Unrestricted Net Assets

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“Unrestricted” Net Assets

• UC does not have billions of dollars in uncommitted funds that it can use to make up for massive reductions in state support.

• UC’s June 2008 financial statements reference $5.3 billion in "unrestricted net assets" — terminology **required** to be used under requirements of the Government Accounting Standards Board (“GASB”).

• The definition of “unrestricted” must be used for any funds that are not subject to **externally** imposed restrictions. “Unrestricted assets” does not mean uncommitted assets.

• Funds are kept in over 76,000 funds and accounts that each individual campus controls for very specific uses including:
  – some of UC’s endowment
  – capital project funding
  – medical centers
  – operating funds to support academic programs and research initiatives on a multiple-year basis
  – liening funds for authorized equipment purchases and services that have not been expended by the end of the fiscal year
“Unrestricted” Net Assets, cont’d

- As illustrated on the next page, the upcoming issuance of our audited financial statements summarizing UC’s financial condition as of June 30, 2009 will show a substantial drop in our unrestricted net assets to an amount below $4 billion.

- Some of this drop is attributable to the growth in our unfunded retiree health care obligations and investment losses.

- The financial statements will also show a decrease in operating cash balances at our campuses. These accounts are used by campuses to meet a variety of expenses throughout the year for core instructional needs.

- The substantial budget cuts from the State – including those in the middle- and-end of the 2008-09 fiscal year – hit our campus programs so late that all available funds had to be tapped to help bridge over to the current fiscal year.
“Unrestricted” Net Assets, cont’d

UC unrestricted net assets

$6.5B
6/30/07

<$4B*
6/30/09

* Approximate, pending finalization of financial statements
Preview of Unrestricted Net Assets for FY 2008-09

Total to be reported: Below $4 billion

Highlights:

- Capital Projects $820 M
- Medical Centers $700 M
- Endowment Income/FFEs $1,084 M
- Debt Service Funds $35 M
- Misc. Student Fee & Auxiliary Payments $640 M

* amounts are approximates