily related to tuition and fees, auxiliary enterprises, private grants and contracts, and educational activities.

The foundations' accounts receivable are primarily related to investment income.

The allowance for uncollectible accounts has changed the following revenues for UCLA for the years ended June 30 as shown in Table 4.2:

Table 4.2: Allowance for Uncollectible Accounts

	2023	2022
<i>(in thousands of dollars)</i>		
Student tuition and fees	\$(371)	\$(289)
Grants and contracts	100	(296)
Medical center	(65,021)	(31,663)
Educational activities	(2,412)	136
Auxiliary enterprises	(2,738)	(1,457)
Allowance for uncollectible accounts	\$(70,442)	\$(33,569)

5. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized in Table 5.1:

Table 5.1: Composition of Pledges Receivable

	UCLA		UCLA FOUNDATIONS	
	2023	2022	2023	2022
<i>(in thousands of dollars)</i>				
Total pledges receivable outstanding	\$20,306	\$41,031	\$491,026	\$516,358
Unamortized discount to present value	(22)	(29)	(80,530)	(82,819)
Allowance for uncollectible pledges	(5,738)	(6,497)	(21,944)	(23,426)
Total pledges receivable, net	14,546	34,505	388,552	410,113
Current portion of pledges receivable	(14,118)	(22,797)	(54,067)	(103,963)
Noncurrent portion of pledges receivable	\$428	\$11,708	\$334,485	\$306,150

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2023 and thereafter are shown in Table 5.2:

Table 5.2: Future Receipts Under Pledge Agreements

	UCLA	UCLA FOUNDATIONS
<i>(in thousands of dollars)</i>		
Year Ending June 30		
2024	\$18,801	\$71,357
2025	967	44,500
2026	428	32,936
2027	65	24,788
2028	15	11,516
2029-2033	30	135,584
Beyond 2033		170,345
Total payments on pledges receivable	\$20,306	\$491,026

6. NOTES AND MORTGAGES RECEIVABLE

UCLA's notes and mortgages receivable at June 30, 2023 and 2022 are shown in Table 6.1:

Table 6.1: Notes and Mortgages Receivable

<i>(in thousands of dollars)</i>	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2023				
Notes and mortgages receivable	\$4,992	\$51,261	\$15,583	\$71,836
Allowance for uncollectible amounts	(254)	(1,377)	(152)	(1,783)
Notes and mortgages receivable, net	\$4,738	\$49,884	\$15,431	\$70,053
At June 30, 2022				
Notes and mortgages receivable	\$6,036	\$52,177	\$13,480	\$71,693
Allowance for uncollectible amounts	(525)	(1,723)		(2,248)
Notes and mortgages receivable, net	\$5,511	\$50,454	\$13,480	\$69,445

7. CAPITAL ASSETS

UCLA's capital asset activity for the years ended June 30 is shown in Table 7.1:

Table 7.1: UCLA's Capital Asset Activity

<i>(in thousands of dollars)</i>	2021	ADDITIONS / TRANSFERS	DISPOSALS	2022	ADDITIONS / TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	\$281,051	\$28,860		\$309,911	\$44,335		\$354,246
Infrastructure	20,114	2,771		22,885	2,544		25,429
Buildings and improvements	8,946,004	953,147		9,899,151	205,414	\$(5,083)	10,099,482
Equipment, software and intangibles	1,710,069	125,580	\$(73,458)	1,762,191	140,867	(92,618)	1,810,440
Leases	934,544	91,172	(173,252)	852,464	115,536	(102,310)	865,690
Subscription-based IT arrangements		48,575		48,575	26,887	(4,326)	71,136
Libraries and collections	889,080	34,489	(4,296)	919,273	36,064	(1,942)	953,395
Special collections	134,750	3,895		138,645	4,893		143,538
Construction in progress	958,496	(630,478)		328,018	87,241	(32,400)	382,859
Capital assets, at original cost	\$13,874,108	\$658,011	\$(251,006)	\$14,281,113	\$663,781	\$(238,679)	\$14,706,215
	2021	DEPRECIATION AND AMORTIZATION	DISPOSALS	2022	DEPRECIATION AND AMORTIZATION	DISPOSALS	2023
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	\$8,846	\$583		\$9,429	\$758		\$10,187
Buildings and improvements	4,083,788	275,984	\$(26,159)	4,333,613	295,284	\$(28,675)	4,600,222
Equipment, software and intangibles	1,073,580	172,989	(24,510)	1,222,059	125,161	(53,946)	1,293,274
Leases	149,632	77,566	(20,242)	206,956	73,467	(17,773)	262,650
Subscription-based IT arrangements		15,231		15,231	21,875	(4,326)	32,780
Libraries and collections	624,255	31,824	(3,769)	652,310	33,258		685,568
Accumulated depreciation and amortization	5,940,101	\$574,177	\$(74,680)	6,439,598	\$549,803	\$(104,720)	6,884,681
Capital assets, net	\$7,934,007			\$7,841,515			\$7,821,534

8. DEBT

The University directly finances the construction, renovation, and acquisition of facilities and equipment, or such other purposes as authorized by The Regents through the issuance of debt obligations. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations, and other borrowings.

UCLA's outstanding debt at June 30 is shown in Table 8.1:

Table 8.1: Outstanding Debt

(in thousands of dollars)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2023	2022
INTERIM FINANCING:					
Commercial paper		2.6 - 5.3%	2024	\$19,002	\$37,026
LONG TERM FINANCING:					
University of California General Revenue Bonds:					
Fixed rate	4.6%	0.4 - 7.6%	2024 - 2112	2,064,964	2,081,528
Variable rate	3.2%	2.9 - 5.1%	2024 - 2048	129,136	85,791
University of California Limited Project Revenue Bonds	4.6%	0.6 - 6.3%	2024 - 2058	1,316,485	1,362,270
University of California Medical Center Pooled Revenue Bonds:					
Fixed rate	4.2%	2.3 - 6.6%	2024 - 2120	1,493,623	1,549,823
Variable rate	3.1%	3 - 3.2%	2024 - 2047	177,145	180,510
Unamortized bond premium				185,886	232,071
University of California revenue bonds					
	4.4%			5,367,239	5,491,993
Financing obligations		Various	2024 - 2042	29,452	41,545
Other University borrowings		Various	2024 - 2091	130,355	142,894
Leases		Various	2024 - 2062	663,642	698,302
Subscription-based information technology arrangements		Various	2024 - 2034	28,601	23,658
Total outstanding debt				6,238,291	6,435,418
Less: Commercial paper				(19,002)	(37,026)
Current portion of outstanding debt				(582,294)	(555,294)
Noncurrent portion of outstanding debt				\$5,636,995	\$5,843,098

The activity with respect to UCLA's current and noncurrent debt for the years ended June 30 is shown in Table 8.2:

Table 8.2: Current and Noncurrent Debt Activity

	REVENUE BONDS	FINANCING OBLIGATIONS, LEASES AND SUBSCRIPTION- BASED IT ARRANGEMENTS	OTHER BORROWINGS	TOTAL
<i>(in thousands of dollars)</i>				
Long-term debt at June 30, 2022	\$5,491,993	\$763,505	\$142,894	\$6,398,392
New obligations	430,691	126,216		556,907
Refinance or prepayment of outstanding debt	(422,322)	(71,137)		(493,459)
Scheduled principal payments	(107,286)	(96,889)	(12,539)	(216,714)
Amortization of bond premium	(25,837)			(25,837)
Long-term debt at June 30, 2023	5,367,239	721,695	130,355	6,219,289
Less: Current portion	(426,732)	(88,380)	(67,182)	(582,294)
Noncurrent portion at June 30, 2023	\$4,940,507	\$633,315	\$63,173	\$5,636,995

Commercial Paper

The University has available a \$2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects or equipment, financing for working capital for the medical centers, standby or interim financing for gift-financed projects, and working capital for the University.

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

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2023, the University has two revolving credit agreements totaling \$700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2023.

Commercial paper outstanding for UCLA, including interest rates, at June 30 is shown in Table 8.3:

Table 8.3: Commercial Paper

	2023		2022	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
<i>(in thousands of dollars)</i>				
Tax-exempt	2.6 - 3.6%	\$7,163	1.19 - 1.2%	\$6,824
Taxable	5.1 - 5.3%	11,839	0.26 - 2.2%	30,202
Total Outstanding		\$19,002		\$37,026

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center, and research facilities of the University. 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 the University 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 the University 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 the University 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 the University 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 the University's general revenue bonds. UCLA's general revenues for the years ended June 30, 2023 and 2022 were \$5.6 billion and \$5.3 billion, respectively.

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 specific projects. The limited project revenue bond indenture requires the University to achieve the sum of revenues equal to 1.1 times debt service and to 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. UCLA's pledged revenues for the years ended June 30, 2023 and 2022 were \$559.8 million and \$499.5 million, respectively.

Medical center pooled revenue bonds are issued to finance the University's medical center facilities and are collateralized by 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 the medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, medical center pooled revenue bonds. Pledged revenues of the medical centers for the years ended June 30, 2023 and 2022 were \$19.5 billion and \$17.6 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2023 and 2022 were \$3.6 billion and \$3.4 billion, respectively.

2023 Activity

In February 2023, general revenue bonds totaling \$256.6 million in tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities at UCLA. The bonds mature at various dates through 2048. Proceeds of the bonds were used to pay for project construction, refinancing and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. UCLA also issued tax-exempt variable-rate bonds for which the interest rate will reset each business day. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$57.6 million and an economic gain of \$45.5 million.

In September 2022, general revenue bonds totaling \$5.4 million in tax-exempt bonds were issued to finance the acquisition, construction, improvement and renovation of certain facilities at UCLA. The bonds mature at various dates through 2052. Proceeds of the bonds were used to pay for project construction and issuance costs. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In August 2022, UCLA priced \$125.3 million of tax-exempt general revenue bonds that were delivered in February 2023. Proceeds of the bonds were used to pay for issuance costs and to repay \$125.3 million of outstanding general revenue bonds at the call date. The bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$13.9 million and an economic gain of \$12.4 million.

Leases

UCLA has leases for land, buildings and equipment under agreements that extend through 2062. Some leases include one or more options to renew, with renewal terms that can extend the lease term from two to ten years. Leases may also include options to terminate the leases.

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

UCLA measures the lease liability at the present value of payments expected to be made during the lease term. Leases with a term of 12 months or less, real estate leases 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 cannot be readily determined, UCLA 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 payment amounts during the lease term.

Future minimum payments on UCLA's leases with an initial or remaining non-cancelable term in excess of one year are shown in Table 8.4:

Table 8.4: Future Minimum Payments on Leases

	UCLA		
	PRINCIPAL	INTEREST	TOTAL PAYMENTS
<i>(in thousands of dollars)</i>			
Year Ending June 30			
2024	\$64,644	\$23,455	\$88,099
2025	66,955	21,088	88,043
2026	65,260	18,571	83,831
2027	63,032	16,272	79,304
2028	62,427	13,948	76,375
2029-2033	233,265	40,244	273,509
2034-2038	86,026	10,623	96,649
2039-2043	20,186	1,477	21,663
2044-2048	1,636	86	1,722
2049-2053	70	23	93
2054-2058	80	13	93
2059-2062	61	3	64
Total	\$663,642	\$145,803	\$809,445

Subscription-based Information Technology Arrangements

UCLA has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2033. Some SBITAs include one or more options to renew, with renewal terms that can extend the subscription term from 13 months to four years. SBITAs may also include options to terminate the subscription. SBITAs do not contain any material incentive received, material restrictive covenants or material termination penalties.

UCLA measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less or those with cumulative undiscounted payments of less than \$500 thousand (including option periods) are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, UCLA uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

Future minimum payments on UCLA's SBITAs with an initial or remaining non-cancelable term in excess of one year are shown in Table 8.5:

Table 8.5: Future Minimum Payments on SBITAs

	UCLA		
	PRINCIPAL	INTEREST	TOTAL PAYMENTS
<i>(in thousands of dollars)</i>			
Year Ending June 30			
2024	\$14,014	\$560	\$14,574
2025	8,479	366	8,845
2026	3,097	147	3,244
2027	2,229	75	2,304
2028	386	19	405
2029-2033	396	10	406
Total	\$28,601	\$1,177	\$29,778

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. The University's lines of credit commitments for general corporate purposes, which expire on November 30, 2024, totaled \$200 million at June 30, 2023 and 2022. UCLA's outstanding borrowings under these bank lines totaled \$64 million and \$74 million at June 30, 2023 and 2022, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was \$66 million and \$69 million at June 30, 2023 and 2022, respectively.

Future Debt Service and Hedging Derivative Interest-Rate Swaps

Future debt service payments for UCLA's fixed- and variable-rate debt, excluding leases and SBITAs, for each of the five fiscal years subsequent to June 30, 2023, and thereafter are as presented in Table 8.6a below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

Table 8.6a: Future Debt Service Payments

<i>(in thousands of dollars)</i>	COMMERCIAL PAPER	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30							
2024	\$19,157	\$314,721	\$10,273	\$67,182	\$411,333	\$208,677	\$202,656
2025		428,271	10,820	3,008	442,099	243,641	198,458
2026		300,085	7,490	3,008	310,583	117,751	192,832
2027		444,121	1,558	3,008	448,687	260,355	188,332
2028		299,382	600	3,008	302,990	121,146	181,844
2029-2033		1,987,876		15,040	2,002,916	1,190,836	812,080
2034-2038		1,239,329		15,040	1,254,369	651,111	603,258
2039-2043		1,059,626		15,040	1,074,666	612,641	462,025
2044-2048		901,863		6,021	907,884	578,466	329,418
2049-2053		879,513			879,513	671,742	207,771
2054-2058		158,147			158,147	11,250	146,897
2059-2120		1,931,308			1,931,308	692,546	1,238,762
Total future debt service	19,157	9,944,242	30,741	130,355	10,124,495	\$5,360,162	\$4,764,333
Less: Interest component of future payments	(155)	(4,762,889)	(1,289)		(4,764,333)		
Principal portion of future payments	19,002	5,181,353	29,452	130,355	5,360,162		
Adjusted by:							
Unamortized bond premium		185,886			185,886		
Total debt	\$19,002	\$5,367,239	\$29,452	\$130,355	\$5,546,048		

General revenue bonds of \$129.1 million are variable-rate demand bonds which primarily reset daily and, in the event of a failed remarketing, can be put back to The Regents for tender. UCLA has classified these bonds as current liabilities as of June 30, 2023.

Medical center pooled revenue bonds of \$177.1 million are variable-rate demand bonds which give the debt holders the ability to put the bonds back to the University upon demand. UCLA has classified these bonds as current liabilities as of June 30, 2023.

For UCLA's cash flow hedges, future debt service payments for UCLA's 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, 2023, and thereafter are as presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2023, combined debt service requirements of the variable-rate debt and net swap payments are shown in Table 8.6b:

Table 8.6b: Future Debt Service Payments - Hedging Derivative Instruments

	VARIABLE-RATE BONDS			
(in thousands of dollars)	PRINCIPAL	INTEREST	INTEREST RATE SWAP, NET	TOTAL PAYMENTS
Year Ending June 30				
2024	\$5,740	\$9,113	\$(1,686)	\$13,167
2025	5,915	9,100	(1,651)	13,364
2026	6,110	8,936	(1,629)	13,417
2027	6,315	8,758	(1,596)	13,477
2028	6,550	8,580	(1,572)	13,558
2029-2033	29,245	39,877	(7,261)	61,861
2034-2038	32,970	35,520	(7,544)	60,946
2039-2043	66,790	28,533	(2,028)	93,295
2044-2048	146,646	12,614	256	159,516
Total	\$306,281	\$161,031	\$(24,711)	\$442,601

9. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

UCLA's composition of deferred outflows of resources at June 30 are summarized in Table 9.1:

Table 9.1: Deferred Outflows

(in thousands of dollars)

	2023	2022
Net pension liability	\$632,371	\$1,295,649
Net retiree health benefits liability	1,063,603	1,174,829
Debt refunding	14,325	26,806
Interest rate swap agreements	21,339	35,601
Asset retirement obligations	128	182
Total	\$1,731,766	\$2,533,067

UCLA's composition of deferred inflows of resources at June 30 are summarized in Table 9.2:

Table 9.2: Deferred Inflows

(in thousands of dollars)

	2023	2022
Net pension liability	\$71,992	\$91,854
Net retiree health benefits liability	1,944,040	2,384,402
Debt refunding	8,371	7,798
Royalty sales	250,911	290,750
Leases	26,231	17,691
Total	\$2,301,545	\$2,792,495

10. RETIREMENT PLANS

Most UCLA employees participate in the University of California Retirement System (UCRS). UCRS consists of University of California Retirement Plan (UCRP), a governmental defined benefit plan funded with University and employee contributions; The University of California Retirement Savings Program (UCRSP), which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions; and University of California Voluntary Early Retirement Incentive Plan (UC-VERIP), a defined benefit plan for UCLA employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement. The Regents has the authority to establish and amend UCRS, and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator.

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP and UC-VERIP for the year ended June 30, 2023 are shown in Table 10.1:

Table 10.1: Condensed Financial Information for Retirement Plans

	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
<i>(in thousands of dollars)</i>				
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION				
Investments at fair value	\$87,677,080	\$67,722	\$31,054,413	\$118,799,215
Participants' interests in mutual funds			2,372,880	2,372,880
Investment of cash collateral	5,100,801	3,821	3,517,138	8,621,760
Other assets	1,062,769	693	335,663	1,399,125
Total assets	93,840,650	72,236	37,280,094	131,192,980
Collateral held for securities lending	5,100,800	3,821	3,517,120	8,621,741
Other liabilities	545,065	426	181,981	727,472
Total liabilities	5,645,865	4,247	3,699,101	9,349,213
Net position held in trust	\$88,194,785	\$67,989	\$33,580,993	\$121,843,767
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION				
Contributions	\$3,976,571		\$2,146,797	\$6,123,368
Net appreciation in fair value of investments	2,789,442	\$1,945	3,017,062	5,808,449
Investment and other income, net	4,906,832	4,010	661,747	5,572,589
Total additions, net	11,672,845	5,955	5,825,606	17,504,406
Benefit payment and participant withdrawals	4,764,459	2,987	2,174,893	6,942,339
Other deductions	76,629	3	3,426	80,058
Total deductions	4,841,088	2,990	2,178,319	7,022,397
Change in net position held in trust	6,831,757	2,965	3,647,287	10,482,009
Net position held in trust				
Beginning of year	81,363,028	65,024	29,933,706	111,361,758
End of year	\$88,194,785	\$67,989	\$33,580,993	\$121,843,767
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	\$2,753,510			\$2,753,510
Interest	6,985,737	\$1,181		6,986,918
Difference between expected and actual experience	451,908	(1,242)		450,666
Changes of benefit terms	33,303			33,303
Changes of assumptions or other inputs	469,788	(440)		469,348
Benefits paid, including refunds of employee contributions	(4,764,459)	(2,987)		(4,767,446)
Net change in total pension liability	5,929,787	(3,488)		5,926,299
Total pension liability				
Beginning of year	102,635,910	20,227		102,656,137
End of year	\$108,565,697	\$16,739		\$108,582,436
Net pension liability (asset), end of year	\$20,370,912	\$(51,250)		\$20,319,662

Additional information on the retirement plans can be obtained from the 2022–2023 annual reports of the University of California Retirement System which can be obtained at <http://reportingtransparency.universityofcalifornia.edu>.

University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits, and postretirement and preretirement survivor benefits to eligible employees of the University, its affiliates, and their survivors and beneficiaries.

The University's membership in UCRP consisted of the following as shown in Table 10.2 at June 30, 2023:

Table 10.2: Membership in UCRP

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	74,654	12,628	87,282
Inactive members entitled to, but not receiving benefits	112,989	7,567	120,556
Active members:			
Vested	83,777	1,710	85,487
Nonvested	55,184	745	55,929
Total active members	138,961	2,455	141,416
Total membership	326,604	22,650	349,254

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. Additional information on UCRP contributions can be obtained from the 2022-2023 annual report of the University of California Retirement System.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP is shown in Table 10.3:

Table 10.3: Net Pension Liability for UCRP

	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UNIVERSITY OF CALIFORNIA
<i>(in thousands of dollars)</i>				
At June 30, 2023				
UCRP net position	\$17,678,745	\$78,873,984	\$9,320,801	\$88,194,785
Total pension liability	22,062,271	98,431,151	10,134,546	108,565,697
Net pension liability	\$4,383,526	\$19,557,167	\$813,745	\$20,370,912
At June 30, 2022				
UCRP net position	\$16,256,986	\$72,254,382	\$9,108,646	\$81,363,028
Total pension liability	20,805,158	92,468,791	10,167,119	102,635,910
Net pension liability	\$4,548,172	\$20,214,409	\$1,058,473	\$21,272,882

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The University'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 were changed in 2023 based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022. The actuarial assumptions used as of June 30, 2022 were based on the results of an experience study conducted for the period of July 1, 2014 through June 30, 2018. The University's net pension liability was calculated using the following methods and assumptions as shown in Table 10.4:

Table 10.4: Net Pension Liability Calculation Method

	2023	2022
Inflation	2.50%	2.50%
Investment rate of return	6.75	6.75
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Cost-of-living adjustments	FYE 6/30/2023: 2.90% Future years: 2.00%	FYE 6/30/2022: 4.41% for those who retired 7/2/2019 - 7/1/2020; 3.69% for all others eligible for COLA. Future years: 2.00%

Mortality rates used to calculate the net pension liability are shown in Table 10.5:

Table 10.5: Mortality Rates For Net Pension Liability

MORTALITY RATES	2023	2022
Preretirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for males and 95 percent for females	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table
Postretirement Healthy Members	Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 85 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 105 percent for other female members	Pub-2010 Teacher Healthy 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
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table multiplied by 100 percent for males and 95 percent for females	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table
Beneficiaries of Retired Members	In pay status as of valuation: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Not in pay status as of valuation: Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females
Projection scale for all mortality tables	Generationally with the two-dimensional mortality improvement scale MP-2021.	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 are summarized in Table 10.6:

Table 10.6: Target Allocation and Projected Real Rate of Return

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset Class:		
U.S. equity	33.0%	6.0%
Developed international equity	13.0	6.8
Emerging market equity	7.0	8.5
Core bonds	13.0	1.8
High-yield bonds	2.5	4.6
Emerging market debt	1.5	4.6
Private equity	12.0	9.6
Private credit	3.5	2.9
Real estate	7.0	3.9
Absolute return	3.5	1.1
Real assets	4.0	4.0
Total	100.0%	5.6%

Discount Rate

The discount rate used to estimate the net pension liability was 6.75 percent as of June 30, 2023 and 2022. 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, 2023 and 2022.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Table 10.7 presents the June 30, 2023 net pension liability of the University as well as what the net pension liability would be if it were calculated using a discount rate 1% lower and 1% higher than current assumption:

Table 10.7: Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
<i>(in thousands of dollars)</i>			
UCRP	\$34,982,449	\$20,370,912	\$8,377,910
UCRP (UCLA campus portion, including medical center)*	7,658,543	4,383,526	1,695,425
UC-VERIP	(50,483)	(51,250)	(51,946)

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Deferred Outflows of Resources and Deferred Inflows of Resources

The University's composition of deferred outflows of resources and deferred inflows of resources for pensions are summarized in Tables 10.8a and 10.8b:

Table 10.8a: 2023 Deferred Outflows and Deferred Inflows For Pensions

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC- VERIP	TOTAL
At June 30, 2023						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	\$145,896	\$628,584		\$628,584		\$628,584
Changes of assumptions or other inputs	96,616	416,267		416,267		416,267
Net difference between projected and actual earnings on pension plan investments	389,859	1,679,686	\$168,366	1,848,052	\$1,336	1,849,388
Total	\$632,371	\$2,724,537	\$168,366	\$2,892,903	\$1,336	\$2,894,239
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	\$71,992	\$53,559		\$53,559		\$53,559
Total	\$71,992	\$53,559		\$53,559		\$53,559

Table 10.8b: 2022 Deferred Outflows and Deferred Inflows For Pensions

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC- VERIP	TOTAL
At June 30, 2022						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	\$119,088	\$521,042		\$521,042		\$521,042
Changes of assumptions or other inputs	280,638	1,227,868		1,227,868		1,227,868
Net difference between projected and actual earnings on pension plan investments	895,923	3,919,906	\$434,207	4,354,113	\$3,207	4,357,320
Total	\$1,295,649	\$5,668,816	\$434,207	\$6,103,023	\$3,207	\$6,106,230
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	\$91,854	\$112,415		\$112,415		\$112,415
Total	\$91,854	\$112,415		\$112,415		\$112,415

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ended June 30 as shown in Table 10.9:

Table 10.9: Net Deferred Outflows and Deferred Inflows of Resources

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2024	\$86,324	\$411,451	\$(4,035)	\$407,416	\$32	\$407,448
2025	(32,014)	(152,593)	(93,865)	(246,458)	(604)	(247,062)
2026	560,016	2,669,247	315,730	2,984,977	2,243	2,987,220
2027	(53,947)	(257,127)	(49,464)	(306,591)	(335)	(306,926)
Total	\$560,379	\$2,670,978	\$168,366	\$2,839,344	\$1,336	\$2,840,680

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Defined Contribution Plan (DC Plan) / Supplemental Defined Contribution Plan (SDC Plan)

The DC Plan was established by resolution of The Regents to accept after-tax contributions and pretax contributions. The Regents established the SDC Plan to provide retirement benefits to certain designated employees of the University and their beneficiaries.

Additional information on the DC Plan and SDC Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions.

Additional information on the 403(b) Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

UCLA employer contributions to the 403(b) Plan were \$2.11 million and \$1.91 million for the years ended June 30, 2023 and 2022, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions.

Additional information on the 457(b) Plan can be obtained from the 2022-2023 annual report of the University of California Retirement System.

There were no employer contributions to the 457(b) Plan for the years ended June 30, 2023 and 2022.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan, and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the University. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the plans' statements of fiduciary net position.

University of California Voluntary Early Retirement Incentive Program (UC-VERIP)

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-VERIP members who elected early retirement under CalPERS.

Additional information on UC-VERIP can be obtained from the UCRS 2022-2023 annual report.

The University and the DOE laboratories previously made contributions to the UC-VERIP, sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2023 and 2022.

11. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

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 and its affiliates through the University of California Retiree Health Benefit Program (the Program). The Regents has the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits.

The University established the University of California Retiree Health Benefit Trust (UCRHBT) in order to allow certain University locations and affiliates (primarily campuses and medical centers) that share the risks, rewards, and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Campus and medical center contributions toward retiree health benefits are made to UCRHBT at rates determined by the University. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the Program for retirees. UCRHBT reimburses the University for these amounts.

Condensed financial information related to UCRHBT and the changes in retiree health benefits liability for the year ended June 30, 2023 is shown in Table 11.1:

Table 11.1: Condensed Financial Information Related to UCRHBT at June 30, 2023

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER *	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
Contributions	\$126,110	\$580,493	\$21,490	\$601,983
Investment income, net	1,596	7,345		7,345
Total additions	127,706	587,838	21,490	609,328
Insurance premiums, net	(123,751)	(569,634)	(21,490)	(591,124)
Other deductions	(1,055)	(4,854)		(4,854)
Total deductions	(124,806)	(574,488)	\$(21,490)	(595,978)
Change in net position held in UCRHBT	2,900	13,350		13,350
Net position held in UCRHBT, beginning of year	40,309	179,474		179,474
Net position held in UCRHBT, end of year	\$43,209	\$192,824		\$192,824

Table 11.1: Condensed Financial Information Related to UCRHBT at June 30, 2023 (Continued)

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER *	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY				
Service cost	\$193,722	\$891,714	\$21,027	\$912,741
Interest	156,913	722,279	21,669	743,948
Difference between expected and actual experience	192,988	888,337	28,922	917,259
Changes of assumptions and other inputs	2,731	90,193	6,352	96,545
Benefits paid	(123,751)	(569,634)	(21,490)	(591,124)
Retiree contributions	18,857	86,800	2,725	89,525
Net change in total retiree health benefits liability	441,460	2,109,689	59,205	2,168,894
Total retiree health benefits liability				
Beginning of year	4,452,311	19,750,973	600,388	20,351,361
End of year	4,893,771	21,860,662	659,593	22,520,255
Net retiree health benefits liability, end of year	\$4,850,562	\$21,667,838	\$659,593	\$22,327,431

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

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. These 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.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following as shown in Table 11.2 at June 30, 2023:

Table 11.2: Participation in the Retiree Health Benefit Program Plans

	CAMPUSES AND MEDICAL CENTERS	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries			
receiving benefits	49,252	1,864	51,116
Active members	146,417	2,983	149,400
Total membership	195,669	4,847	200,516

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 \$2.23 and \$2.36 per \$100 of UCRP covered payroll effective July 1, 2022 and 2021, 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

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 March 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 are shown in Table 11.3:

Table 11.3: Significant Actuarial Methods and Assumptions

(shown as percentages)			2023	2022
Discount rate ¹			3.65%	3.54%
Inflation			2.5	2.5
Investment rate of return			2.5	2.5
Health care cost trend rates	Initially ranges from -3.1 to 29.1 decreasing to an ultimate rate of 3.9 for 2075 and later years.	Initially ranges from 1.4 to 14.6 decreasing to an ultimate rate of 3.9 for 2075 and later years.		

¹The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRB assets are not sufficient to make projected benefit payments.

Mortality Rates

Mortality rates used to calculate the University's net retiree health benefits liability are shown in Table 11.4:

Table 11.4: Mortality Rates

MORTALITY RATES		2023	2022
Preretirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.	Pub-2010 Teacher Employee Headcount-Weighted Above-Medial Mortality Table	
Postretirement Healthy Members	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 110 percent and 105 percent for other male and female members, respectively.	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively.	
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table multiplied by 85 percent.	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table.	
Beneficiaries of Retired Members	After the expected (and actual) death of the retired member: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 95 percent for females. While retired member is alive: rates for healthy retired members.	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality.	
Projection scale for all mortality tables	Generationally with the two-dimensional mortality improvement scale MP-2021.	Generationally with the two-dimensional mortality improvement scale MP-2018.	

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 at June 30, 2023 were based upon the results of the most recent experience study covering the period of July 1, 2018 through June 30, 2022. The actuarial assumptions used as of June 30, 2022 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

Table 11.5 presents the June 30, 2023 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using the health care cost trend rate 1% higher and 1% lower than the current assumption:

Table 11.5: Sensitivity of Net Retiree Health Benefits Liability to Health Care Cost Trend Rates

	1% DECREASE (-4.1% to 28.1%) DECREASING TO (2.9%)	CURRENT TREND (-3.1% to 29.1%) DECREASING TO (3.9%)	1% INCREASE (-2.1% to 30.1%) DECREASING TO (4.9%)
<i>(in thousands of dollars)</i>			
Net retiree health benefit liability: University of California	\$18,710,091	\$22,327,431	\$27,033,574
Net retiree health benefit liability: UCLA Campus and Medical Center	4,064,767	4,850,562	5,873,044

Discount Rate

The discount rates used to estimate the net retiree health benefits liability as of June 30, 2023 and 2022 were 3.65 percent and 3.54 percent, respectively.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

Table 11.6 presents the June 30, 2023 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1% higher and 1% lower than the current assumption:

Table 11.6: Sensitivity of Net Retiree Health Benefits Liability to Discount Rates

	1% DECREASE (2.65%)	CURRENT DISCOUNT (3.65%)	1% INCREASE (4.65%)
<i>(in thousands of dollars)</i>			
Net retiree health benefit liability: University of California	\$26,322,337	\$22,327,431	\$19,128,649
Net retiree health benefit liability: UCLA Campus and Medical Center	5,718,528	4,850,562	4,155,699

Deferred Outflows of Resources and Deferred Inflows of Resources

Table 11.7a and 11.7b show the composition of deferred outflows of resources and deferred inflows of resources for retiree health benefits at June 30, 2023 and 2022:

Table 11.7a: Composition of Deferred Outflows and Deferred Inflows for Retiree Health Benefits in 2023

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	\$205,331	\$917,237	\$49,480	\$966,717
Changes of assumptions or other inputs	857,309	3,436,516	51,475	3,487,991
Net difference between projected and actual earnings on plan investments	963	2,077		2,077
Total	\$1,063,603	\$4,355,830	\$100,955	\$4,456,785
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	\$477,062	\$2,131,073	\$38,201	\$2,169,274
Changes of assumptions or other inputs	1,466,482	5,744,959	113,171	5,858,130
Total	\$1,943,544	\$7,876,032	\$151,372	\$8,027,404

Table 11.7b: Composition of Deferred Outflows and Deferred Inflows for Retiree Health Benefits in 2022

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	\$35,211	\$156,193	\$32,320	\$188,513
Changes of assumptions or other inputs	1,138,167	4,566,601	75,929	4,642,530
Net difference between projected and actual earnings on plan investments	1,451	6,437		6,437
Total	\$1,174,829	\$4,729,231	\$108,249	\$4,837,480
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	\$641,800	\$2,847,012	\$65,098	\$2,912,110
Changes of assumptions or other inputs	1,742,602	6,903,908	151,390	7,055,298
Total	\$2,384,402	\$9,750,920	\$216,488	\$9,967,408

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2023 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter is shown in Table 11.8:

Table 11.8: Net Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits

<i>(in thousands of dollars)</i>	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	TOTAL UNIVERSITY OF CALIFORNIA
2024	\$(167,928)	\$(644,112)	\$(11,651)	\$(655,763)
2025	(204,646)	(818,725)	(13,768)	(832,493)
2026	(126,022)	(463,026)	(21,224)	(484,250)
2027	(75,710)	(302,491)	(11,053)	(313,544)
2028	(106,031)	(461,541)	5,599	(455,942)
Thereafter	(200,100)	(830,307)	1,680	(828,627)
Total	\$(880,437)	\$(3,520,202)	\$(50,417)	\$(3,570,619)

12. ENDOWMENTS AND GIFTS

The value of endowments and gifts held and administered by the University or by UCLA's foundations, excluding income distributed to be used for operating purposes, at June 30, 2023 and 2022, is shown in Table 12.1:

Table 12.1: Endowments and Gifts Held and Administered by UCLA

	UCLA		FOUNDATIONS	
	2023	2022	2023	2022
<i>(in thousands of dollars)</i>				
Restricted				
Endowments	\$334,283	\$332,419	\$1,901,720	\$1,735,220
Annuity and life income	830	907		
Nonexpendable	335,113	333,326	1,901,720	1,735,220
Endowments	797,421	752,712	473,956	435,211
Funds functioning as endowments	887,742	849,349	785,956	733,373
Annuity and life income	554	594		
Gifts	550,247	530,719	672,904	693,961
Expendable	2,235,964	2,133,374	1,932,816	1,862,545
Total restricted	2,571,077	2,466,700	3,834,536	3,597,765
Unrestricted				
Endowments	2,752	2,621		
Funds functioning as endowments	1,831,477	1,247,064		
Gifts	556	608	1,266,463	932,979
Total unrestricted	1,834,785	1,250,293	1,266,463	932,979
Total	\$4,405,862	\$3,716,993	\$5,100,999	\$4,530,744

University Endowments

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. UCLA's net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to \$2.0 billion and \$1.9 billion at June 30, 2023 and 2022, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was \$81.2 million and \$68.4 million for the years ended June 30, 2023 and 2022, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was \$74.9 million and \$77.4 million for the years ended June 30, 2023 and 2022, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was \$127.2 million and \$117.2 million at June 30, 2023 and 2022, respectively.

UCLA Foundations

During the years ended June 30, 2023 and 2022, gifts of \$312.2 million (\$110.5 million from endowment investments and \$201.7 million from current funds) and \$292 million (\$94 million from endowment investments and \$198 million from current funds), respectively, were transferred to UCLA from the foundations.

13. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2023 and 2022, are shown in Table 13.1:

Table 13.1: Operating Expenses by Function

<i>(in thousands of dollars)</i>	2023	2022
Instruction	\$3,552,397	\$3,142,043
Research	1,102,704	1,095,528
Public service	248,774	245,239
Academic support	1,344,439	1,189,472
Student services	223,408	211,962
Institutional support	351,459	344,061
Operation and maintenance of plant	142,195	180,572
Student financial aid	161,013	221,303
Medical center	3,273,607	3,081,637
Auxiliary enterprises	498,730	369,208
Depreciation and amortization	548,813	509,044
Other	72,191	8,264
Total	\$11,519,730	\$10,598,333

14. LEASES

UCLA is a lessor of land, buildings and equipment under agreements that extend through 2062. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from two to ten years. These leases may also include lessee options to terminate the leases.

Certain of UCLA's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties.

UCLA measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

During the years ended June 30, 2023 and 2022, UCLA recorded \$3.4 million and \$3.8 million, respectively, in lease revenues.

15. SEGMENT INFORMATION - MEDICAL CENTER

The University's medical centers' revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' 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 the UCLA Medical Center for the years ended June 30, 2023 and June 30, 2022 is shown in Table 15.1:

Table 15.1: Condensed Financial Statement Information for the UCLA Medical Center

(in thousands of dollars)

	2023	2022
Revenue bonds outstanding	\$1,734,478	\$1,750,698
Related debt service payments	86,549	61,879
Bonds due serially through	2120	2120
CONDENSED STATEMENT OF NET POSITION		
Current assets	2,757,268	2,563,155
Capital assets, net	1,863,368	1,852,673
Other assets	1,026,122	989,967
Total assets	5,646,758	5,405,795
Total deferred outflows of resources	561,896	828,461
Current liabilities	748,198	752,982
Long-term debt, net of current portion	1,927,562	1,952,922
Other noncurrent liabilities	3,310,101	3,242,762
Total liabilities	5,985,861	5,948,666
Total deferred inflows of resources	688,959	827,456
Net investment in capital assets	454,045	388,487
Restricted	25,282	24,810
Unrestricted	(945,493)	(955,163)
Total net position	\$(466,166)	\$(541,866)

Table 15.1: Condensed Financial Statement Information for the UCLA Medical Center (Continued)*(in thousands of dollars)*

	2023	2022
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$3,784,018	\$3,353,919
Operating expenses before depreciation	(3,356,368)	(3,101,605)
Depreciation expense	(159,035)	(147,958)
Operating income	268,615	104,356
Nonoperating revenues (expenses), net	65,503	(83,193)
Income before other changes in net position	\$334,118	\$21,163
Health systems support	(275,605)	(251,099)
Transfers from University, net	11,570	2,402
Changes in allocation for pension payable to University	5,255	(16,682)
Other, including donated assets	362	1,602
Change in net position	75,700	(242,614)
Net position - beginning of year	(541,866)	(299,252)
Net position - end of year	\$ (466,166)	\$ (541,866)
CONDENSED STATEMENT OF CASH FLOWS		
<i>Net cash provided (used) by:</i>		
Operating activities	\$589,587	\$(42,220)
Noncapital financing activities	(259,026)	191,448
Capital and related financing activities	(258,827)	6,048
Investing activities	49,804	(230,188)
Net change in cash and cash equivalents	121,538	(74,912)
Cash and cash equivalents* - beginning of year	1,631,612	1,706,524
Cash and cash equivalents* - end of year	\$1,753,150	\$1,631,612

*Cash and cash equivalents in the medical centers' financial statements are included in the University's Short Term Investment Pool.

Summarized financial information in these tables is from the collective University of California medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in UCLA's Statement of Revenues, Expenses, and Changes in Net Position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be

obtained from their audited financial statements, which are available at <https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html>.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

16. DISCRETELY PRESENTED COMPONENT UNIT INFORMATION — CAMPUS FOUNDATIONS

Under University policies, each individual campus may establish separate foundations to provide valuable assistance in fundraising, public outreach, and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the primary purpose to raise funds for cancer research at UCLA.

These two foundations are component units of UCLA. The combined financial statements of these two foundations are presented discretely in a separate column on UCLA's financial statements because of their nature and significance of their relationship with the campus.

Condensed financial statement information related to UCLA's foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2023 and 2022 is shown in Table 16.1a and Table 16.1b, respectively:

Table 16.1a: Condensed Financial Statement Information Related to UCLA Foundations for 2023

	UCLA FOUNDATIONS		
	UCLA FOUNDATION	JONSSON CANCER CENTER FOUNDATION	TOTAL
<i>(in thousands of dollars)</i>			
Year Ended June 30, 2023			
CONDENSED STATEMENT OF NET POSITION			
Current assets	\$1,191,702	\$13,925	\$1,205,627
Noncurrent assets	3,985,550	11,559	3,997,109
Total assets	5,177,252	25,484	5,202,736
Current liabilities	27,408	363	27,771
Noncurrent liabilities	29,365		29,365
Total liabilities	56,773	363	57,136
Total deferred inflow of resources	44,090	511	44,601
Restricted	3,821,702	12,834	3,834,536
Unrestricted	1,254,686	11,777	1,266,463
Total net position	\$5,076,388	\$24,611	\$5,100,999
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	\$589,017	\$7,362	\$596,379
Operating expenses	(427,057)	(9,716)	(436,773)
Operating income (loss)	161,960	(2,354)	159,606
Nonoperating revenues	253,970	903	254,873
Income (loss) before other changes in net position	415,930	(1,451)	414,479
Additions to permanent endowments	155,776		155,776
Change in net position	571,706	(1,451)	570,255
Net position - beginning of year	4,504,682	26,062	4,530,744
Net position - end of year	\$5,076,388	\$24,611	\$5,100,999
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$114,862	\$(554)	\$114,308
Noncapital financing activities	139,849	15	139,864
Investing activities	(318,382)	609	(317,773)
Net change in cash and cash equivalents	(63,671)	70	(63,601)
Cash and cash equivalents - beginning of year	68,150	84	68,234
Cash and cash equivalents - end of year	\$4,479	\$154	\$4,633

Table 16.1b: Condensed Financial Statement Information Related to UCLA Foundations for 2022

	UCLA FOUNDATIONS		
	UCLA FOUNDATION	JONSSON CANCER CENTER FOUNDATION	TOTAL
<i>(in thousands of dollars)</i>			
Year Ended June 30, 2022			
CONDENSED STATEMENT OF NET POSITION			
Current assets	\$921,067	\$12,906	\$933,973
Noncurrent assets	3,699,114	13,368	3,712,482
Total assets	4,620,181	26,274	4,646,455
Current liabilities	49,305	121	49,426
Noncurrent liabilities	29,954		29,954
Total liabilities	79,259	121	79,380
Total deferred inflow of resources	36,240	91	36,331
Restricted	3,583,141	14,624	3,597,765
Unrestricted	921,541	11,438	932,979
Total net position	\$4,504,682	\$26,062	\$4,530,744
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	\$512,267	\$14,388	\$526,655
Operating expenses	(365,843)	(15,715)	(381,558)
Operating income (loss)	146,424	(1,327)	145,097
Nonoperating expenses	(372,631)	(836)	(373,467)
Loss before other changes in net position	(226,207)	(2,163)	(228,370)
Additions to permanent endowments	154,539		154,539
Change in net position	(71,668)	(2,163)	(73,831)
Net position - beginning of year	4,576,350	28,225	4,604,575
Net position - end of year	\$4,504,682	\$26,062	\$4,530,744
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$191,753	\$(1,606)	\$190,147
Noncapital financing activities	138,393	20	138,413
Investing activities	(269,270)	1,337	(267,933)
Net change in cash and cash equivalents	60,876	(249)	60,627
Cash and cash equivalents – beginning of year	7,274	333	7,607
Cash and cash equivalents - end of year	\$68,150	\$84	\$68,234

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained at: <https://www.uclafoundation.org> and www.cancer.ucla.edu.

17. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled \$730.7 million at June 30, 2023.

Contingencies

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

UCLA and the foundations 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, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

18. SUBSEQUENT EVENTS

On December 27, 2023, UCLA completed the acquisition of the Westside Pavilion Mall. The property will be transformed into a UCLA Research Park, housing the *California Institute for Immunology and Immunotherapy at UCLA*, *The UCLA Center for Quantum Science and Engineering* as well as other research programs. The net acquisition cost to UCLA was \$143.5 million, after a variety of credits and \$200 million funding from the State.

Required Supplementary Information

The required supplementary information can be obtained from the 2022-23 annual report of the University of California Retirement System, which can be obtained at:

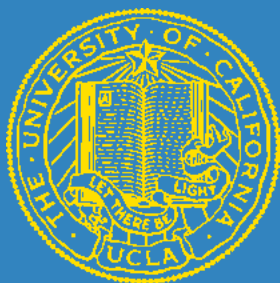
<http://reportingtransparency.universityofcalifornia.edu>.



Photo by David Esquivel/UCLA,
UCLA 2023 graduates on campus.

For more information, contact
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2022-2023

UCLA ANNUAL FINANCIAL REPORT