

UC San Diego

Financial Overview 2015–16

The financial statements of the San Diego campus are subject to limited-scope procedures as part of the annual audit of the financial statements of the entire University of California. The audited, consolidated financial statements of the University of California are available at <http://www.ucop.edu/financial-accounting/financial-reports/annual-financial-reports.html>.

Financial Position

The statement of net position presents the financial position of the university at the end of each fiscal year. At June 30, 2016, the university's net position was \$1.5 billion, with assets of \$6.5 billion, liabilities of \$5.5 billion, and net deferred outflows and inflows from pension liability of \$0.5 billion. The major components of assets, liabilities, and net position as of June 30, 2016, and June 30, 2015, are as follows (in thousands).

	2016	2015	CHANGE
ASSETS			
Cash and investments	1,547,145	1,887,588	(340,443)
Receivables	488,301	523,194	(34,893)
Inventories and other assets	127,225	81,230	45,995
Capital assets	4,358,498	3,996,594	361,904
Total Assets	6,521,169	6,488,606	32,563
LIABILITIES			
Current liabilities	920,108	849,128	70,980
Pension liability	1,992,275	1,672,769	319,506
Long-term debt	2,473,924	2,217,307	256,617
Other noncurrent liabilities	80,345	87,528	(7,183)
Total Liabilities	5,466,652	4,826,732	639,920
Net deferred outflows and inflows from pension liability	460,586	(20,429)	481,015
Total Net Position	1,515,103	1,641,445	(126,342)

Assets

UC San Diego's assets increased by \$32.6 million to \$6.5 billion in 2016. The \$340.4 million decrease in cash and

investments is partially due to the transfer of cash to the UC Office of the President to be invested in the general endowment pool in order to generate a higher future return rate for UC San Diego. The decrease in cash and investments is also due to the acquisition of buildings and land at year-end. The \$361.9 million increase in capital assets is due to current year capitalization of new construction and acquisitions, including Torrey Pines Court buildings and land, Jacobs Medical Center, graduate and professional student housing, and the Altman Clinical Translational Research Institute.

Liabilities

UC San Diego's liabilities increased by \$639.9 million to \$5.5 billion in 2016. The \$319.5-million increase in pension liability was primarily driven by lower than expected investment returns on the UC Retirement Plan investment portfolio. The \$256.6-million increase in long-term debt is related to funding for the construction of capital assets.

Net Deferred Outflows and Inflows from Pension Liability

The change in net deferred inflows and outflows from pension liability resulted in a \$481.0-million increase in net position and was due to changes in actuarial assumptions related to the calculation of the pension liability.

Net Position

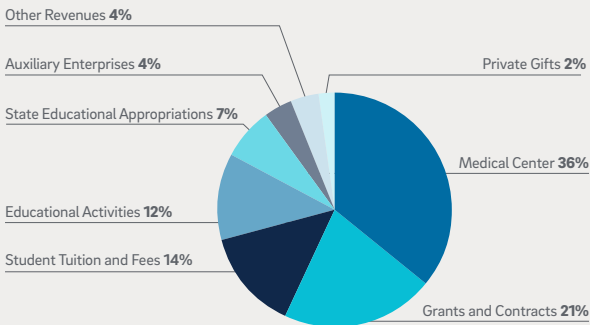
Net position represents the residual interest in the university's assets after all liabilities are deducted. In 2016, net position decreased by \$126.3 million to \$1.5 billion. The decrease was primarily due to the transfer of cash to the UC Office of the President (UCOP) to be invested in the general endowment pool managed by UCOP. Cash transferred to the UCOP-held general endowment is no longer reflected on the UC San Diego balance sheet but is reflected in the consolidated UC financials and is tracked as being for the benefit of UC San Diego. The balance of endowments held by UCOP for the benefit of UC San Diego increased by \$237.5 million to \$638.2 million in 2016.

FY 2015–16

BY THE NUMBERS

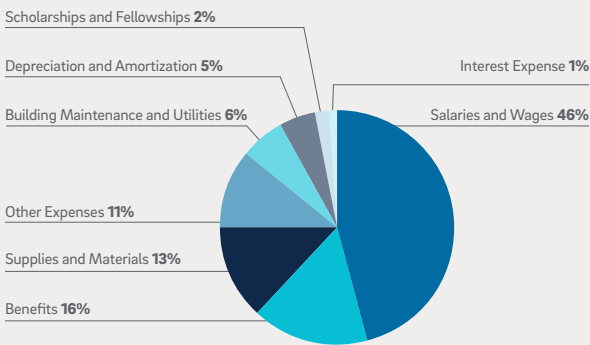
Categories of Revenue: \$4.3 Billion

Fiscal year 2015–16



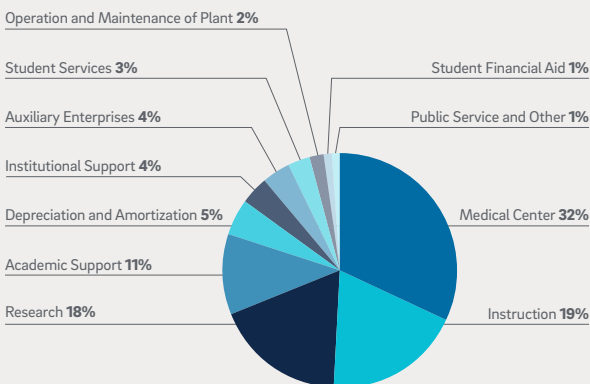
Expenses by Natural Classification: \$4.3 Billion

Fiscal year 2015–16



Operating Expenses by Functional Classification: \$4.3 Billion

Fiscal year 2015–16



Results of Operations

The statement of revenues, expenses, and changes in net position is a presentation of the university's annual operating results. In accordance with the Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the university are required to be reported as nonoperating revenues, including state educational appropriations, private gifts, and investment income.

Revenues

Revenues to support core activities, including those classified as nonoperating revenues, were \$4.3 billion in both 2016 and 2015. Diversified sources of revenue help ensure stabilized funding of core mission activities. The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the university. Grants and contracts provide opportunities for undergraduate and graduate students to participate in research alongside some of the most prominent researchers in the country. Gifts to the university allow crucial flexibility for support of fundamental activities or new academic initiatives. Other significant revenues are from the UC San Diego Medical Center; educational activities, such as the School of Medicine; and auxiliary enterprises, such as student housing, food service, parking, and the UC San Diego Bookstore.

The chart at left displays the categories of both operating and nonoperating revenues that supported core activities in 2016.

Expenses

Expenses associated with the university's core activities, including those classified as nonoperating, were \$4.3 billion and \$4.0 billion in 2016 and 2015, respectively. Increases in compensation costs are primarily due to growth in the university's operations, including Jacobs Medical Center, scheduled pay increases, and higher pension expenses.

The charts at left display the categories of both operating and nonoperating expenses in 2016.

Other Changes in Net Position

The decrease in net position from other changes is primarily due to the transfer of excess cash to the UC Office of the President to be invested in the general endowment pool for the purpose of generating a higher future return for UC San Diego.

Statement of Net Position (Unaudited)

For the Fiscal Years Ended June 30, 2016, and June 30, 2015 (in thousands)

		CAMPUS		FOUNDATION
	2016	2015	2016	2015
ASSETS				
Current Assets				
Cash and equity in treasurer's investments	\$ 1,525,963	\$ 1,859,255	\$ 991	\$ 1,299
Investments held by trustees	14,703	21,709	93,329	77,748
Accounts receivable, net			—	—
State and federal government	58,130	52,407		
Medical Center	252,079	284,986	—	—
Other	130,945	138,423	—	—
Pledges receivable, net	527	719	22,848	19,573
Notes receivable, net	8,895	8,613	—	6
Inventories	35,891	34,463	—	—
Other current assets	70,790	30,610	41	38
Total current assets	2,097,923	2,431,185	117,209	98,664
Noncurrent Assets				
Investments and Investments held by trustees	6,479	6,624	589,293	603,070
Pledges receivable	384	704	32,932	43,293
Notes and mortgages receivable	37,341	37,342	—	361
Land, buildings, equipment, libraries, and special collections	7,594,827	7,092,796	—	—
Less: Accumulated depreciation	(3,236,329)	(3,096,202)	—	—
Other noncurrent position	20,544	16,157	26	26
Total noncurrent assets	4,423,246	4,057,421	622,251	646,750
Total assets	6,521,169	6,488,606	739,460	745,414
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	653,977	419,870	—	—
Total deferred outflows of resources	653,977	419,870	—	—
LIABILITIES				
Current Liabilities				
Accounts payable	264,198	188,877	1,228	663
Accrued salaries and benefits	182,163	195,677	—	—
Deferred revenue	166,048	158,758	—	—
Current portion of long-term debt	82,914	61,272	—	—
Funds held for others	1,230	1,267	6,146	134
Liabilities to life beneficiaries	—	—	1,403	1,473
Other current liabilities	223,555	243,277	—	—
Total current liabilities	920,108	849,128	8,777	2,270
Noncurrent Liabilities				
Federal refundable loans	28,200	28,487		
Liabilities to life beneficiaries			9,604	10,088
Long-term debt				
Revenue bonds	2,104,120	1,860,410	—	—
Mortgages and other borrowings	280,797	252,713	—	—
Capital lease obligations	33,140	33,593	—	—
Third-party debt	55,867	70,591	—	—
Pension obligations to UCRP	1,555,019	1,309,222	—	—
Pension payable to university	437,256	363,547	—	—
Other noncurrent liabilities	52,145	59,041	—	—
Total noncurrent liabilities	4,546,544	3,977,604	9,604	10,088
Total liabilities	5,466,652	4,826,732	18,381	12,358
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows to pension	193,391	440,299	—	—
Total deferred inflows of resources	193,391	440,299	—	—
NET POSITION				
Reserved for minority interests	36,766	40,255	—	—
Invested in capital assets, net of related debt	1,801,293	1,717,649	—	—
Restricted				
Nonexpendable				
Endowments	—	—	379,817	359,231
Annuity and life income funds	—	—	2,811	2,478
Expendable				
Endowments	—	—	132,670	161,982
Endowment income	10,486	9,237	—	—
Annuity and life income funds	—	—	3,437	4,527
Funds functioning as endowments	—	—	31,173	32,376
Loans	6,213	5,850	—	—
Gifts	95,764	89,656	153,894	153,325
Capital projects	81,317	47,280	—	—
Debt service	2,495	1,757	—	—
Appropriations	—	(58)	—	—
Other	7	19	—	—
Unrestricted	(519,238)	(270,200)	17,277	19,137
Total net position	\$ 1,515,103	\$ 1,641,445	\$ 721,079	\$ 733,056

Statement of Revenues, Expenses, and Changes in Net Position (Unaudited)

For the Fiscal Years Ended June 30, 2016, and June 30, 2015 (in thousands)

	2016	CAMPUS 2015	2016	FOUNDATION 2015
OPERATING REVENUES				
Student tuition and fees, net	\$ 573,675	\$ 500,926	\$ —	\$ —
Grants and contracts				
Federal	643,082	649,741	—	—
State	35,791	40,394	—	—
Private	207,548	245,364	—	—
Local	14,113	13,981	—	—
Sales and services				
Medical Center	1,529,381	1,481,502	—	—
Educational activities	530,913	447,777	—	—
Auxiliary enterprises, net	174,333	173,457	—	—
Contributions revenue	—	—	75,464	58,098
Other operating revenues, net	70,169	70,564	—	—
Total operating revenues	3,779,005	3,623,706	75,464	58,098
OPERATING EXPENSES				
Salaries and wages	1,980,235	1,823,313	—	—
Benefits	688,320	594,259	—	—
Scholarships and fellowships	74,532	75,358	—	—
Utilities	43,896	32,537	—	—
Supplies and materials	551,618	560,993	—	—
Depreciation and amortization	240,151	238,922	—	—
Grants to campus	—	—	95,248	95,592
Other operating expenses	—	—	—	—
Building maintenance	219,847	188,768	—	—
Travel	42,088	38,698	—	—
Telecommunications	35,525	35,051	—	—
Other	351,159	333,976	48	26
Total operating expenses	4,227,371	3,921,875	95,296	95,618
Operating income (loss)	(448,366)	(298,169)	(19,832)	(37,520)
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	311,854	300,899	—	—
State financing appropriations	—	24	—	—
Federal financing appropriations	6,373	6,337	—	—
Federal Pell Grants	43,298	44,202	—	—
Private gifts	83,002	77,426	—	—
Investment income	28,269	194,816	6,969	7,266
Net appreciation (depreciation) in fair value of investments	—	—	(19,830)	18,403
Interest expense	(66,959)	(60,582)	—	—
Change in value of annuity and life income liabilities	—	—	(757)	(3,680)
Loss on disposal of capital assets, net	(37,486)	9,447	—	—
Other nonoperating revenues (expenses)	574	2,958	1	(5)
State hospital fee grants	1,394	3,855	—	—
Total net nonoperating revenues (expenses)	370,319	579,382	(13,617)	21,984
Income (loss) before other changes in net position	(78,047)	281,213	(33,449)	(15,536)
OTHER CHANGES IN NET POSITION				
State capital appropriations	269	2,890	—	—
Capital gifts and grants	30,877	36,933	—	—
Pension liabilities	191,201	(31,560)	—	—
Permanent endowments	—	—	21,472	33,942
Transfers	(270,642)	38,993	—	—
Total other changes in net position	(48,295)	47,256	21,472	33,942
Increase (decrease) in net position	(126,342)	328,469	(11,977)	18,406
NET POSITION				
Net position, beginning of year	1,641,445	1,312,976	733,056	714,650
Restatement of beginning of year net position	—	—	—	—
Net position, end of year	\$ 1,515,103	\$ 1,641,445	\$ 721,079	\$ 733,056