UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW

JUNE 30, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

University of California Hastings College of the Law

Independent Auditors' Report
and Financial Statements

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

THE BOARD OF DIRECTORS
UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **UNIVERSITY OF CALIFORNIA HASTINGS COLLEGE OF THE LAW** and **THE UC HASTINGS FOUNDATION (collectively, the College),** which comprise the statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, cash flows, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of California Hastings College of the Law and the UC Hastings Foundation, as of June 30, 2015 and 2014, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the significant accounting policies note to the financial statements, in 2015 and 2014 the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Financial Reporting for Pension Plans and GASB 71, Pension transition for contributions made subsequent to the measurement date – an amendment of GASB No. 68. (See Notes 2, 10 and 11).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the accompanying management's discussion and analysis on pages 3 through 17 and the schedule of net pension liability page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hood & Strang LLP

San Francisco, California
October 28, 2015

University of California Hastings College of the Law

Management Discussion and Analysis
(Unaudited)

The University of California, Hastings College of the Law (the "College" or "UC Hastings") presents its financial statements for fiscal year 2015 with comparative data presented for fiscal years 2014 and 2013. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2015 and 2014 (2015 and 2014, respectively). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and, the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of the College's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the College and are the responsibility of its management.

The College

The College was founded in 1878 as the "law department" of the University of California. UC Hastings is the oldest public law school in California. Founded by Chief Justice Serranus Clinton Hastings, the College was established by the California Legislature with its own Board of Directors which has operated the College independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the UC Hastings Board of Directors. The College is the only stand-alone, public law school in the nation.

The mission of UC Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to assure that its graduates have a comprehensive understanding and appreciation of the law and are well trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs.

UC Hastings' reputation for academic excellence, its formal affiliation with the University of California (UC), and its location in San Francisco's downtown civic center are major factors contributing to the overall strength of the law school. This intrinsic quality is reflected in the large number of applications received for a limited number of seats. Hence, UC Hastings' enrollment management objectives are to matriculate select students of the highest academic credentials.

The UC Hastings Foundation

The UC Hastings Foundation (the Foundation) was organized for the purpose of providing an organization for individuals dedicated to the support of the College and to provide a means for soliciting, receiving, and making financial contributions and garnering volunteer support to the College, and otherwise assist its students, alumni, administration, faculty and Board of Directors. The Foundation is a California nonprofit public benefit corporation exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3) and a public charity pursuant to Code Section 170(b)(1)(A)(iv).

The Foundation supports a variety of purposes, such as moot court activities, scholarly publications, lectureships, and faculty professional development. Additionally, the Foundation provides student scholarships and faculty research support with funds raised from annual giving, class campaigns and from memorial and endowment gifts.

The College and Foundation's operating agreement (the agreement) delineates the roles and responsibilities of each entity and states the appointment process for Foundation trustees to clearly establish the authority of the College's Board of Directors who now control a majority of the appointments to the Foundation's Board of Trustees. The agreement also acknowledges that all fundraising programs and initiatives of the College are to be solicited in the name of the Foundation and that gifts received in response to fundraising programs and initiatives will be accounted for in Foundation accounts. As a result of the agreement, substantially all restricted gifts and unrestricted gifts made to the College are recognized and accounted for within the Foundation's accounts. To support the College's efforts, the Foundation allocates block grants to the College from the proceeds of unrestricted gifts made to the Foundation. These blocks grants are designated by the Foundation to support the College's alumni office and non-state costs associated with institutional advancement functions along with funding for special events and other programs based on the Chancellor and Dean's institutional priorities.

The Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, detailing the major component unit concept. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government.

The GASB requires the Foundation, as the College's legally separate, tax-exempt, affiliated campus foundation, to be considered a component unit of the College and presented discretely in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

Overview of the College

The marketplace for legal education has been tumultuous in recent years as has been widely reported in the national media. The number of applicants to ABA-Accredited Law Schools has decreased by 38% from 2010 to 2015, from 87,900 to 54,130. The downward trend in national applications to law schools is driven by a multitude of factors including the cost of attendance/student debt and a difficult job market for legal services.

These market dynamics were evident when UC Hastings, in 2012, determined that a planned and phased-in reduction in the size of the Juris Doctor (JD) class by roughly 20 to 25% over a three to four year timeframe would better align the school's enrollment to the job market for its graduates. Once normalized levels of enrollment were achieved, it was anticipated that JD enrollment would normalize at 960 students, or an entering first year law students (1L) class of 320. Concurrent with the planned downsizing of JD enrollment, growth in other degree programs such as the LLM degree focusing on acclimating international students to US legal practice and the Master in the Study of Law (MSL) emphasizing health law and policy would be pursued to help offset the revenue loss.

In 2015, the number of JD applications submitted to UC Hastings totaled 3,613, an increase of 16% over last year's total of 3,118. While application volume was strong, the quality of the applicant pool and the competition for highly qualified students was such that in an effort to maintain institutional quality, 292 incoming first year law students were enrolled, a variance of 12.5% from the enrollment target of 320. It was determined that bringing in a class of 320 would lower academic medians below 2014 benchmarks (a 158 Law School Admission Test (LSAT) and a 3.45 Undergraduate Grade Point Average (UGPA) and that the job market still lacked sufficient capacity to absorb students whose academic credentials were below these institutional benchmarks. As a result of these decisions, the incoming 1L class metrics have risen. The increases are not dramatic, but they are the first improvements since 2010. The Class of 2018's median LSAT is a 159 and the median UGPA is a 3.50.

Legal educators are cautiously optimistic that the 2015-16 academic year will mark the low point for law school enrollment, and that the number of applicants for 2016-17 will start to recover from this five-year slide. Two data points support this view. With the admissions cycle for academic year 2015-16 wrapping up, the number of applicants to American Bar Association-accredited law schools declined by a modest 2 percent compared with the previous year — the smallest reduction in four years, according to the Law School Admission Council. In prior years, the number of applicants fell by more than 10 percent each year from 2011 to 2013.

Additionally, the number of people taking the Law School Admission Test has increased in each of the three sittings since December 2014 — spiking 6.6 percent for the June 2015 sitting. Law school is more attractive in part because the entry-level legal job market has improved, if only because fewer graduates are competing for employment opportunities that are believed to be increasing, albeit modestly.

Hence for enrollment planning, in the near term, targets call for enrollment levels of between 900 and 960 JD students for upcoming years representing an overall enrollment target of 1,000 FTE's including students matriculating in the JD, LLM and MSL programs.

Total full time equivalent (FTE) enrollment for the 2014-15 academic year was 925.6 Juris Doctor (JD) students, 36.5 Master of Laws (LLM) students, 7.8 Master of Studies in Law (MSL) students and 16.9 visitors for a total of 986.8 full-time students. In 2014-15, fee waivers and exchange discounts equated to 17.1 FTE students for a net enrollment of 969.7 full-time equivalent students. Total full time equivalent (FTE) enrollment for the 2013-14 academic year was 1,034.5 Juris Doctor (JD) students, 30.3 Master of Laws (LLM) students, 5.4 Master of Studies in Law (MSL) students and 19.3 visitors for a total of 1,089.5 full-time students. In 2013-14, fee waivers and exchange discounts equated to 22 FTE students for a net enrollment of 1,067.5 full-time equivalent students.

Highlights of Financial Operations

Progress was achieved in a number of areas pertaining to financial and other operations. Outlined below are the developments that have had an impact on the operations of the College.

- **Class Size Reduction Program –Financial Operating Results**

  As noted previously, the College's 2011 strategic plan called for a phased in reduction of the size of the JD class by roughly 20-25% (approximately 240-300 FTE JD students) over a three year timeframe beginning in fall 2012. Class size reduction targets have been fully achieved. In fall 2012 at the beginning of this process, JD enrollment was 1,143; the comparable figure for fall 2014 was 931 JD students. While the revenue implications have been significant, positive financial outcomes, as measured by net income, were achieved for 2013, 2014 and 2015 reflective of the three year timeframe necessary to fully effectuate programmatic change in the three-year JD program.

- **State of California – Increased Operating Budget Support**

  California's financial recovery is continuing and state operating support to the College is growing. The 2016 budget continues the Governor's commitment to a multi-year funding plan for higher education. The plan provides annual increases in General Fund appropriations over a six-year period (2013-14 through 2018-19). The plan addresses affordability and assumes a freeze on resident tuition through 2017-18 to avoid contributing to higher student debt levels. For 2016, state support increased by 11% over 2015; in 2015, the state support increased by 15% over 2014. Since 2012, state support has increased by 52% for an average annual increase of 10.5%. This growth – during a period of planned reductions of enrollment and stable student fees – has allowed the College to manage increased employer's share of retirement costs for the University of California Retirement Plan (UCRP) and fund other nondiscretionary cost increases.

- **UC Hastings Campus Streetscape Plan**

  In October 2014, a key phase of the City and County of San Francisco's Tenderloin-Little Saigon Transportation Plan moved forward as construction began on the McAllister Streetscape project. The long two block project included sidewalk widening, new pedestrian lighting, landscaping, and corner bulb outs to reduce crossing distances for pedestrians. The project was funded by a $1.845 million grant from the San Francisco County Transportation Authority with an additional $640,000 funded by UC Hastings. The project was part of the city's Vision Zero campaign, which aims to eliminate traffic-related fatalities. The project was completed in 2015.

- **Recognition of Unfunded Liability for Pension Costs**

  The financial statements for 2015 reflects implementation of GASB Statement No. 68 and 71, Accounting and Financial Reporting for Pensions. College employees are participants in the University of California Retirement System ("UCRS"). With changes resulting from the new reporting standards, a net pension liability of $24,207,000 has been recognized as a noncurrent liability. Further affecting the statements, in 2010, the Regents of the University of California authorized an internal borrowing of $2.1 billion to fully fund the retirement system's Annual Required Contribution for that fiscal year. Through subsequent actions, further internal borrowings were authorized. With the implementation of GASB 68, the College now records its proportional share of this borrowing with the inclusion of $6,711,071 as a noncurrent liability. Notwithstanding the negative impacts on the financial statements, the College closed the year with a positive unrestricted net position of $12,946,572.

Financial Position

The narrative detailing UC Hastings' financial position combines figures for the College and the Foundation, unless otherwise indicated.

The statement of net position presents the financial position of the College and the Foundation at the end of 2015 and 2014. The purpose of the statement of net position is to present to the reader a fiscal snapshot of UC Hastings. From the data presented, readers of the statement of net position are able to determine the assets available to support the operations of the College.

They are also able to determine its liabilities in terms of how much the College owes vendors, investors and lending institutions. Finally, the statement of net position provides an overview of net position (assets, deferred outflows of resources minus liabilities, deferred inflows of resources) and their availability for expenditure.

The net position section is classified into three major categories. The first category, Net Investment in Capital Assets, presents the College's equity in property, plant and equipment. The next asset category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Assets which are those net assets available for any lawful purpose to support the College.

Detailed statements of net position are included with the financial statements. A condensed version is shown below:

Condensed Statement of Net Position – 2015, 2014, and 2013 (in thousands)

	College	Foundation	2015 Total	2014 Total	2013 Total
ASSETS:					
Current Assets	$ 18,685	$ 80	$ 18,765	$ 17,592	$ 16,987
Noncurrent Assets	184,997	554	185,551	184,810	176,139
Total assets	203,682	634	204,316	202,402	193,126
Deferred outflows of resources	11,603		11,603	8,127	11,873
Total assets and deferred outflows of resources	$ 215,285	$ 634	$ 215,919	$ 210,529	$ 204,999
LIABILITIES:					
Current Liabilities	$ 8,635		$ 8,635	$ 8,456	$ 8,085
Noncurrent Liabilities	60,783		60,783	55,236	66,111
Total liabilities	$ 69,418	$ -	$ 69,418	$ 63,692	$ 74,196
Deferred inflows of resources	$ 14,231		$ 14,231	$ 18,342	$ 11,225
TOTAL NET POSITION:					
Net Investment in Capital Assets	$ 68,763		$ 68,763	$ 70,234	$ 71,944
Restricted:					
Nonexpendable	21,946	$ 179	22,125	21,044	19,638
Expendable	27,980	301	28,281	28,043	23,950
Unrestricted	12,947	154	13,101	9,173	4,046
Total net position	$ 131,636	$ 634	$ 132,270	$ 128,495	$ 119,578
Total liabilities, deferred Inflows of resources and net position	$ 215,285	$ 634	$ 215,919	$ 210,529	$ 204,099

Assets

For 2015, for the College and the Foundation, current assets increased by $1.2 million (6.8%), from $17.6 million to $18.8 million reflecting positive operating results in core educational functions and auxiliary enterprises. Cash and cash equivalents held primarily in the Short Term Investment Pool (STIP) declined by $1.6 million (12.5%) which was a function of cash advanced to support the McAllister Streetscape improvement project made in advance of grant funded cost reimbursements from the City and County of San Francisco. Restricted cash and cash equivalents increased by $1.6 million (197%). Accounts receivable increased by $1.2 million primarily due to cost reimbursements pending from the McAllister Streetscape improvement project partially funded from a $1.845 million grant from the San Francisco County Transportation Authority.

For 2014, current assets increased by $605,000 (3.6%), from $17 million to $17.6 million. Cash and cash equivalents held in the Short Term Investment Pool (STIP) grew by $2 million. Restricted cash and cash equivalents declined by $1.1 million (-59%) due to efforts to maximize the amount awarded for the Federal Perkins Loan Fund. Net accounts receivable decreased by $314,000 (-11%) with the write-off of a receivable related to the condenser water pipe arbitration.

For 2015, noncurrent assets increased by $741,000 (0.4%) due to favorable investment returns of investments managed by the University of California, Office of the Treasurer, the impact of which were muted by standard depreciation allowances, disposal of library books, and reduction in Perkins Loans receivable.

For 2014, noncurrent assets increased by $8.7 million (4.9%). In large measure, growth due to very strong investment gains arising from the strong performance. Also of note was the write-off of $428,000 of pre-paid expenses and other assets related to the Series 2008 bonds to comply with GASB 65.

The College invests with the University of California, Office of the Treasurer.

- The General Endowment Pool (GEP) experienced total returns of 7.41 percent in 2015. Total returns of 17.06 percent was attained in 2014.

- The Short Term Investment Pool (STIP) experienced total returns of 1.41 percent in 2015. Total returns of 1.61 percent was attained in 2014.

- Total market value of all funds invested in GEP increased to $72.4 million as of June 30, 2015 from $68.3 million as of June 30, 2014.

Total assets grew to $204.3 million in 2015, an increase of $1.9 million (7.2%). For 2014, total assets increased by $9 million (5%).

Liabilities

For 2015, current liabilities totaled $8.6 million, an increase of $179,000 due to prepayment of McAllister Tower rents and the receipt in 2015 for grant funded expenses to be incurred in 2016 by the Center for WorkLife Law offset by reductions in summer session deferred revenues. In 2014, current liabilities totaled $8.5 million, an increase of $371,000 due to an increase in deferred revenue from summer session programs and the receipt in 2014 for grant funded expenses to be incurred in 2015 for the Liberty and National Security Clinic.

For 2015, noncurrent liabilities reflect the impact of GASB 68 and 71 including $24.2 million in net pension liability and $6.7 million in pension payable to the University of California. The impact of net pension liability was retroactively reflected in 2014 and 2013 in this report. The Series 2008 bond payable decreased by $627,000 in 2015 due to scheduled debt service. In 2014, total noncurrent liabilities decreased by $10.9 million (-16.4%) primarily due to scheduled debt service of the Series 2008 bonds.

On an overall basis, total liabilities increased by $5.8 million (12.3%) from $63.7 million in 2014 to $69.4 million in 2015. In 2014, total liabilities decreased by $10.5 million (-14%).

Deferred Outflows and Inflows of Resources

Deferred Outflows and Inflows of Resources are reflected below for the ending fiscal year periods.

	2015	2014	2013
Deferred outflows of resources	$ 11,603,000	$ 8,127,000	$ 11,873,000
Deferred inflows of resources	$ 14,231,000	$ 18,342,000	$ 11,225,000

These amounts reflect the acquisition (outflows) or consumption (inflows) of net assets to support employer pension benefits in the current accounting period but applicable to a future period. Specifically, these amounts are related to the College's share of pension benefits, the calculation of which is guided by GASB Statements 68, Accounting and Financial Reporting for Pensions, and 71, Pension Transition for Contributions made subsequent to the measurement date, An Amendment of GASB Statement No. 68. These amounts fluctuate as actuarial data, such as mortality tables, salary increases, cost of living adjustments, length of service, inflation, investment rates and other assumptions change from year to year. For example, if employees are living longer than expected, the total pension liability increases. With no change to the total pension assets, deferred outflows of resources would increase. The source of these figures are provided for by Segal Consulting report dated October 07, 2015, as commissioned by the University of California Controller's Office.

Net Position

For 2015, nonexpendable restricted net assets – the corpus of endowed funds – increased by $1.1 million (5.2%) to $22.1 million due to fundraising that increased the endowment. In 2014, nonexpendable restricted net assets increased to $21 million, a change of $1.4 million (7.2%).

For 2015, expendable restricted net assets increased by $238,000 to $28.3 million. This was from increased gifts to scholarships and research offset by spend down of capital project funds for the McAllister Street Campus Streetscape Project and Parking Garage tenant improvements. Favorable investment returns also had a positive effect. For 2014, expendable restricted net assets increased to $28 million, the growth a function of grants from the San Francisco County Transportation Authority for the McAllister Street Campus Streetscape Project and $1 million for new expendable scholarship funds (e.g., Olivier Fund and the Faculty Excellence Fund at $250,000 each) along with favorable investment returns allocated to participating accounts.

A key measure of financial status is an entity's unrestricted net position. Unrestricted net position is defined as a group of items with commercial or exchange value that have no external restrictions regarding their use or function. Unrestricted net position are assets that can be utilized for any decided-upon purpose. This is in contrast to restricted net assets that are assigned to specific purposes. For 2015 the College's unrestricted net position increased by $3.9 million (42.4%) which included the financial statement impact of implementation of GASB Statement No. 68. While the inclusion of these financial obligations negatively impacts unrestricted net position, the College (with the Foundation) closed 2015 with $13.1 million. Of this amount $7.5 million represents quasi-endowment funds supporting scholarships and professorships.

The College's (with the Foundation) unrestricted net position for 2014 (adjusted for GASB 68 and 71) was $9.2 million. Of this amount, $7.1 million represented funds designated for specific purpose by the board of directors. These funds are quasi-endowments supporting scholarships and professorships. Investment gain is the primary driver as well as growth in net income from auxiliary enterprises (the defeasance of the Series 2003 debt, student housing rent increases and growth in parking/retail revenues all being contributory factors).

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position presents UC Hastings' operating results, as well as the non-operating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public institution's dependency on revenues such as state appropriations, gifts and investment income, which are prescribed by GASB as non-operating revenues, operating expenses will always exceed operating revenues resulting in an operating loss. Net non-operating revenues or expenses are an integral component in determining the increase or decrease in net position.

For 2015, the College (with the Foundation) benefited from strong investment returns on funds managed by the University of California; the General Endowment Pool (GEP) experienced total returns of 7.04 percent and investment gains of $4.4 million are reflected. Increased state appropriations and grant revenues, in concert with containment of staff salary expense, also were contributing factors to the favorable overall outcome. In 2014, strong investment returns were also a positive factor; the General Endowment Pool (GEP) experienced total returns of 15.04 percent resulting in realized and unrealized investment gains of $9.6 million.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2015, 2014 and 2013 (in thousands)

	Operating		Non-operating		2015	2014	2013
	College	Foundation	College	Foundation	Total	Total	Total
REVENUES:							
Tuition and Fees, net of grants & scholarships ($11.6 million)	$31,209				$31,209	$ 33,328	$ 34,697
State Appropriations			$9,741		9,741	8,505	8,027
Grants and Contracts	2,399				2,399	1,141	816
Auxiliary Enterprises	7,758				7,758	7,314	7,737
Private Gifts		$3,850	2,566		6,416	7,054	5,437
Block Grant – Allocation from Foundation			956		956	1,049	1,049
Investment Income			830	$ 8	838	1,048	930
Realized/Unrealized Gain (Loss) on Investments			4,369	27	4,396	9,660	6,224
Other Revenues	964	2			966	918	532
Loan Interest, net of expense	350				350	270	219
Total revenues	42,680	3,852	18,462	35	65,029	70,287	65,668
EXPENSES:							
Salaries and Benefits	35,938				35,938	34,790	37,279
Auxiliary Enterprises	5,168				5,168	5,123	5,823
Utilities	971				971	932	853
Supplies and Services	11,216	5			11,221	10,726	9,326
Depreciation	2,194				2,194	2,140	2,304
Scholarships and Fellowships	551				551	851	708
Grants to UC Hastings		4,035			4,035	3,946	2,383
Interest on Debt			986		986	1,432	1,652
Events		13			13	132	17
Other	2,524	53			2,577	2,405	2,521
Total expenses	58,562	4,106	986	-	63,654	62,477	62,866
Income (Loss)	$(15,882)	$ (254)	$ 17,476	$ 35	$1,375	7,810	$ 2,802

OTHER CHANGES IN NET POSITION:			
Capital Grants and Gifts		$ 92	$ 100
Changes in allocation for pension payable to University of California	$ 1,028	(374)	478
Other Changes in Endowments	1,372	1,386	1,203
Total other changes in net position	2,400	1,104	1,781
Increase in Net Position	$ 3,775	$ 8,914	$ 4,583

Revenues

The College's instructional program is primarily supported by a combination of net tuition and fees and state appropriations; for 2015, these revenues represented 68% of total operating and nonoperating revenues (excluding realized and unrealized gain on investments).

For 2015, net tuition and fee declined by $2.1 million (-6.4%) as was expected given the planned third tranche of the Class Size Reduction Program. Of this amount, $1.2 million was offset by growth in state appropriations, from $8.5 to $9.7 million (14.5%). On an overall basis, total operating revenues declined by $644,000 (or -1.4%).

In 2014, the negative impact of implementation of class size reduction on net tuition revenue was partially offset by growth in state funding ($478,000, or 6%). The dual effect of stable student fees and reduced enrollment on net student fee revenue was a reduction of $1.4 million, or -4% on prior year fee revenue of $34.7 million. In sum, tuition, fees and state appropriations were $41.8 million, representing a -$891,000 (or -2%) decrease from 2013.

In 2015, some slippage occurred in the College's fundraising program from 2014. Private gifts received by the College totaled $3.5 million (including transfers from the UC Hastings Foundation of restricted current use gifts and unrestricted funds in the form of block grants). The comparable figure for 2014 was $4 million. Gifts of endowments totaled $925,000 in 2015, including $500,000 for the Eucalyptus Fund Endowed Chair and $314,200 added to the Class of 1964 Scholarship. For 2014 in endowed gifts of $447,125 three major gifts are reflected: Willie Brown Scholarship Fund of $100,000; J. Keller Judicial Externship of $125,000 and Keith Park Scholarship of $104,000.

Revenue associated with sales and services of auxiliary enterprises increased by $444,000 (6.1%). Favorable investment performance from the General Endowment Pool (total returns of 7.41%) resulted in realized and unrealized gains of $4.4 million in 2015 ($9.7 million in 2014).

For 2015, total operating revenues were $56.3 million (with $9.7 million in state appropriations classified by GASB as nonoperating revenues but included in this computation given their importance to the College). In 2014, the comparable figure was $55.7 million. The reduction in student fee revenue was mitigated by growth in state appropriations, grants and contracts, and auxiliary enterprises. Excluding realized and unrealized gains on investments, total revenues in 2015 were $500,000 less than 2014 and $1,189,000 more than 2013.

Total revenues remain relatively consistent with planned reductions in student fee revenue effectively offset by increases in other revenue sources.

Expenses

In 2015, for the College, total operating expense increased to $58.6 million from $56.9 million, an increase of $1.7 million, or 2.9%. Collective bargaining agreements with represented staff and compensation adjustments for faculty and other nonrepresented staff were the primary drivers. Net faculty salaries increased by $205,000 (1.6%) and staff compensation by $755,000 (5.5%) although these costs increases were moderated by virtue of retirements and included $270,000 in one-time bonus payments. Expenditures in the supplies and services category increased by $495,000 (4.6%) in 2015 compared to 2014. The McAllister Streetscape project's 2015 expenditures were $2 million compared to $246,000 in 2014. In 2014 there were costs that were nonrecurring in 2015 including contracts with visiting faculty filling faculty lines for expenditure $353,000 more than 2015, $255,000 in equipment and $203,000 for McAllister Tower condenser water pipe repairs.

For 2014, total operating expense increased to $56.9 million from $55 million, an increase of $1.9 million, or 3.5%. While the College has been successful at controlling salary cost, the burden of rationalizing funding to assure for the future viability of the retirement program remains challenging. Salary cost grew by $192,000, or 0.7%. Retirement and health benefit costs, increased by $1 million, or 14.2%, due to an increment of 2% in employer contributions to the University of California Retirement Program (UCRP).

As shown in the 2015 Condensed Statement of Revenues, Expenses and Changes in Net Position the College closed the fiscal year with net income of $1.4 million (before $2.4 million in other changes in net position for a total increase in net assets of $3.8 million).

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

	College (In thousands)			Foundation (In thousands)		
	2015	2014	2013	2015	2014	2013
Cash Provided (Used) By:						
Operating activities	$ (12,075)	$(10,194)	$ (6,118)	$ (154)	$ (50)	$ (370)
Non capital financing activities	14,192	11,762	13,101			
Capital and related financing activities	(3,152)	(2,136)	(11,495)			
Investing activities	1,118	1,335	1,830	30	23	29
Net increase (decrease) in cash	83	768	(2,682)	(124)	(27)	(341)
Cash - Beginning of Year	13,445	12,677	15,359	109	136	477
Cash - End of Year	$ 13,528	$ 13,445	$ 12,677	$ (15)	$ 109	$ 136

As required under GASB reporting standards, negative cash flow for 'operating activities' is due to the classification of revenue from state general support appropriations as a 'noncapital financing activity' and investment income as an 'investing activity.'

On an overall basis, 2015 saw positive cash flow of $83,000.

2014 saw positive cash flow of $768,000. Growing negative cash flow from operating activities tracks with the decline in net student fee revenue as the College continues its Class Size Reduction Program. Changes in 2013 were primarily due to the defeasance of the Series 2003 bonds the impact of which is shown in the capital and related financing activities category.

Looking Forward

The path forward for the College is marked both by major opportunities to enhance the school's competitive position through physical plant and student attraction and retention initiatives and the constraints imposed by what continues to be a daunting marketplace for legal education. While hopeful that the national decline in the number of applicants abates and begins an upward trajectory, the need to grow revenues and control costs will not change in the foreseeable future.

Following are major developments that will affect the near term future of the institution.

Long Range Campus Plan

The College has undertaken a systematic review of its long range capital needs. As a campus located in a densely populated urban environment, UC Hastings is effectively landlocked. Given the challenges of land acquisition and costly new construction, UC Hastings seeks to maximize the utilization of its existing properties and real estate assets by emphasizing their periodic renewal and upgrade.

The California Budget Act of 2015 appropriated $36.8 million of Lease Revenue Bond financing to construct a new academic building at 333 Golden Gate Avenue to replace that portion of Snodgrass Hall (198 McAllister) that was constructed in 1953. The project will develop a new academic facility of approximately 57,000 gross square feet on a vacant surface lot owned and controlled by UC Hastings. The new building would replace Hastings' existing primary academic facility which encompasses approximately 76,000 gross square feet.

In future years, the Governor's Five Year Infrastructure Plan proposes to allocate an additional $6.8 million to modernize the 1970-era annex housing four classrooms, a reading room, moot courtroom, and a large multi-purpose hall.

The Governor's support will allow the College's long range campus plan to proceed. The latter phases of plan contemplates the development of additional student housing potentially in collaboration with University of California, San Francisco (UCSF) as well as other campus enhancements.

Student Fees and Tuition Discounting

Student fees have remained substantially unchanged for the past four years. While total student fees have increased slightly, these increases are driven by student health center charges and insurance premiums. California resident student fees are shown below; nonresidents pay a $6,000 surcharge.

o 2012-13	$ 46,806
o 2013-14	$ 47,634
o 2014-15	$ 48,335
o 2015-16	$ 48,638

UC Hastings is committed to limiting future fee increases. In this context, continued growth in state support, an increased reliance on private support from alumni and the philanthropic community, and operating cost containment have become key strategic management objectives. UC Hastings fees remain below, albeit slightly, those charged by other California public law schools.

UC Hastings, like most law schools, has increased financial aid allocations for students at the College's in an effort to protect LSAT/GPA medians in a period of applicant decline. While tuition discounting benefits students by reducing aggregate student debt, it does so in tension with the economic well-being of the law school.

For the prior three years, the overall tuition discount rate has averaged 29%. For the class entering in fall 2015, the discount rate was increased to 45% as a recruitment tool that in conjunction with other marketing strategies achieved a modest increase in the median LSAT scope, an increase from 158 to 159. While the discount rate will decrease at some point going forward, no final decision has been made for the rate to be applied for the entering class in fall 2016.

Conclusion

Concerns over the future of legal education are not without merit and over the past several years – as the extent of the decline in demand for legal education have become clearly evident - management has planned for this contingency and budgeted accordingly. UC Hastings is well positioned to navigate the strong headwinds confronting legal education so as to continue the institution's tradition of excellence well into the future.

University of California Hastings College of the Law

Statements of Net Position

June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Assets				
Current Assets:				
Cash and cash equivalents (Note 3)	$ 11,179,591	$ (14,508)	$ 12,653,699	$ 108,724
Restricted cash and cash equivalents (Notes 2 and 3)	2,348,256		791,479	
Accounts receivable, net	3,732,148		2,503,344	
Current portion of notes receivable (Note 5)	1,341,976		1,183,009	
Pledges receivable, net		29,950		272,000
Prepaid expenses and other assets	82,834	64,872	80,158	
Total current assets	18,684,805	80,314	17,211,689	380,724
Noncurrent Assets:				
Endowment investments (Notes 4 and 9)	29,057,345	439,439	27,980,908	423,308
Other long-term investments (Note 4)	42,888,610	3,172	39,917,888	14,628
Notes receivable, net (Note 5)	13,812,940		15,351,241	
Pledges receivable, net		111,500		35,766
Assets held by others (Note 6)	8,729,909		8,505,518	
Capital assets, net (Note 7)	90,508,045		92,580,364	
Total noncurrent assets	184,996,849	554,111	184,335,919	473,702
Total assets	$ 203,681,654	$ 634,425	$ 201,547,608	$ 854,426
Deferred Outflows of Resources (Notes 10 and 11)	$ 11,603,000		$ 8,127,000	
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	5,640,772		5,681,727	
Accrued vacation	721,376		740,331	
Deposits	435,360		304,261	
Unearned revenues	1,217,156		1,134,507	
Current portion of long term debt (Note 8)	620,000		595,000	
Total current liabilities	8,634,664		8,455,826	
Noncurrent Liabilities:				
Bonds payable, net (Note 8)	21,125,219		21,751,862	
Accrued vacation	433,980		534,133	
Revolving fund advance from the State	811,900		811,900	
Federal contributions to Perkins loan fund	7,493,924		7,493,924	
Pension liability, net (Notes 10 and 11)	24,207,000		18,664,000	
Payable to University of California (Notes 10 and 11)	6,711,071		5,980,235	
Total noncurrent liabilities	60,783,094		55,236,054	
Total liabilities	$ 69,417,758		$ 63,691,880	
Deferred Inflows of Resources (Notes 10 and 11)	$ 14,231,000		$ 18,342,000	

See accompanying notes to financial statements.

University of California Hastings College of the Law

Statements of Net Position

June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Net Position				
Net investment in capital assets	68,762,826		70,233,502	
Restricted for				
Nonexpendable:				
Scholarships and fellowships	15,217,934		14,647,833	
Instruction and research	6,477,782		5,967,636	
Institutional support	250,000	$ 178,755	250,000	$ 178,755
Sub-total restricted, nonexpendable	21,945,716	178,755	20,865,469	178,755
Expendable:				
Student services	152,994		148,585	
Instruction and research	7,206,117		7,088,916	
Public and professional services	129,596		182,219	
Institutional support	204,258	301,222	217,932	529,462
Capital projects	214,159		766,462	
Scholarships and fellowships	11,392,867		10,726,162	
Perkins loan funds	8,562,901		8,266,301	
Other	117,890		118,224	
Sub-total restricted, expendable	27,980,782	301,222	27,514,801	529,462
Unrestricted	12,946,572	154,448	9,026,956	146,209
Total net position	$ 131,635,896	$ 634,425	$ 127,640,728	$ 854,426

See accompanying notes to financial statements.

University of California Hastings College of the Law

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Tuition and fees	$ 42,799,942		$ 46,934,614	
Less: Hastings' grants	(10,335,966)		(12,571,257)	
Less: Tuition and fee scholarships	(1,254,514)		(1,035,550)	
Tuition and fees, net	31,209,462		33,327,807	
Contributions, capital campaign		$ 3,849,870		$ 4,203,950
Government grants and contracts	1,927,966		655,353	
Private grants and contracts	470,816		486,307	
Sales and services of auxiliary enterprises	7,758,107		7,314,372	
Other operating revenues	964,314	1,700	912,026	6,134
Loan interest, net of expenses	52,783		49,344	
Federal Perkins loan interest	296,600		220,645	
Total operating revenues	42,680,048	3,851,570	42,965,854	4,210,084
Expenses:				
Operating expenses:				
Salaries and wages:				
Faculty	13,075,095		12,869,576	
Non-Faculty	14,555,099		13,800,433	
Benefits Non-Pension	4,928,416		4,964,599	
Pension Benefits	3,379,979		3,154,755	
Scholarships and fellowships	550,980		850,649	
Auxiliary enterprises, including depreciation expense of $977,913 ($887,914 in 2014)	5,168,483		5,122,969	
Utilities	971,088		932,206	
Supplies and services	11,215,633	5,400	10,720,183	6,242
Depreciation, excluding auxiliary enterprise portion	2,193,912		2,139,681	
Events		13,438		132,486
Grants		3,078,789		2,897,139
Block grant - allocation to the College		956,000		1,049,000
Other	2,523,703	52,816	2,334,738	70,000
Total operating expenses	58,562,388	4,106,443	56,889,789	4,154,867
Operating income (loss)	(15,882,340)	(254,873)	(13,923,935)	55,217
Nonoperating Revenues (Expenses):				
State operating appropriations	9,741,315		8,505,122	
Gifts, capital campaign	1,879,930		2,417,857	
Gifts, noncapital	686,325		431,605	
Investment income	829,770	7,624	1,036,081	12,559
Realized and unrealized net gains on investments	4,369,323	27,248	9,599,733	61,496
Interest on debt	(985,523)		(1,431,992)	
Block grant - allocation from the Foundation	956,000		1,049,000	
Net nonoperating revenues	17,477,140	34,872	21,607,406	74,055
Income (loss) before other changes in net position	1,594,800	(220,001)	7,683,471	129,272
Other Changes in Net Position:				
Capital grants and gifts			92,389	
Endowed gifts, capital campaign	925,443		447,125	
Other changes to endowments	447,363		939,187	
Changes in allocation for pension payable to University of California	1,027,562		(374,203)	
Total other changes in net position	2,400,368	-	1,104,498	-
Increase (Decrease) in Net Position	3,995,168	(220,001)	8,787,969	129,272
Net Position, beginning of year as previously reported	127,640,728	854,426	153,260,791	725,154
Cumulative effect of accounting and reporting entity changes (Note 10)			(34,408,032)	
Net Position, beginning of year as adjusted	127,640,728	854,426	118,852,759	725,154
Net Position, end of year	$ 131,635,896	$ 634,425	$ 127,640,728	$ 854,426

See accompanying notes to financial statements.

University of California Hastings College of the Law

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Cash Flows from Operating Activities:				
Tuition and fees (net of all scholarships and grants)	$ 30,748,482		$ 32,567,159	
Contributions		$ 3,965,070		$ 4,013,656
Grants and contracts	2,398,782		1,141,660	
Events		(13,438)		(132,857)
Payments to vendors	(14,346,045)	(70,272)	(13,711,259)	14,853
Salaries and benefits	(36,224,195)		(34,712,362)	
Loans issued to students	(3,269,099)		(4,962,705)	
Collections of student loans	4,648,434		3,654,772	
Foundation awards		(4,034,790)		(3,946,139)
Sales - Auxiliary enterprises	7,758,107		7,314,372	
Expenses - Auxiliary enterprises	(4,186,168)		(4,235,056)	
Loan interest income net of expenses	349,383		269,989	
Other receipts (payments)	47,298		2,479,304	
Net cash used by operations	(12,075,021)	(153,430)	(10,194,126)	(50,487)
Cash Flows from Noncapital Financing Activities:				
State appropriations	9,610,898		8,464,789	
Gifts for endowment	1,141,490		448,225	
Other gifts	3,439,180		2,849,462	
Net cash provided by noncapital financing activities	14,191,568	-	11,762,476	-
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	(1,558,063)		(542,629)	
Amortization of bond(premium)/discount	(6,643)		(12,907)	
Principal paid on long term debt	(595,000)		(570,000)	
Interest paid on long, term debt	(991,845)		(1,009,805)	
Net cash used by capital and related financing activities	(3,151,551)	-	(2,135,341)	-
Cash Flows from Investing Activities:				
Proceeds from sale of investments	981,538		913,795	
Interest on investments	136,135	30,198	1,335,195	23,196
Purchase of investments			(913,795)	
Net cash provided by investing activities	1,117,673	30,198	1,335,195	23,196
Net Increase (Decrease) in Cash and Cash Equivalents	82,669	(123,232)	768,204	(27,291)
Cash and Cash Equivalents, beginning of year	13,445,178	108,724	12,676,974	136,015
Cash and Cash Equivalents, end of year	$ 13,527,847	$ (14,508)	$ 13,445,178	$ 108,724

See accompanying notes to financial statements.

University of California Hastings College of the Law

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (15,882,340)	$ (254,873)	$ (13,846,935)	$ 55,217
Depreciation and amortization	3,171,825		3,027,595	
Allowance for doubtful accounts	32,376		383,371	
Loss on disposal of capital assets	492,817		21,067	
Noncash scholarship expense	90,000		90,000	
Non-cash: pension expense	(285,602)			
Changes in operating assets and liabilities:				
Accounts receivable, net	(1,130,763)		986,349	
Notes receivable	1,379,335		(1,307,933)	
Pledges receivable		166,316		(126,429)
Accounts payable	(34,632)		121,519	(370)
Deposits	131,099		(62,867)	
Unearned revenue	82,649		260,426	
Prepaid expenses and other assets	(2,676)	(64,873)	(30,099)	21,095
Accrued vacation	(119,109)		163,381	
Net cash used by operations	$ (12,075,021)	$ (153,430)	$ (10,194,126)	$ (50,487)
Noncash Transactions:				
Scholarships from assets held by others	$ 90,000		$ 90,000	
Gifts in kind			$ 92,389	
Components of Cash and Cash Equivalents:				
Current, cash and cash equivalents	11,179,591	$ (14,508)	12,653,699	$ 108,724
Current, restricted cash and cash equivalents	2,348,256		791,479	
Total Cash and Cash Equivalents, end of year	$ 13,527,847	$ (14,508)	$ 13,445,178	$ 108,724

See accompanying notes to financial statements.

University of California Hastings College of the Law

Notes to Financial Statements

Note 1 - Organization:

University of California, Hastings College of the Law (the "College" or "Hastings") was established as the law department of the University of California in 1878. The College, established by the California Legislature with its own Board of Directors, has operated independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under control of the College's Board of Directors. The College is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The College is also accredited by the Western Association of Schools and Colleges (WASC).

The UC Hastings Foundation (the Foundation), formerly known as the 1066 Foundation, was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities exclusively at Hastings.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of the College and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 62, the College and the Foundation have incorporated certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure (collectively, referred to as the “FASB and AICPA pronouncements”), which were issued on or before November 30, 1989, and which do not conflict or contradict GASB pronouncements.

The College and the Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the College’s and Foundation’s normal business operations, to be liquidated within twelve months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be non-current; with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources.

The College and the Foundation follows GASB 63 and 65 which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component* Units and is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which clarifies the concept of what a major component unit is. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government. The GASB's require the College's legally separate, tax-exempt, affiliated campus foundation to be considered a component unit of the College and presented discreetly in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and pooled cash invested in the University of California Office of the Treasurer's Short Term Investment Pool ("STIP"), since such amounts are readily convertible to known amounts of cash. All cash and cash equivalents are carried at cost, which approximates market value.

c. Legally Restricted Cash Balances

The College holds legally restricted cash balances totaling $2,348,256 and $791,479 at June 30, 2015 and 2014, respectively. Restricted cash of $2,332,803 and $774,901 for 2015 and 2014, respectively, relates to the Federal Perkins student loan program. The remaining funds of $15,453 and $16,578 at June 30, 2015 and 2014, respectively, relate to institutional loan funds. These balances are recorded in restricted cash and cash equivalents.

d. Accounts Receivable, net

Accounts receivable are $3,732,148 and $2,503,344 as of June 30, 2015 and 2014, respectively. Of these amounts, $1,546,575 and $1,416,158 are due from the State of California for current year general appropriations. Additionally, as of June 30, 2015 the balance included other receivables of $2,185,573, of which $1,550,164 is due from the San Francisco County Transportation Authority for the McAllister streetscape project. As of June 30, 2014, the remaining balance of accounts receivable consisted of other receivables of $1,087,186.

e. Investments

The College's shares in the University of California Office of the Treasurer Investment pools reflect the fair value of the underlying investments of the pools. The fair values of the underlying investments of the pools are valued based on quoted market prices or appraisals and independent evaluations for partnerships. Investment income, realized and unrealized gains and losses are reflected in the restricted expendable and unrestricted net position respective to the source of invested funds.

f. Prepaid Expenses

Prepaid expenses primarily consist of deposits to secure space for future events.

g. Pledges

Pledges of private gifts to the Foundation to be received in the future are recorded as pledges receivable and revenue in the year promised. Endowment pledges are treated in accordance with GASB 33 and are recognized as revenue once the proceeds are received.

The allowance for uncollectible pledges is calculated based on ten percent of all pledge balance in which scheduled pledge payments are past due for twelve months. Management's estimation of the uncollectible pledge amount is based on past collection experience, current conditions and specific identification of accounts with known uncertainty.

h. Capital Assets

Land and improvements, buildings and improvements, equipment, and libraries and collections of works of art are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $10,000; equipment and furniture are capitalized if the cost exceeds $5,000 and they have a useful life of more than one year. Minor renovations are charged to operations, as incurred.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets.

Estimated economic lives are generally as follows:

Land improvements	20 years
Buildings	50 - 75 years
Building improvements	30 years
Furniture and Equipment	5 - 15 years
Computer software	10 years
Library books and materials	15 years

Inexhaustible capital assets such as land, special collections that are protected, preserved and held for public exhibition, education or research, and intangible assets of indefinite life, are not depreciated.

i. Deposits

Deposits include amounts received in advance of being earned for the following: rental of various College facilities, non-student library usage, and payments from employers who have hired students with federal work-study grants. Deposits on work-study wages and the library are fully refundable. Deposits are recognized as revenue when earned.

j. Unearned Revenues

Unearned revenues primarily represent non-refundable enrollment deposits and deposits related to the on-campus interview program along with revenue invoiced for the new Summer Session program. Unearned revenues are recognized when earned, generally in the following fiscal year.

k. Revolving Fund Advance from the State of California

The revolving fund advance from the State is an advance on the College's general appropriation from the State of California. It is expected that the revolving fund advance will be renewed annually; hence, the entire amount has been classified as a noncurrent liability.

l. Federal Contributions to the Perkins Loan Fund

The noncurrent liability of the federal contributions to the Perkins loan funds consists of the federal capital contribution net of the principal and interest assigned to the Department of Education and the administrative cost allowance. All other activity associated with the Federal Perkins loan program such as loan repayments and cancellations due to death, disability, and law enforcement service, is reflected in Restricted, Expendable Net Position, and Perkins loan funds. A net position balance represents capital has not yet been issued as loans to students.

m. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows and deferred inflows of resources represent changes in net pension liability not included in pension expense, including proportionate shares of collective pension expense from the University of California Retirement Plan in which the College participates in.

n. Net Position

The College's 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 the College's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to unspent proceeds is excluded from the calculation, in accordance with GASB 34.

Restricted:

The College and the Foundation classify assets resulting from transactions with purpose restrictions as restricted assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable

Assets subject to externally imposed restrictions that they be maintained in perpetuity by the College and the Foundation are classified as nonexpendable net position. Such assets include the College and the Foundation's permanent endowment funds.

Expendable

Assets whose use by the College and the Foundation are subject to externally-imposed restrictions by donors, grantors, creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation are classified as expendable net position.

Unrestricted

This category includes assets of the College and the Foundation that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by the Board of Directors.

o. Pension Liability, Net

The University of California Retirement Plan ("UCRP") provides retirement benefits to retired employees of the College. The College is required to contribute to UCRP at a rate set by The Regents. The pension liability includes the College's share of the net pension liability for UCRP. The College's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the plan. For purposes of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

p. Payable to University of California

The payable to University of California (supplemental pension assessments) represent the College's allocated share of additional deposits in UCRP made using resources from the University of California (the University) to make up the gap between the approved contribution rate and the required contributions based on the funding policy. These deposits, carried as internal loans by the University, are being repaid by the College, plus accrued interest, over a thirty-year period through a supplemental pension assessment. The College's share of these internal loans has been determined based upon its proportionate share of covered compensation for the fiscal year. Changes to these supplemental pension assessments are reported as other changes in Net Position by the College. Additional deposits in UCRP by the University, and changes in the College's share of the internal loans, are reported as other changes in net assets.

q. Revenues and Expenses

Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from education activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the College and the Foundation are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the College and the Foundation are mandated to be recorded as nonoperating revenues, including state general appropriations, private gifts and investment income. Nonoperating revenues and expenses include State general appropriations (for the support of College operating expenses); private gifts for other than capital purposes, investment income, realized and net unrealized gains or losses on investments and interest expense. All grants expended by the Foundation are reflected by the College as either noncapital or capital gifts, or gifts for endowment.

Other changes in net assets include State capital appropriations, gifts for capital funds for specified purposes and gifts of endowments.

r. Student Tuition and Fees

All of the student tuition and fees provide for current operations of the College. Certain waivers of the student tuition and fees considered to be scholarship and financial aid grant allowances (i.e. tuition remission) are recorded as an offset to revenue. Tuition and fee revenue is recognized in the fall, spring and summer semesters of each year.

s. Scholarship Allowances

The College recognizes certain financial aid allowances (e.g., UC Hastings grants) and enrollment fee waivers as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid and scholarships made directly to students from private gifts, donations and endowment income are classified as scholarship and fellowship expenses.

t. State Appropriations

The State of California provides appropriations to the College on an annual basis. State educational appropriations for the general support of the College are recognized as nonoperating revenue, however related expenses incurred to support either educational operations or other specific operating purposes are designated as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred.

u. Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

v. Reclassifications

Certain fiscal year 2014 amounts have been reclassified to conform to the fiscal year 2015 financial statement preparation. These reclassifications have no effect on previously reported changes in net position

w. New Accounting Pronouncements Adopted or Under Consideration

The GASB issued statement No. 68, *replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB 50*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The College has implemented this statement in the fiscal year ending June 30, 2015.

The GASB issued statement No. 71, *pension transition for contributions made subsequent to the measurement date – an amendment of GASB No. 68.* The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The College has implemented this statement in the fiscal year ending June 30, 2015.

The GASB issued statement No. 72, *Fair Value Measurement and Application (February 2015)*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement is applicable for June 30, 2016, and the College is currently assessing the impact of this statement.

The GASB issued statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The statement is applicable for June 30, 2017, and the College is currently assessing the impact of this statement.

The GASB issued statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement is applicable for June 30, 2017, and the College is currently assessing the impact of this statement.

The GASB issued statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The statement is applicable for June 30, 2018, and the College is currently assessing the impact of this statement.

Note 3 - Cash and Cash Equivalents:

Cash and cash equivalents at June 30, 2015 and 2014 consist of the following:

	2015		2014	
	College	Foundation	College	Foundation
Cash in banks and on hand	$ 8,613,081		$ 1,609,843	
Pooled cash included in STIP	4,914,766	$ (14,508)	11,835,335	$ 108,724
Total cash and cash equivalents	$ 13,527,847	$ (14,508)	$ 13,445,178	$ 108,724

The College and the Foundation follow the practice of pooling cash. The cash and cash equivalents pools allocate earnings based on the number of units held of the total on a monthly basis. The College and the Foundation utilize STIP, which is managed by the University of California Office of the Treasurer. STIP consists of money market and fixed income investments with a maximum maturity of five years. The objective of STIP is to maximize returns consistent with liquidity and cash flow needs. The College and the Foundation consider STIP to operate as a demand deposit.

At June 30, 2015 and 2014, respectively, the carrying amounts of the College's deposits were $8,613,081 and $1,609,843 and the bank balances were $8,692,049 and $1,823,959.

Of the bank balances for 2015, $500,000 was covered by federal depository insurance and $8,192,049 was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

Note 4 - Investments:

The College and Foundation follow the investment philosophy of the University of California and invest their excess cash and long-term investments with the University of California Office of the Treasurer ("Office of the Treasurer"). Accordingly, all investments held by the Office of the Treasurer are uninsured and unregistered and are not held in the College's or Foundation's name. The College invests in the General Endowment Pool ("GEP") managed by the Office of the Treasurer. GEP consists primarily of equity securities that comprise 43% of the pool, with the balance invested in fixed income securities, 11%, and alternative investments, 45%. The objective of GEP is to balance current income and capital appreciation objectives.

The College and the Foundation's share in the GEP's investments by type, at June 30, 2015 and 2014 are as follows:

	2015		2014	
	College	Foundation	College	Foundation
Public equity	$ 31,200,920	$ 191,948	$ 22,974,077	$ 148,179
Fixed income	8,143,853	50,101	6,959,361	44,887
Alternative investments	32,601,182	200,562	37,965,358	244,870
Total investments	$ 71,945,955	$ 442,611	$ 67,898,796	$ 437,936

Risk Profile of the Investments

Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U. S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed income portion of that pool. That fixed-income benchmark, the Citigroup Large Pension Fund Index (LPF) is comprised of approximately 30 percent high grade corporate bonds and 30 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 40 percent are government-issued bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be "A" or higher.

Interest Rate Risk

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

The Office of the Treasurer portfolio guidelines for the fixed and variable income portion of GEP limit weighted average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Citigroup Large Pension Fund). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2015 and 2014 were 5.45 and 5.41 months, respectively.

Foreign Currency Risk

The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-US equities and bonds. These equity investments are not hedged, therefore foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for fixed income securities also allow exposure to non-US dollar denominated bonds up to 10 percent of total the portfolio market value.

Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage. The portions of total investments of the College and the Foundation in the Office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2015 and 2014 were $17,021,418 and $13,155,117, respectively.

Note 5 - Notes Receivables:

Notes receivable of the College at June 30, 2015 and 2014 consists of the following:

	2015	2014
Federal Perkins and NDSL loans	$ 14,515,585	$ 15,774,380
O'Neill loans	892,732	1,059,194
Hastings loans	429,602	399,392
California Bar Preparation loans	188,356	172,643
Public Interest Career Assistance Program (PICAP) loans	1,775	1,775
Less: Allowance for doubtful accounts	(873,134)	(873,134)
	$ 15,154,916	$ 16,534,250

All loans, except PICAP and the California Bar Preparation loans, are payable over approximately 10 years following College attendance. Federal Perkins loans accrue interest at five percent. O'Neill loans made prior to July 1, 1996 are interest-free; and loans made July 1, 1996 or after accrue interest at five percent. Funding for the O'Neill Loan program is made by a private gift to the College. O'Neill loans are advanced to students who resided in Sacramento County. During 2015, the College transitioned the O'Neil loan fund to a scholarship fund. Therefore, there will be no new loans given out from this fund after this fiscal year. Hastings loans are also funded by private gifts to the College and accrue interest at five percent.

The PICAP loans are designed to aid and encourage the College students interested in working in public interest legal organizations or government agencies by assisting with repayment of qualifying, outstanding educational loans upon graduation. The PICAP loans accrue interest at five percent and are generally payable over five years. Through gifts received from members of the College's Board of Directors and Faculty, the California Bar Preparation loans are used to assist Hastings graduates with academic need with the costs of bar review courses and living expenses while preparing for the Bar Exam.

The allowance for doubtful accounts is based upon five percent of the outstanding balance of all loans. Management's estimation of the uncollectible notes receivable amount is based on past collection experience, current conditions and specific identification of accounts with known uncertainty.

Note 6 - Assets Held by Others:

Assets held by others represent the College's right to the perpetual income streams resulting from two irrevocable and perpetual trusts held by external trustees. The College's right to the income from these trusts is valued at the market value of the investments held by the trusts. One trust is administered by Deutsche Bank and the other by the Regents of the University of California ("UC"). Investment income of $90,000 for 2015 and 2014, respectively, was distributed by the external trustees to recipients of the Tony Patino Fellowship. The market value of the Tony Patino endowment was $3,371,766 and $3,312,767 as of June 30, 2015 and June 30, 2014, respectively. The market value of these assets is not reflected in the College's statement of net position.

In addition, UC holds seven endowments (not pursuant to irrevocable agreements) for which income is allocated to the College and recorded in the accompanying financial statements as other changes in net position, gifts and other changes to endowment. The endowment payout amount received from these endowments in fiscal 2015 and 2014 was $216,047 and $214,908, respectively. Income generated from three of these endowments has been designated by the donor to be distributed exclusively to Hastings' students. The market value of the three endowments held by UC is $5,171,687 and reflected in the College's statement of net position as "Assets Held by Others" as of June 30, 2015 and $4,999,370 as of June 30, 2014. For the remaining four, the income allocated to Hastings conforms to the donors' intent that endowment income be used for financial support of University of California law students. The market value of Hastings share of the remaining four endowments as of June 30, 2015 and 2014 is $846,133 and $817,835, respectively. These four endowments are not reflected on the College's statement of net position.

Assets held by others also includes $35,000 held as an interest account in Citizens Business Bank for workers' compensation payments at June 30, 2015 and June 30, 2014. In addition, assets held by others include the beneficial interest in a charitable remainder trust of $151,456 and $158,381, for June 30, 2015 and 2014, respectively.

Note 7 - Capital Assets:

The activities related to capital assets during fiscal 2015 for the College are summarized below:

	2014	Additions/ Transfers	Disposals/ Transfers	2015
Original Cost:				
Land and improvements	$ 5,088,532			$ 5,088,532
Buildings	84,402,917			84,402,917
Building Improvements	33,221,082	$ 558,643		33,779,725
Equipment, furniture and fixtures	6,319,026	66,830	$ (264,444)	6,121,412
Software	1,050,992			1,050,992
Library books	15,400,451	125,128	(3,826,163)	11,699,416
Works of art	421,309			421,309
Construction in progress	142,565	1,400,368	(558,643)	984,290
Capital assets at original cost	146,046,874	2,150,969	(4,649,250)	143,548,593
Accumulated Depreciation:				
Buildings	(22,856,348)	(1,332,141)		(24,188,489)
Building improvements	(12,648,104)	(1,158,936)		(13,807,040)
Equipment, furniture and fixtures	(4,400,202)	(334,312)	220,781	(4,513,733)
Software	(461,103)	(78,005)		(539,108)
Library books	(13,100,753)	(268,431)	3,377,006	(9,992,178)
Accumulated depreciation	(53,466,510)	(3,171,825)	3,597,787	(53,040,548)
Capital assets, net	$ 92,580,364	$(1,020,856)	$(1,051,463)	$ 90,508,045

The activities related to capital assets during fiscal 2014 for the College are summarized below:

	2013	Additions/ Transfers	Disposals/ Transfers	2014
Original Cost:				
Land and improvements	$ 5,088,532			$ 5,088,532
Buildings	84,402,917			84,402,917
Building Improvements	32,990,349	$ 230,733		33,221,082
Equipment, furniture and fixtures	6,584,224	327,365	$ (592,563)	6,319,026
Software	1,093,361		(42,369)	1,050,992
Library books	15,303,673	96,778		15,400,451
Works of art	421,309			421,309
Construction in progress		142,565		142,565
Capital assets at original cost	145,884,365	797,441	(634,932)	146,046,874
Accumulated Depreciation:				
Buildings	(21,635,218)	(1,221,130)		(22,856,348)
Building improvements	(11,597,485)	(1,050,619)		(12,648,104)
Equipment, furniture and fixtures	(4,640,487)	(331,212)	571,497	(4,400,202)
Software	(390,234)	(70,869)		(461,103)
Library books	(12,746,988)	(353,765)		(13,100,753)
Accumulated depreciation	(51,010,412)	(3,027,595)	571,497	(53,466,510)
Capital assets, net	$ 94,873,953	$(2,230,154)	$ (63,435)	$ 92,580,364

Note 8 - Long-Term Debt:

Long-term debt of the College consists of the following at June 30, 2015 and 2014:

	2015	2014
Hastings College of the Law Series 2008 Bonds, due serially to 2037, with interest from 3.75% to 4.75% (average coupon rate of 4.53%)	$ 21,875,000	$ 22,470,000
Unamortized bond discount	(129,781)	(123,138)
Total bonds payable	$ 21,745,219	$ 22,346,862

The College issued the Series 2008 Bonds for $25,080,000 for the construction of the Hastings Parking Garage, and to reimburse the College for associated development costs. Located at 376 Larkin Street in San Francisco, California, the multi-level structure contains 395 parking stalls, and 12,612 square feet of ground-level retail space.

The activity with respect to the College's current and noncurrent debt for the year ended June 30, 2015 and 2014 is as follows:

	Series 2008 Bonds
Current portion at June 30, 2014	$ 595,000
Principal payments in fiscal 2015	(595,000)
Reclassification from noncurrent	620,000
Current portion at June 30, 2015	$ 620,000
Noncurrent portion at June 30, 2014	$ 21,875,000
Unamortized bond discount	(129,781)
Reclassification to current	(620,000)
Noncurrent portion at June 30, 2015	$ 21,125,219

	Series 2008 Bonds
Current portion at June 30, 2013	$ 570,000
Principal payments in fiscal 2014	(570,000)
Reclassification from noncurrent	595,000
Current portion at June 30, 2014	$ 595,000
Noncurrent portion at June 30, 2013	$ 22,470,000
Unamortized bond discount	(123,138)
Reclassification to current	(595,000)
Noncurrent portion at June 30, 2014	$ 21,751,862

Principal and interest payments required to be made for each of the next five fiscal years and thereafter are summarized as follows:

	Principal	Interest	Total
2016	$ 620,000	$ 973,200	$ 1,593,200
2017	650,000	946,850	1,596,850
2018	675,000	919,225	1,594,225
2019	705,000	890,538	1,595,538
2020	730,000	864,981	1,594,981
2021-2025	4,105,000	3,872,256	7,977,256
2026-2030	5,065,000	2,906,825	7,971,825
2031-2035	6,345,000	1,630,488	7,975,488
2036-2037	2,980,000	213,988	3,193,988
	$ 21,875,000	$ 13,218,351	$ 35,093,351

Note 9 - Endowments:

The endowments held by the College at June 30, 2015 are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$ 13,402,263	$ 9,942,290		$ 23,344,553
Funds functioning as endowments			$ 7,515,611	7,515,611
Endowment assets held by others	8,543,453			8,543,453
College's endowments	$ 21,945,716	$ 9,942,290	$ 7,515,611	$ 39,403,617

The endowments held by the College at June 30, 2014 are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$ 12,553,332	$ 9,133,206		$ 21,686,538
Funds functioning as endowments			$ 7,097,424	7,097,424
Endowment assets held by others	8,312,137			8,312,137
College's endowments	$ 20,865,469	$ 9,133,206	$ 7,097,424	$ 37,096,099

Endowments held by the Foundation at June 30, 2015 and 2014 are as follows:

	2015 Restricted Net Position		2014 Restricted Net Position	
	Nonexpendable	Expendable	Nonexpendable	Expendable
Foundation's endowments	$ 178,755	$ 260,684	$ 178,755	$ 244,553

The College'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 a maximum long-term total return. As a result of this emphasis on total return, the portion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year.

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 the College's programs. The College utilizes a total return spending policy governing the payout on endowed funds. Total return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board of Directors. The payout rate for both 2015 and 2014 was 4.35%, calculated on the 12-quarter average market value of endowed funds. Endowment income is available to meet spending needs, subject to donor terms and conditions and the approval of the Board. Net appreciation on investments of donor-restricted endowments is reflected in the above tables as restricted expendable net position.

Generally, the College's practice is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. In addition, Endowment Net Position reflects not only endowment investments but also cash gifted to endowments and not yet invested.

The total distribution from endowments was $985,351 and $904,405 for the years ended June 30, 2015 and 2014. $970,679 and $890,828 was distributed to the College, and $14,672 and $13,577 was distributed to the Foundation, for the years ended June 30, 2015 and June 30, 2014, respectively.

Note 10 - Cumulative Effect of Accounting and Reporting Changes:

Net position of the College was adjusted as of July 1, 2014 as a result of the implementation of GASB 68 and 71. The accounting standards required an adjustment to opening net position to reflect the impact to the 2014 financial statements. The following financial statement line items were affected by the change in accounting principle, with the impact focused on the College, the Foundation’s net position was not impacted by the implementation.

	July 1, 2014		
	As Previously Reported	As Adjusted	Effect of Change
Statement of Net Position			
Current assets	$ 17,592,413	$ 17,592,413	$ -
Noncurrent assets	184,809,621	184,809,621	-
Total assets	$202,402,034	$202,402,034	$ -
Deferred outflows of assets	$ -	$ 8,127,000	$ 8,127,000
Current liabilities	8,455,826	8,455,826	-
Noncurrent liabilities	30,591,819	55,236,054	24,644,235
Total liabilities	$ 39,047,645	$ 63,691,880	$ 24,644,235
Deferred inflows of resources	$ -	$ 18,342,000	$ 18,342,000
Net Position	$163,354,389	$128,495,154	$ (34,859,235)

	As Previously Reported	As Adjusted	Effect of Change
Net Position			
Net position, beginning of year	$153,895,945	$153,985,945	$ -
Deferred outflows	-	11,873,000	11,873,000
Pension liability	-	(29,450,000)	(29,450,000)
Deferred inflows	-	(11,225,000)	(11,225,000)
Pension payable to University	-	(5,606,032)	(5,606,032)
Subtotal	-	(34,408,032)	(34,408,032)
Net position, beginning of year as adjusted	153,895,945	119,577,913	(34,408,032)
Increase (decrease) in net position	9,368,444	8,917,241	(451,203)
Net position end of year	$163,354,389	$128,495,154	$ (34,859,235)

	July 1, 2014		
	As Originally Reported	As Adjusted	Effect of Change
Statement of Revenue, Expenses and Changes in Net Position			
Revenue	$ 47,175,938	$ 47,175,938	-
Less: expenses	60,967,656	61,044,656	$ 77,000
Nonoperating revenues	21,681,461	21,681,461	-
Income (loss) before other changes in net position	7,889,743	7,812,743	(77,000)
Other changes in net position	1,478,701	1,104,498	(374,203)
Increase (decrease) in net position	$ 9,368,444	$ 8,917,241	$ (451,203)

Note 11 - Retirement Benefits:

Substantially all full-time employees of the College participate in the University of California Retirement System ("UCRS") that is administered by the University. The UCRS consists of the University of California Retirement Plan ("UCRP"), a cost-sharing defined benefit pension plan, and the University of California Retirement Savings Program ("UCRSP") that includes four defined contribution pension plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents of the University of California ("University") has the authority to establish and amend the benefit plans. Additional information on the retirement plans can be obtained from the 2014-2015 annual reports for the University of California Retirement System.

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more of for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments (COLAs) are made to monthly benefits accordingly to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

Contributions

Contributions to the UCRP may be made by the College and the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of the consulting actuary. Employee contributions by represented employees are subject to collective bargaining agreements. Effective July 1, 2013, employee member and employer contributions were 6.5 percent and 12.0 percent, respectively. The member contribution rate for employees in the new benefit tier applicable to employees hired on or after July 1, 2013 is 7.0 percent, and the employer rate is uniform across all members. Effective July 1, 2014, employee member and employer contributions were 8 percent and 14 percent, respectively. Effective July 1, 2015, employee member and employer contributions were 8 percent and 14 percent, respectively. Employee contributions to UCRP are accounted for separately and currently accrue interest at 6 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or lump sum equal to the present value of their accrued benefits.

Contributions were as follows during the year ended June 30, 2015 and 2014:

	2015	2014
Contributions		
College	$ 5,162,000	$ 2,866,000
Employee	1,895,000	1,510,000
Total contributions	$ 7,057,000	$ 4,376,000

Additional deposits of $700 million were made by the University of California to UCRP in July 2014. The College reporting pension expense and an increase in the pension payable to University of California for its portion of these additional deposits based upon its proportionate share of covered compensation for the year ended June 30, 2015 is $1,758,000.

Net Pension Liability

College's proportionate share of the net pension liability for UCRP as of June 30, 2015 and 2014 is as follows:

	2015	2014
Proportion of the net pension liability	0.3%	0.3%
Proportionate share of net pension liability	$ 24,207,000	$ 18,664,000

College's net pension liability was measured as of June 30, 2015 and 2014 and was based upon rolling forward the results of the actuarial valuations as of July 1, 2014 and 2013, respectively.

Actuarial valuations represented 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. The College's net pension liability was calculated using the following methods and assumptions:

	2015	2014
Inflation	3.00%	3.50%
Salary increase (varying by service, including inflation)	3.75 – 6.15%	4.30 – 6.75%
Investment rate of return (net of pension plan investment expense, including inflation)	7.25%	7.50%
Cost of living adjustments	2.00%	2.00%

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 were changed in 2015 based upon the results of an experience study conducted for the period July 1, 2010 through June 30, 2014. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables (separate table for males and females), projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set back on year for males and set forward five years for females.

The actuarial assumptions used in 2014 were based upon the results of an experience study conducted for the period of July 1, 2006 through June 30, 2010. For active members, inactive members and healthy retirees, the RP-2000 Combined Healthy Mortality Table, projected with scale AA to 2025, with ages set back two years is used. For disabled members, rates are based on the RP-2000 Disabled Retiree Mortality Table, projected with scale AA to 2025, with ages set back two years for males.

The long-term expected investment rate of return for UCRP was determined based on a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges 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 adopted by The Regents and by adding expected inflation. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are as follows:

	Target allocation	Long-term expected real rate return
U.S. Equity	28.5%	6.08%
Developed International Equity	18.5%	6.97%
Emerging Market Equity	8.0%	8.58%
Core Fixed Income	12.5%	0.82%
High Yield Bonds	2.5%	2.97%
Emerging Market Debt	2.5%	3.85%
TIPS	4.5%	0.43%
Real Estate	5.5%	4.76%
Private Equity	8.0%	11.15%
Absolute Return	6.5%	4.15%
Real Assets	3.0%	4.36%
Total	100%	

Discount Rates

The discount rate used to estimate the net pension liability as of June 30, 2015 and 2014 was 7.25 percent and 7.5 percent, respectively. 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 payment for current members. For this purpose, College contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected College 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 member for all future years as of June 30, 2015 and 2014.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the College calculated using the current-period discount rate assumption of 7.25 and 7.5 percent for 2015 and 2014, respectively; as well as what the net pension liability would be if it were calculated using a discounted rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for 2015 and 2014:

2015			2014		
1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
$ 40,819,000	$ 24,207,000	$ 10,648,000	$ 35,848,000	$ 18,644,000	$ 4,236,000

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2015 and 2014:

	2015	2014
Deferred Outflows of Resources		
Changes in proportion and differences between location's contributions and proportionate share of contributions	$ 8,000	$ 12,000
Changes of assumptions or other inputs	7,068,000	5,482,000
Net differences between projected and actual earnings on pension plan investments	4,527,000	2,633,000
Difference between expected and actual experience	-	-
Total deferred outflows of resources	$ 11,603,000	$ 8,127,000
Deferred Inflows of Resources		
Changes in proportion and differences between location's contributions and proportionate share of contributions	$ 2,476,000	$ 1,759,000
Changes of assumptions or other inputs	3,454,000	4,958,000
Net differences between projected and actual earnings on pension plan investments	7,321,000	10,546,000
Difference between expected and actual experience	980,000	1,079,000
Total deferred inflows of resources	$ 14,231,000	$ 18,342,000

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

Year Ended June 30	
2016	$ (310,000)
2017	(1,608,000)
2018	(2,055,000)
2019	1,138,000
2020	207,000
Thereafter	-

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

Note 12 - Retiree Health Plan:

Plan Description. UC Hastings contributes to the University of California Retiree Health Benefit Trust (UCRHBT) (the Trust), a cost-sharing multiple-employer defined benefit, postemployment healthcare plan administered by The Regents of the University of California (the Regents). The Trust provides non-pension post-employment medical benefits and other health and welfare benefits to eligible retirees and their spouses, domestic partners, dependents and beneficiaries to retired University employees and retired employees of other employers affiliated with the University. Hastings contributes as an authorized affiliate.

The contribution requirements of the eligible retirees and the participating cost-sharing employers such as Hastings are established and may be amended by the University. Membership in the UCRP is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance.

Retirees employed by Hastings prior to 1990 are eligible for the maximum employer contribution if they retire between the ages of 50 and 54 and have at least ten years of service credit, or if they retire at age 55 or later and have at least 5 years of service credit. Retirees employed by Hastings after January 1, 1990 or who were rehired after that date following a break in service of four or more consecutive months are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum employer contribution, increasing to 100 percent after 20 years of service.

Funding Policy. Section 4.5 provides that the Trust Administrator shall, in accordance with the applicable requirements of GASB, periodically determine each cost-sharing location's contractually required contributions and shall notify each cost-sharing location of the relevant contribution amount within a reasonable period after such determination. All contributions made to the Trust are irrevocable.

Participants are contractually required to make contributions at a rate assessed each year by the Trust. For fiscal year ending June 30, 2015, the assessed rate was 2.82 percent per $100.00 of UCRP covered compensation, and the rate for fiscal 2016 is 3.15 percent. The assessed rate for fiscal year 2014 was 3.41 percent. Currently, this rate is based on the projected "pay-as-you-go" financing requirements.

The College's contributions to UCRHBT for the year ended June 30, 2015 were $690,393, which equaled the required contribution for the year; the amount the College paid for retiree costs for the year ended June 30, 2014 was $846,526. The University of California Office of the Treasurer issues a publicly available financial report that includes financial statements and required supplementary information for UCRHBT. That report may be obtained by writing to University of California, Office of the Treasurer, 1111 Broadway, 14th Floor, Oakland, CA 94607.

Note 13 - Federal and State Income Taxes:

As a separate law department of the University of California, the College is an instrument of the State and accordingly, is not subject to federal or state income taxes, except for taxes on unrelated business income.

Note 14 - Contingencies:

The College receives substantially all of its unrestricted revenue from tuition and fees and State appropriations. The College tuition and fee schedule is established annually by the Board of Directors. The State legislature establishes the annual appropriation to the College. The appropriation may increase or decrease during the year due to State budget changes.

Substantial amounts are received and expended by the College under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates primarily to student financial assistance and related programs. College management believes that liabilities, if any, arising from such audits will not have a significant effect on the College's financial condition or results of operations.

Note 15 - Insurance:

The College is exposed to various risks of loss including general liability, property and casualty, workers' compensation, employee health and legal defense. The College purchases insurance through commercial and risk retention insurance companies with various ranges of deductibles depending on the policy type. Settled claims have not exceeded this coverage in any of the past three fiscal years. The College continues to self-insure its workers' compensation program.

Note 16 - Litigation:

From time to time, the College is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the College in connection with its legal proceedings is expected not to have a material adverse effect on the College's financial position and activities.

Net Pension Liability - Required Supplemental Information:

The schedule of the College's proportionate share of UCRP's net pension liability as of June 30 is:

College	Proportion of the net pension liability	Proportionate share of net pension liability	Covered-employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.3%	$ 24,207,000	$ 24,499,000	98.8%	82.9%
2014	0.3%	$ 18,664,000	$ 24,039,000	77.6%	86.3%
2013	0.3%	$ 29,450,000	$ 24,025,000	122.6%	78.3%