



UNIVERSITY OF CALIFORNIA, BERKELEY

**Annual Financial Report
2008-09**

TABLE OF CONTENTS

Management's Discussion and Analysis	1
Financial Statements:	
Statements of Net Assets at June 30, 2009 and 2008	11
Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2009 and 2008	12
Statements of Cash Flows for the Years Ended June 30, 2009 and 2008	13
Notes to Financial Statements	15
Campus and Financial Highlights	29

University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The objective of Management's Discussion and Analysis (MDA) is to help readers of the University of California, Berkeley's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2009, with selected comparative information for the year ended June 30, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes to the financial statements. Unless otherwise indicated, years (2008, 2009) in this discussion refer to the fiscal year ended June 30.

The University of California, Berkeley's financial report communicates financial information for the University of California Berkeley campus (Berkeley) through three primary financial statements and notes to the financial statements. The three financial statements present the financial position, changes in the financial position and cash flows for Berkeley. The notes provide additional information that is essential to a full understanding of the financial statements.

The financial statements for the University of California, Berkeley Foundation are presented separately from Berkeley's and are not covered in this discussion and analysis.

THE UNIVERSITY OF CALIFORNIA-BERKELEY

Berkeley is the oldest of the ten campuses of the University of California (UC), a public, state-supported institution. It is dedicated to excellence in teaching, research, and public service. Berkeley offers undergraduate, graduate and professional education and is one of the world's leading research universities.

Berkeley's financial statements are prepared from the official UC records and accounts for the campus. These records and accounts are maintained in accordance with UC policies and relevant accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). Berkeley's financial statements have not been individually audited, but rather are audited as part of the UC financial statement audit. The audited, consolidated financial statements of UC are available at:

[HTTP://WWW.UCOP.EDU/UCOPHOME/BUSFIN/REPORTS.HTML](http://www.ucop.edu/ucophome/busfin/reports.html).

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, was adopted by Berkeley during the year ended June 30, 2009. Statement No. 49 establishes criteria to ascertain whether certain events result in a requirement for the campus to estimate the components of any expected pollution remediation costs and determine whether these costs should be accrued as a liability. The costs were estimated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Previously, pollution remediation costs were accrued only if they were both probable of occurring and could be reasonably estimated. In accordance with Statement No. 49 retrospective application is required. Berkeley restated the 2008 financial statements to reflect the cumulative effect of the changes from the adoption of Statement No. 49. The adjustments were to recognize an additional \$8.5 million of operating expenses and to increase the pollution remediation liability to \$16.5 million as of June 30, 2008.

Berkeley adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. Berkeley recognized \$22.9 million of retiree health benefits cost in 2009 and \$20.4 million in 2008. The related obligation for retiree health benefits is recorded in UC's annual financial reports.

BERKELEY'S FINANCIAL POSITION

The statement of net assets presents the financial position at the end of each year. The difference between assets and liabilities is net assets, representing a measure of the current financial condition. Berkeley's statement of net assets displays all of the assets, liabilities, and net assets reflected in Berkeley's accounts. However, certain significant assets, liabilities, and net assets, such as system-wide investments, self-insurance liabilities, revenue bond debt, retirement benefit liabilities and endowment funds, are not reflected in Berkeley's campus-level accounts. Therefore, Berkeley's statement of net assets does not reflect a picture of the campus' financial position on a stand-alone basis but rather as a campus within the UC system. At June 30, 2009, Berkeley's assets were \$3.9 billion, liabilities were \$0.5 billion and net assets were nearly \$3.4 billion.

University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The major components of Berkeley's assets, liabilities, and net assets, as of 2009 and 2008, are as follows (in thousands of dollars):

	2009	2008	\$ CHANGE	% CHANGE
Assets				
Cash and cash equivalents	\$534,947	\$977,279	(\$442,332)	(45%)
Investments	408,000	-	408,000	N/A
Investment held by trustees	6,948	30,770	(23,822)	(77%)
Accounts receivable, net	128,451	130,582	(2,131)	(2%)
Capital assets, net	2,726,862	2,491,439	235,423	9%
Other assets	89,319	94,550	(5,231)	(6%)
Total assets	3,894,527	3,724,620	169,907	5%
Liabilities				
Accounts payable	70,533	84,694	(14,161)	(17%)
Accrued salaries and benefits	106,408	101,727	4,681	5%
Deferred revenue	158,862	164,960	(6,098)	(4%)
Debt	95,451	96,793	(1,342)	(1%)
Other liabilities	105,208	103,682	1,526	1%
Total liabilities	536,462	551,856	(15,394)	(3%)
Net Assets				
Invested in capital assets, net of related debt	2,635,663	2,423,462	212,201	9%
Restricted expendable	350,972	332,269	18,703	6%
Unrestricted	371,430	417,033	(45,603)	(11%)
Total net assets	\$3,358,065	\$3,172,764	\$185,301	6%

Berkeley's Assets

Berkeley's total assets grew \$169.9 million to \$3.9 billion at the end of 2009. Cash and cash equivalents decreased \$442.3 million, offset by the increase in investments of \$408.0 million. The net capital assets grew \$235.4 million, and investment held by trustees decreased \$23.8 million from 2008. Changes in other asset categories were relatively insignificant.

Berkeley's cash and cash equivalents are managed at the UC system-wide level. The significant change in the balances between 2009 and 2008, a decrease of \$442.3 million, was primarily attributable to Berkeley's allocation of \$408.0 million in an alternative investment pool, the Total Return Investment Pool (TRIP), in 2009. TRIP was designed and is managed by UC. TRIP allows Berkeley the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity and fixed income securities.

Net capital assets – original cost less accumulated depreciation – increased from \$2.5 billion in 2008 to \$2.7 billion in 2009. Capital assets include land, infrastructure, buildings and improvements, equipment, libraries, collections and construction in progress. The required spending for capital assets continued to provide the facilities necessary to accommodate current and future academic, research, and student support needs. The original cost of all capital assets increased by \$345.3 million to \$4.7 billion in 2009. The increase consisted of capital additions of \$382.4 million, partially offset by \$37.1 million of the original cost of equipment and library materials and collections disposed of during the year. During 2009, capitalized costs included \$286.1 million for construction projects for new buildings or improvements to existing buildings, such as the Davis Hall North replacement project, the Clark Kerr building and landscape renewal project, and the Law School building renovation project; \$36.9 million for new equipment; \$34.0 million for libraries and collections; \$23.7 million for land; and \$1.7 million for infrastructure. About \$32.1 million of the disposed assets was for equipment that was fully depreciated or had reached the end of its useful life or was traded in for new equipment, while disposed library materials and collections totaled \$5.0 million.

Accumulated depreciation increased \$109.9 million to \$1.9 billion in 2009. Depreciation expense for the year was \$144.2 million, and the accumulated depreciation on assets sold or disposed of during the year was \$34.3 million. Disposals were primarily for equipment that was fully depreciated or had reached the end of its useful life.

University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Investments held by trustees for future capital projects decreased from \$30.8 million at 2008 to \$6.9 million at 2009. The state of California retained on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects. During 2007, the State Public Works Board (SPWB) sold \$79.9 million in State of California Lease Revenue Bonds 2006 Series E to finance construction of Berkeley's Davis Hall North Replacement Building. This project was completed in 2009. Funds appropriated for the project were fully claimed in 2009, resulting in a significant decrease in investment held by trustees.

Berkeley's Liabilities

Berkeley's total liabilities decreased \$15.4 million to \$536.5 million in 2009.

Accounts payable decreased \$14.2 million to \$70.5 million in 2009. Fewer major active capital projects at the end of 2009 compared to the end of 2008 caused most of the decrease.

Accrued salaries and benefits at 2009 was \$106.4 million, a \$4.7 million, or 5%, increase from 2008.

Deferred revenue includes student tuition and fees and housing and dining fees billed in advance of an academic term and amounts received from grant and contract sponsors that have not been earned under the terms of the agreements. Deferred revenue fell from \$165.0 million in 2008 to \$158.9 million in 2009. \$20.2 million of deferred revenue as of 2008, pertaining to a major facility grant received from the California Institute for Regenerative Medicine for stem cell research facilities, was recognized as revenue in 2009. Offsetting this, payments received from conditional gifts or grants for which the conditions were not met added \$10.7 million of deferred revenue in 2009. Another \$3.4 million of the increase of deferred revenue was from advance payments on private contracts and grants and student fees for summer sessions and the fall 2009 semester.

Changes in debt and other liabilities were relatively insignificant.

Berkeley's Net Assets

Net assets represent the residual interest in Berkeley's assets after all liabilities are deducted. Berkeley's net assets at the end of 2009, totaling nearly \$3.4 billion, increased \$185.3 million, or 6%, during the year. Berkeley's net assets are reported in three major categories: invested in capital assets, restricted expendable, and unrestricted.

The portion of net assets invested in capital assets, net of accumulated depreciation, grew from \$2.4 billion in 2008 to \$2.6 billion in 2009. The increase of \$212.2 million, mostly in buildings and improvements, represents Berkeley's continuing investment in its physical facilities and accounted for the majority of Berkeley's overall increase in its net assets.

Restricted expendable net assets of \$350.9 million in 2009 increased \$18.7 million, or 6%, from 2008. These net assets are subject to externally imposed restrictions governing their use. They may be spent only in accordance with the external restrictions placed upon them and may include support received from gifts, appropriations, grants or contracts for specific programs or capital projects, or other third party receipts. The restricted funds for capital projects reflected a net increase of \$19.3 million in 2009. There was about \$150.6 million of increased funding in 2009, primarily from financing activities, gifts and state grants, for various capital projects, such as the Biomedical and Health Science Building, Clark Kerr Residence Hall renovation, and the Student Athlete High Performance Center. The increase of funding was offset by a \$131.3 million of transfers of completed capital projects, primarily the Davis Hall North Replacement Building, to buildings and other assets in invested in capital assets.

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although Berkeley's unrestricted net assets of \$371.4 million at 2009 are not subject to externally imposed restrictions, these net assets are typically allocated for academic and research initiatives or programs, for capital purposes, or other purposes. The significant decrease of unrestricted funds in 2009 of \$45.6 million was primarily attributable to a \$67.6 million reduction in general funds from the State. This decrease was partially offset by \$22.0 million of increases in other funds, mostly associated with capital projects, in 2009.

University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

BERKELEY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net assets is a presentation of Berkeley's operating results for the year. It indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of Berkeley are mandated to be recorded as nonoperating revenues, including state educational appropriations and private gifts. Berkeley's statement of revenues, expenses, and changes in net assets includes interest and insurance costs associated with the systemwide liabilities omitted from Berkeley's statement of net assets.

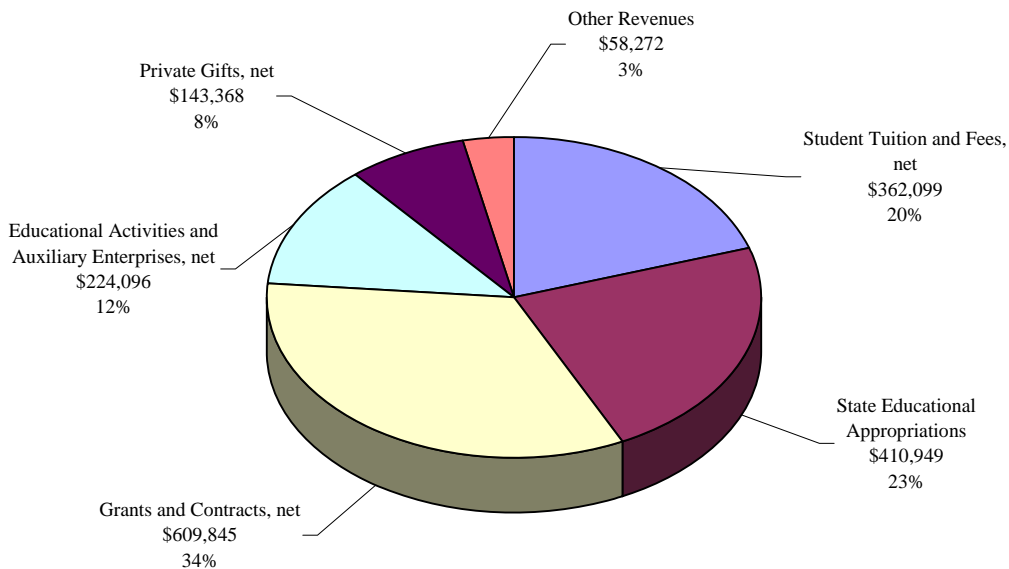
A summarized comparison of the operating results for 2009 and 2008, arranged in a format that matches the revenue supporting the core activities of Berkeley with the expenses associated with core activities, is as follows (in thousands of dollars):

	YEAR ENDED JUNE 30, 2009			YEAR ENDED JUNE 30, 2008			\$	%
	Operating	Nonoperating	Total	Operating	Nonoperating	Total		
REVENUES								
Student tuition and fees, net	\$362,099		\$362,099	\$331,220		\$331,220	\$30,879	9%
State educational appropriations		\$410,949	410,949		\$506,186	506,186	(95,237)	(19%)
Grants and contracts, net	609,845		609,845	543,160		543,160	66,685	12%
Educational activities and auxiliary enterprises, net	224,096		224,096	220,597		220,597	3,499	2%
Private gifts, net		143,368	143,368		150,362	150,362	(6,994)	(5%)
Other revenues	20,510	37,762	58,272	18,463	19,059	37,522	20,750	55%
Revenues supporting core activities	1,216,550	592,079	1,808,629	1,113,440	675,607	1,789,047	19,582	1%
EXPENSES								
Salaries and benefits	1,193,475		1,193,475	1,136,462		1,136,462	57,013	5%
Scholarships and fellowships	77,275		77,275	75,736		75,736	1,539	2%
Utilities	42,447		42,447	35,927		35,927	6,520	18%
Supplies and materials	138,976		138,976	133,494		133,494	5,482	4%
Depreciation and amortization	144,210		144,210	132,408		132,408	11,802	9%
Other expenses	292,071	2,092	294,163	296,360	2,361	298,721	(4,558)	(2%)
Expenses associated with core activities	1,888,454	2,092	1,890,546	1,810,387	2,361	1,812,748	77,798	4%
Income (loss) from core activities	(\$671,904)	\$589,987	(81,917)	(\$696,947)	\$673,246	(23,701)	(58,216)	N/A
OTHER NONOPERATING ACTIVITIES								
Loss on disposal of capital assets, net of proceeds			(2,238)			(4,650)	2,412	N/A
Income (loss) before other changes in net assets			(84,155)			(28,351)	(55,804)	N/A
OTHER CHANGES IN NET ASSETS								
State capital appropriations			8,959			20,243	(11,284)	(56%)
Capital gifts and grants, net			36,598			68,887	(32,289)	N/A
Intercampus transfers			223,899			125,842	98,057	N/A
Increase in net assets			185,301			186,621	(1,320)	(1%)
NET ASSETS								
Beginning of year			3,172,764			2,986,143	186,621	6%
End of year			\$3,358,065			\$3,172,764	\$185,301	6%



University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Categories of both operating and nonoperating revenues that support Berkeley's core activities in 2009 are as follows (in thousands of dollars):

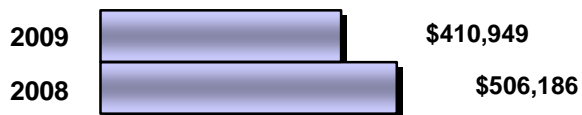


Revenues to support Berkeley's core activities, including those classified as nonoperating revenues, were \$1.8 billion in 2009. These diversified sources of revenue increased in 2009 by \$19.6 million. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of Berkeley. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to Berkeley allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from educational activities and auxiliary enterprises such as student housing, food service operations and parking. The percentage of State educational appropriations of the total revenue of Berkeley's core activities went down from 28% in 2008 to 23% in 2009, while the percentage of student tuition and fees of the total revenues increased less than 2%. Grants and contracts share of the total revenues increased from 30% in 2008 to 34% in 2009. The percentage of other categories of revenues of the total revenue remained approximately the same as in 2008.

2009		\$362,099
2008		\$331,220

Student tuition and fees revenue, net of scholarship allowances, grew by \$30.9 million in 2009 to \$362.1 million. The gross student tuition and fees increased \$40.3 million, or 9%, in 2009, primarily attributable to a 7% increase in the educational fee charged to most students, a 5% increase in non-resident tuition for undergraduate students, and rate increases for professional degree fees, registration fees and summer sessions fees. The enrollment for undergraduate students grew nearly 2% while the enrollment for graduate students dropped less than 1% in 2009. All fees were offset by an increase in scholarship allowances of \$9.4 million. Consistent with past practices, a significant percentage of the revenue generated from tuition and fees was used for financial aid to mitigate the impact on students with financial need.

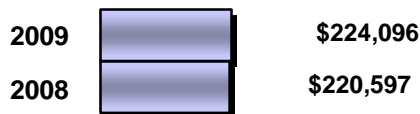
University of California-Berkeley
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)



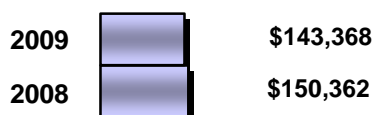
Educational appropriations from the state of California that were allocated to Berkeley from the Office of the President of the University of California decreased \$95.2 million, or 19%, to \$410.9 million in 2009. The decrease reflected the State of California’s significantly decreased funding to UC, a direct result of the particularly weak economic condition in California.



Grants and contracts revenue from federal, state, private and local government, including facilities and administration cost recovery, increased \$66.7 million, or 12%, to \$609.8 million in 2009. Federal and local government contracts and grants increased \$23.8 million in 2009 from various agencies, including National Aeronautics and Space Administration (NASA), National Science Foundation (NSF), Department of Education, Department of Defense, Department of Transportation, and various local government agencies. However, the bulk of the increase, about \$40.9 million, was from private contracts and grants, including a \$17.0 million increase from British Petroleum (BP) for the Energy Biosciences Institute (EBI). The remaining increases were from various foundations, corporations and universities.



Revenue from *educational activities and auxiliary enterprises* increased \$3.5 million, or 2%, from 2008. The modest increase was mainly associated with analytical and testing services and student residence fees.



Private gifts, mainly restricted as to use, decreased nearly \$7.0 million, or 5%, from 2008 as the economy constricted. Gifts may be made to Berkeley through UC or the Foundation. In addition to private gifts for operating purposes, gifts are also received for capital purposes - recorded as capital gifts and grants - and for permanent endowments. The latter are recorded on UC’s books.

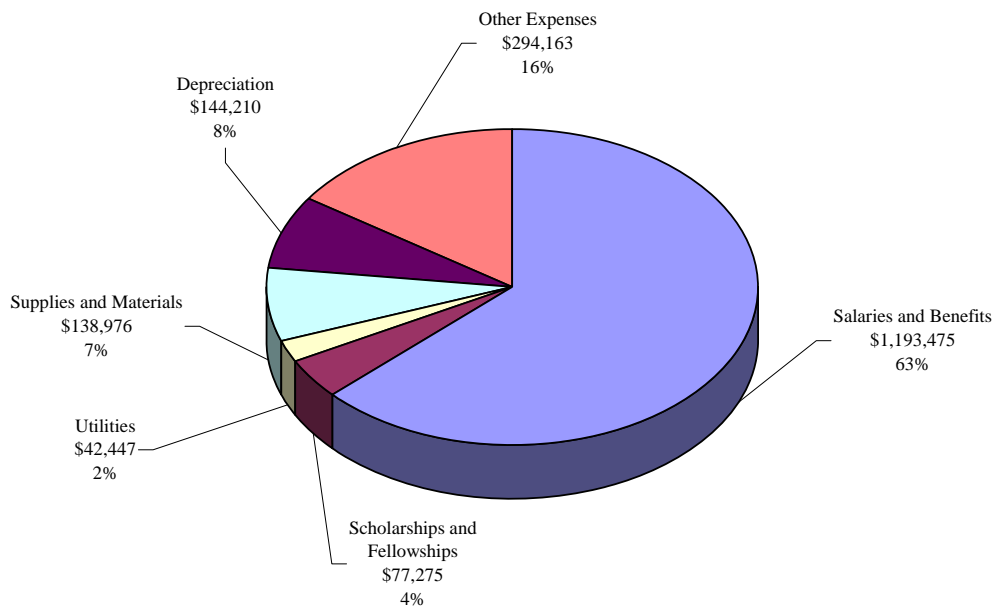


Other revenues for 2009 of \$58.3 million, including \$19.4 million of state financing appropriations, \$18.4 million of investment income and \$20.5 million of other operating revenue, increased \$20.8 million from 2008. The state of California financing appropriation, which increased slightly in 2009, is directly related to the required rental payments under lease-purchase agreements with the state of California and deferred maintenance projects. The \$18.4 million of investment income was mainly from the newly established TRIP. Another \$2.0 million of increase in other operating revenues was due to increased rental income from recently acquired properties.

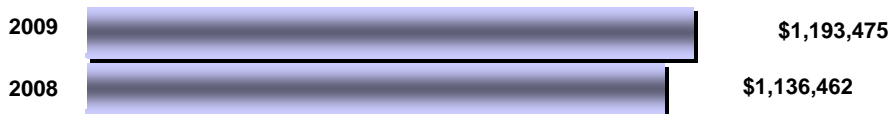
University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

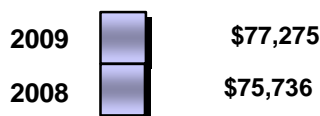
Categories of expenses related to Berkeley's core activities in 2009 are as follows (in thousands of dollars):



Similar to its revenues to support core activities, Berkeley's expenses associated with core activities for 2009, including those classified as nonoperating expense, totaled nearly \$1.9 billion. Berkeley's expenses associated with core activities increased \$77.8 million, or 4%, from 2008. About 63% of Berkeley's core expenses in 2009 were related to salaries and benefits, the same as in 2008. The percentage of the other expense categories of Berkeley's total expenses related to core activities remained approximately the same as in 2008.



Salaries and benefits of \$1,193.5 million in 2009 (\$973.0 million of salaries and wages and \$220.5 million of benefits) grew by \$57.0 million, an increase of 5%. There were 14,500 full time equivalent employees at Berkeley at 2009, approximately the same as at 2008. Combined salaries and wages for both academic and administrative staff increased \$40.8 million, or 4%, from 2008. Salary increases were primarily associated with academic and research programs. As a result of reductions in state educational appropriations, generally there were no salary increases for staff in 2009. Total benefit costs increased \$16.2 million, or 8%. Health insurance costs continued to grow and increased nearly \$10.7 million, or 13%, from 2008. All other benefit costs, including employer taxes, graduate student fee remission, and dental insurance, also increased.




Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, totaled \$77.3 million in 2009, a nearly \$1.6 million, or 2%, increase over 2008. Scholarship allowances, also a form



University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)



of scholarship and fellowship cost, increased \$10.1 million to \$152.5 million in 2009. Scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as Berkeley continues its commitment to provide financial support for needy students, financial aid in all forms grew from \$218.2 million in 2008 to \$229.8 million in 2009, an increase of \$11.6 million, or over 5%.

2009		\$42,447
2008		\$35,927



Utility costs – consisting of natural gas, electricity, water and sewer, and utility services – showed an 18% increase from the prior year to \$42.4 million in 2009. Most of the increase was due to higher rates and usage for natural gas, oil and electricity.

2009		\$138,976
2008		\$133,494

Supplies and materials costs of nearly \$139.0 million in 2009 increased \$5.5 million, or 4%, from 2008, mainly attributable to laboratory instruments and supplies, as many research units on campus showed continued research activity growth in 2009.

2009		\$144,210
2008		\$132,408

Depreciation expense increased \$11.8 million to \$144.2 million in 2009, reflecting the increase in capital assets.

2009		\$294,163
2008		\$298,721

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance, plus any gain or loss on disposals of capital assets and nonoperating expenses. These expenses decreased \$4.6 million, or nearly 2%, to \$294.2 million in 2009.

In accordance with the GASB's reporting standards, operating losses were \$671.9 million. However, these operating losses were substantially offset by \$590.0 million of net revenue and expenses that are required by the GASB to be classified as nonoperating, but clearly support operating activities. Therefore, revenue to support core activities was \$81.9 million less than the associated expenses in 2009. In 2008, there was a net loss of \$23.7 million from core activities. Net losses from core activities are generally funded by net income carry forwards from previous years and transfers from UC, such as endowment income and Short-Term Investment Pool earnings.

Other Nonoperating Activities

Berkeley recorded a \$2.2 million loss on disposals of capital assets in 2009, primarily from library material and collections that were disposed of during the year. A \$4.7 million loss in 2008 was mainly attributable to a building demolition and disposal of equipment.

University of California-Berkeley

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Other Changes in Net Assets

Similar to other nonoperating activities discussed above, other changes in net assets are generally not available to be used to support Berkeley's operating expenses in the current year.

State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital asset. State capital appropriations decreased \$11.3 million in 2009, mainly due to the completion of the building seismic improvement project at the Doe Library.

Capital gifts and grants totaled \$36.6 million in 2009, decreasing \$32.3 million from 2008. About \$50.0 million of decrease in capital gifts was directly attributable to the significant amount of capital gifts received in 2008 for capital projects under the Health Sciences Initiatives. Conversely, a \$20.0 million increase in state capital grants in 2009 was due to a grant for the Biomedical and Health Science Building.

Transfers of funds, primarily between Berkeley and UC's Office of the President, were a \$223.9 million addition to Berkeley's net assets in 2009, compared to a \$125.8 million addition in 2008, an increase of \$98.1 million. \$103.6 million of the increase was net transfers of funding for various capital projects and debt service payments associated with capital projects. Transfers related to core activities, such as endowment income and STIP earnings, indirect cost recoveries and allocations of indirect cost funds from the prior year's recovery, and transfers between campuses for related projects, totaled a \$5.5 million net decrease in 2009.

BERKELEY'S CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash (composed of cash in demand deposit accounts and Berkeley's cash equivalents).

A summary comparison of cash flows for 2009 and 2008 is as follows (in thousands of dollars):

	2009	2008	Change
Cash received from operations	\$1,214,274	\$1,125,871	\$88,403
Cash payments for operations	(1,737,774)	(1,605,676)	(132,098)
Net cash used by operating activities	(523,500)	(479,805)	(43,695)
Net cash provided by noncapital financing activities	553,855	654,536	(100,681)
Net cash used by capital and related financing activities	(306,959)	(169,858)	(137,101)
Net cash used by investing activities	(389,627)	-	(389,627)
Net cash provided by transfers, net	223,899	125,842	98,057
Net increase in cash	(442,332)	130,715	(573,047)
Cash and cash equivalents, beginning of the year	977,279	846,564	130,715
Cash and cash equivalents, end of the year	\$534,947	\$977,279	(\$442,332)

Berkeley's cash and cash equivalents decreased \$442.3 million from \$977.3 million in 2008 to \$534.9 million in 2009. Nearly \$523.5 million of cash was used for operating activities in 2009, offset by \$553.9 million provided by noncapital financing activities, resulting in \$30.4 million of cash before capital financing, investing or transfer activities. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operating activities.

Cash of \$307.0 million and \$169.9 million was used in 2009 and 2008, respectively, for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include state and federal capital appropriations, gifts for capital purposes and new external financing. During 2009, the net of purchases of capital assets and debt service payments was greater than those in 2008 by \$12.4 million, while appropriations, grants, gifts and proceeds from debt and capital asset sales decreased \$124.7 million from 2008.

Cash of \$389.6 million used by investing activities in 2009 was basically the \$408.0 million of investments that was allocated to the new, longer-term Total Return Investment Pool (TRIP), offset by \$18.4 million of investment income primarily earned from TRIP.

University of California-Berkeley
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Cash from transfers between Berkeley and UC's Office of the President or other campuses totaled a net \$223.9 million addition to Berkeley's net assets in 2009, compared to a \$125.8 million addition in 2008. Funds that were received at Berkeley, primarily transfers from the Office of the President, included capital project funding, endowment income, earnings from the short-term investment pool (STIP) and other operating funding. Funds that were transferred from Berkeley to the Office of the President included recovered indirect costs and Berkeley's share of debt service payments. The bulk of the increased transfers of funding in 2009 were for financing capital projects.

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF NET ASSETS (unaudited)

AT JUNE 30, 2009 AND 2008 (IN THOUSANDS OF DOLLARS)

	2009	2008
ASSETS		
Cash and cash equivalents (Note 1)	\$534,947	\$977,279
Investments held by trustees (Note 3)	1,851	1,108
Accounts receivable, net (Note 4)	128,451	130,582
Pledges receivable, net (Note 5)	27,711	31,847
Current portion of notes and mortgages receivable, net (Note 6)	5,031	5,912
Inventories	5,525	5,045
Other current assets	2,314	2,075
Current assets	705,830	1,153,848
Investments held by the Office of the President (Note 2)	408,000	-
Investments held by trustees (Note 3)	5,097	29,662
Pledges receivable, net (Note 5)	21,206	23,953
Notes and mortgages receivables, net (Note 6)	26,487	24,583
Capital assets, net (Note 7)	2,726,862	2,491,439
Other noncurrent assets	1,045	1,135
Noncurrent assets	3,188,697	2,570,772
Total assets	3,894,527	3,724,620
LIABILITIES		
Accounts payable	70,533	84,694
Accrued salaries and benefits	106,408	101,727
Deferred revenue	158,862	164,960
Current portion of long-term debt (Note 8)	13,750	2,800
Other current liabilities (Note 9)	62,004	57,562
Current liabilities	411,557	411,743
Federal refundable loans	23,101	22,769
Long-term debt (Note 8)	81,701	93,993
Other noncurrent liabilities (Note 9)	20,103	23,351
Noncurrent liabilities	124,905	140,113
Total liabilities	536,462	551,856
NET ASSETS		
Invested in capital assets	2,635,663	2,423,462
Restricted expendable	350,972	332,269
Unrestricted	371,430	417,033
Total net assets	\$3,358,065	\$3,172,764

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS(unaudited)

YEARS ENDED JUNE 30, 2009 AND 2008 (IN THOUSANDS OF DOLLARS)

	2009	2008
OPERATING REVENUES		
Student tuition and fees, net	\$362,099	\$331,220
Grants and contracts, net:		
Federal	347,605	328,760
State	77,195	75,262
Private	174,103	133,230
Local	10,942	5,908
Educational activities, net	75,061	72,883
Auxiliary enterprises, net	149,035	147,714
Other operating revenues, net	20,510	18,463
Total operating revenues	1,216,550	1,113,440
OPERATING EXPENSES		
Salaries and wages	973,011	932,217
Benefits	220,464	204,245
Scholarships and fellowships	77,275	75,736
Utilities	42,447	35,927
Supplies and materials	138,976	133,494
Depreciation and amortization (Note 7)	144,210	132,408
Other operating expenses	292,071	296,360
Total operating expenses	1,888,454	1,810,387
Operating loss	(671,904)	(696,947)
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	410,949	506,186
State financing appropriations	19,389	19,059
Private gifts, net	143,368	150,362
Loss on disposal of capital assets	(2,238)	(4,650)
TRIP investment income (Note 2)	18,329	-
Other nonoperating revenues (expenses)	(2,048)	(2,361)
Net nonoperating revenues	587,749	668,596
Loss before other changes in net assets	(84,155)	(28,351)
OTHER CHANGES IN NET ASSETS		
State capital appropriations	8,959	20,243
Capital gifts and grants, net	36,598	68,887
Transfers net (Note 10)	223,899	125,842
Increase in net assets	185,301	186,621
Net assets, beginning of year, as restated	3,172,764	2,986,143
Net assets, end of year	\$3,358,065	\$3,172,764

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (unaudited)

YEARS ENDED JUNE 30, 2009 AND 2008 (IN THOUSANDS OF DOLLARS)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$363,094	\$329,143
Grants and contracts	609,957	548,618
Educational activities	75,064	71,208
Auxiliary enterprises	147,604	144,900
Collection of loans from students and employees	3,736	3,796
Payments to employees	(966,807)	(868,835)
Payments for benefits	(218,280)	(204,078)
Payments to suppliers and utilities	(470,409)	(453,191)
Payments for scholarships and fellowships	(77,743)	(75,492)
Loans issued to students and employees	(4,535)	(4,080)
Other receipts	14,819	28,206
Net cash used by operating activities	(523,500)	(479,805)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State educational appropriations	411,017	506,538
Gifts received for other than capital purposes	147,722	147,112
Student direct lending receipts	135,247	122,439
Student direct lending payments	(135,247)	(122,439)
Other (payments) receipts	(4,884)	886
Net cash provided by noncapital financing activities	553,855	654,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	14,439	35,828
State financing appropriations	20,222	17,928
Capital gifts and grants	16,383	84,763
Proceeds from debt issuance	23,463	61,193
Proceeds from the sale of capital assets	555	84
Purchase of capital assets	(377,633)	(314,076)
Principal paid on debt and capital leases	(3,021)	(53,176)
Interest paid on debt and capital leases	(1,367)	(2,402)
Net cash used by capital and related financing activities	(306,959)	(169,858)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments held by the Office of the President	(408,000)	-
TRIP investment income	18,329	-
Other investment income, net of investment expenses	44	-
Net cash used by investing activities	(389,627)	-
Transfers	223,899	125,842
Net (decrease) increase in cash	(442,332)	130,715
Cash and cash equivalents, beginning of year	977,279	846,564
Cash and cash equivalents, end of year	\$534,947	\$977,279

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (continued)

YEARS ENDED JUNE 30, 2009 AND 2008 (IN THOUSANDS OF DOLLARS)

	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$671,904)	(\$696,947)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	144,210	132,408
Allowance for doubtful accounts	453	(1,371)
Change in assets and liabilities:		
Receivables	(1,600)	(6,161)
Investment held by trustees	(749)	(394)
Inventories	(480)	(157)
Other assets	(213)	297
Accounts payable	(6,701)	1,003
Accrued salaries and benefits	4,681	62,078
Deferred revenue	7,040	11,535
Other liabilities	1,763	17,904
Net cash used by operating activities	(\$523,500)	(\$479,805)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Capital assets acquired through capital leases	\$1,679	\$1,753
Capital assets acquired with a liability at year-end	14,240	17,467
Investments held by trustees	(24,565)	(31,167)
State financing appropriations	(832)	1,131
Gifts of capital assets	2,669	8,639
Loss on disposal of capital assets	(2,238)	(4,650)
Debt service for lease-revenue bonds	(3,887)	(3,887)

See accompanying Notes to Financial Statements

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

ORGANIZATION

Founded in 1868, the University of California, Berkeley (Berkeley) is the original campus of the ten-campus University of California (UC). UC is a public, state-supported institution administered by the corporation, "The Regents of the University of California" (The Regents), with a mission of teaching, research and public service. The Regents is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26 members of The Regents are appointed by the governor and approved by the State Senate. Various Berkeley programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. Berkeley is subject to the bylaws, standing orders and policies established by The Regents and the Office of the President, the executive head of UC.

FINANCIAL REPORTING ENTITY

Berkeley's financial statements include the accounts of the campus only. Accounts for separate, but related organizations, such as the E. O. Lawrence Berkeley National Laboratory, associated student organizations, and booster and alumni organizations are not included in the reporting entity because Berkeley does not have fiduciary responsibility for these organizations or the organizations' balances and activities are insignificant compared to Berkeley's amounts. The University of California, Berkeley Foundation (the "Foundation") is a legally separate not-for-profit organization dedicated to providing to Berkeley the financial benefits generated from its fundraising efforts and investment earnings. Condensed Foundation financial statement balances are presented in Note 13.

Berkeley's financial statements display all of the assets, liabilities, net assets, revenues and expenses reflected in Berkeley's accounts. However, certain significant assets, liabilities, and net assets, such as UC system-wide investments, self-insurance liabilities, revenue bond debt, retirement benefit liabilities and endowment funds, are not reflected in Berkeley's campus-level accounts. Therefore, Berkeley's financial statements do not reflect a picture of the campus' financial position on a stand-alone basis but rather as a campus within the UC system.

Endowments are held and administered either by UC or by the Foundation. The financial activities for endowments are generally not included in Berkeley's financial statements until such times as expendable amounts are transferred to Berkeley. The expendable endowment amounts transferred from UC to Berkeley are reflected in Note 10. The endowment investment payout provided by the Foundation to Berkeley is discussed in Note 13.

SIGNIFICANT ACCOUNTING POLICIES

Berkeley's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board (GASB) and all statements of the Financial Accounting Standards Board through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting. Berkeley's financial statements have not been individually audited but rather are audited as part of the UC financial statement audit.

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, was adopted by Berkeley during the year ended June 30, 2009. Statement No. 49 established criteria to ascertain whether certain events result in a requirement for the campus to estimate the components of any expected pollution remediation costs and determine whether these costs should be accrued as liability. The costs were estimated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Previously, pollution remediation costs were accrued only if they were both probable of occurring and could be reasonably estimated.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

In accordance with Statement No. 49 retrospective application is required. Berkeley restated the 2008 financial statements to reflect the cumulative effect of the changes from the adoption of Statement No. 49. The adjustments were to recognize an additional \$8.5 million of operating expenses and to increase the pollution remediation liability to \$16.5 million as of June 30, 2008 as follows (in thousands of dollars):

	YEAR ENDED JUNE 30, 2008		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 49	AS RESTATED
Statement of Net Assets			
Other noncurrent liabilities	\$14,810	\$8,541	\$23,351
Noncurrent liabilities	131,572	8,541	140,113
Total liabilities	543,315	8,541	551,856
Unrestricted net assets	425,574	(8,541)	417,033
Total net assets	3,181,305	(8,541)	3,172,764
Statement of Revenues, Expenses and Changes in Net Assets			
Other operating expenses	287,819	8,541	296,360
Total operating expenses	1,801,846	8,541	1,810,387
Operating loss	(688,406)	(8,541)	(696,947)
Loss before other changes in net assets	(19,810)	(8,541)	(28,351)
Increase in net assets	195,162	(8,541)	186,621
Statement of Cash Flows			
Operating loss	(688,406)	(8,541)	(696,947)
Changes in assets and liabilities:			
Other liabilities	9,363	8,541	17,904

The significant accounting policies of Berkeley are summarized below.

Cash and cash equivalents

Berkeley considers all balances in its demand deposit accounts and its share of UC's Short Term Investment Pool (STIP) to be cash.

Investments held by the Office of the President

Berkeley considers its share of UC's Total Return Investment Pool (TRIP) to be investments held by the Office of the President. These amounts are recorded at historical cost, which does not approximate the fair value of the investments. Realized gains or losses are recorded upon the sale of Berkeley's shares. Dividend and interest income, net of administrative fees, is recorded as it is distributed from the Office of the President.

Investments held by trustees

Investments held by trustees are primarily recorded at fair value.

Accounts receivable, net

Accounts receivable, net of allowance for uncollectible amounts, includes reimbursements due from state and federal sponsors of externally funded research, local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net

Unconditional pledges of private gifts to Berkeley in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable, net

Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other sources. Home mortgage loans, primarily to faculty, are provided from the STIP and from other sources.

Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of net realizable value.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Capital assets

Land, infrastructure, buildings and improvements, equipment, libraries and collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain, and, therefore, the estimates could differ from actual results. Capital leases are recorded at the present value of future minimum lease payments. Significant additions, replacements, major repairs, and renovations to infrastructure and buildings are generally capitalized if the cost exceeds \$35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of \$5,000 and a useful life of more than one year is capitalized. All costs of land, library collections, and special collections are capitalized.

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

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15-33 years
Equipment	2-20 years
Computer software	3-7 years
Library books and material	15 years

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

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

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned during the temporary investment of project related borrowings.

Deferred revenue

Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees and fees for housing and dining services.

Federal refundable loans

Certain loans to students are administered by Berkeley with funding primarily supported by the federal government. Berkeley's statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Net assets

Net assets are required to be classified for accounting and reporting purposes into the following categories:

Invested in capital assets, net of related debt

This category includes all of Berkeley's capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt reported in Berkeley's accounts attributable to the acquisition, construction, or improvement of those assets.

Restricted expendable

Berkeley classifies net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose. Net assets whose use by Berkeley is subject to externally-imposed restrictions that can be fulfilled by actions of Berkeley pursuant to those restrictions are classified as restricted expendable net assets.

Restricted nonexpendable

Net assets subject to externally-imposed restrictions that must be retained in perpetuity are classified as nonexpendable net assets. Such net assets (including permanent endowment funds) are recorded by UC and are not recorded in Berkeley's accounts.

Unrestricted

Net assets that are neither externally restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. Unrestricted net assets may be designated for specific purposes by management or the Regents. Substantially all unrestricted net assets are allocated for academic and research initiatives or programs, for capital programs, or for other purposes.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Expenses are charged to either restricted or unrestricted net assets based upon a variety of factors, including consideration of prior and future revenue sources, the types of expense incurred, Berkeley's budgetary policies surrounding the various revenue sources, or whether the expense is a recurring cost.

Revenues and expenses

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

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

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, private gifts for other than capital purposes, and loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants, and net transfers from the Office of the President or other UC campuses are classified as other changes in net assets.

Student tuition and fees

Substantially all of the student tuition and fees provide for current operations of Berkeley. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

State appropriations

The state of California provides appropriations to UC on an annual basis. Berkeley's allocated share of state educational appropriations is recognized as nonoperating revenue; however, the related expenses are incurred to support either educational operations or other specific operating purposes. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as non-operating revenue. State appropriations for capital projects are recorded as revenue under other changes in net assets when related expenditures are incurred. Special state appropriations for AIDS, tobacco, and breast cancer research are reported as grant revenue.

Grant and contract revenue

Berkeley receives grant and contract revenue from governmental and private sources. Berkeley recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UC's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2009, the facilities and administrative cost recovery totaled \$94.6 million, \$64.2 million from federally sponsored programs and \$30.4 million from other sponsors. For the year ended June 30, 2008, the facilities and administrative cost recovery totaled \$86.1 million, \$62.3 million from federally sponsored programs and \$23.8 million from other sponsors.

Scholarship allowances

Berkeley recognizes certain scholarship allowances, including both financial aid and fee waivers, as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center fees, etc. 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 made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to revenues for the years ended June 30, 2009 and 2008 (in thousands of dollars):

	2009	2008
Student tuition and fees	\$121,055	\$111,683
Auxiliary enterprises	31,430	30,753
Scholarship allowances	\$152,485	\$142,436

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Retiree Health Benefits Expense

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

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are effectively made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus's required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets.

UCRP Benefits Expense

The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of Berkeley. Contributions from the campus to the UCRP are effectively made to a cost-sharing single-employer defined benefit pension plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRP. As a result, the campus's required contributions, if any, are recognized as an expense in the statement of revenues, expenses and changes in net assets.

Compensated absences

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

Endowment spending

Under provisions of California law, the Uniform 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 Berkeley programs.

Tax exemption

As a UC campus, Berkeley is qualified as a tax-exempt organization under the provisions of Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income.

Use of estimates

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

New accounting pronouncements

In June 2007, the GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets, effective for Berkeley's fiscal year beginning July 1, 2009. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. Management is evaluating the effect that Statement No. 51 will have on Berkeley's financial statements.

NOTE 1: CASH AND CASH EQUIVALENTS

UC maintains centralized management for substantially all of its cash. Accounts are authorized at financial institutions that maintain a minimum credit quality rating of A from an independent bond rating agency. Cash in Berkeley's demand deposit accounts is minimized by sweeping available cash balances into UC's investment accounts on a daily basis.

At June 30, 2009 and 2008, the amount of Berkeley's demand deposits, held in nationally recognized banking institutions, was \$1.7 million and \$1.1 million, respectively. Bank balances of \$1.3 million in 2009 are insured by the Federal Deposit Insurance Corporation (FDIC).

Berkeley does not have a significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups in foreign countries were insignificant at June 30, 2009 and 2008, respectively.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

The Regents, as the governing Board, is responsible for the oversight of UC's investments and establishes investment policy, which is carried out by UC's Chief Investment Officer. In 2008, primarily all of Berkeley's available cash balances were invested in STIP. Berkeley considers its share of UC's STIP to be cash. The STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities. Cash to provide for payroll, construction expenditures and other operating expenses for Berkeley is invested in the STIP. Investments authorized by the Regents for the STIP include fixed income securities with a maximum maturity of five and one-half years. In addition, the Regents has also authorized loans, primarily to faculty members residing in California, under UC's Mortgage Origination Program with terms up to 40 years. Berkeley's share of UC's STIP at June 30, 2009 and 2008 was \$533.2 million and \$976.1 million, respectively. Earnings from STIP distributed to Berkeley from the Office of the President was \$23.8 million in 2009 and \$42.6 million in 2008.

NOTE 2: INVESTMENTS HELD BY THE OFFICE OF THE PRESIDENT

In 2009, Berkeley allocated \$408.0 million to the UC Total Return Investment Pool (TRIP) for a period of three years. TRIP allows Berkeley the opportunity to maximize the return on its long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by the Regents for TRIP include a diversified portfolio of equity and fixed income securities. The earnings from the investments in the TRIP totaled \$18.3 million in 2009.

NOTE 3: INVESTMENTS HELD BY TRUSTEES

Berkeley has entered into agreements with trustees to maintain trusts for certain capital projects. In addition, the state of California retains on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects. The proceeds are deposited in a commingled U.S. bond fund managed by the State of California Treasurer's Office, as trustee, and distributed as the projects are constructed. The combined fair value of all of the investments and deposits held by trustees was \$6.9 million and \$30.8 million at June 30, 2009 and 2008, respectively.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2009 and 2008 are as follows (in thousands of dollars):

	STATE & FEDERAL GOVERNMENT	LOCAL GOVT & PRIVATE GRANTS & CONTRACTS	AUXILIARY & SERVICE ENTERPRISES	FEES & OTHER	TOTAL
At June 30, 2009					
Accounts receivable	\$71,481	\$38,940	\$5,174	\$19,545	\$135,140
Allowance for uncollectible amounts	(349)	(507)	(1,231)	(4,602)	(6,689)
Accounts receivable, net	\$71,132	\$38,433	\$3,943	\$14,943	\$128,451
At June 30, 2008					
Accounts receivable	\$74,073	\$37,630	\$3,190	\$21,858	\$136,751
Allowance for uncollectible amounts	(1,038)	(715)	(756)	(3,660)	(6,169)
Accounts receivable, net	\$73,035	\$36,915	\$2,434	\$18,198	\$130,582

Adjustments to the allowance for doubtful accounts have either increased or (decreased) the following revenues for the years ended June 30, 2009 and 2008 (in thousands of dollars):

	2009	2008
Student tuition and fees	(\$1,809)	(\$321)
Grants and contracts:	(255)	-
Educational activities	(70)	(81)
Auxiliary enterprises	(446)	32
Other operating revenues	205	43

University of California, Berkeley
Notes to Financial Statements (unaudited)
Years Ended June 30, 2009 and 2008

NOTE 5: PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2009 and 2008 is summarized as follows (in thousand of dollars):

	2009	2008
Total pledges receivable outstanding	\$56,082	\$62,281
Less: Unamortized discount to present value	(2,815)	(2,837)
Allowance for uncollectible pledges	(4,350)	(3,644)
Total pledges receivable, net	48,917	55,800
Less: Current portion of pledges receivable	(27,711)	(31,847)
Noncurrent portion of pledges receivable	\$21,206	\$23,953

Future pledge payments for each of the five fiscal years subsequent to June 30, 2009 and thereafter are as follows (in thousands of dollars):

Year Ending June 30	
2010	\$30,775
2011	8,930
2012	5,023
2013	4,005
2014	1,709
2015 and thereafter	5,640
Total payments on pledges receivable	\$56,082

Adjustments to the allowance for doubtful accounts associated with pledges have increased or (decreased) the following revenues for the years ended June 30, 2009 and 2008 (in thousands of dollars):

	2009	2008
Private gifts	(\$5,266)	(\$1,435)
Capital gifts and grants	(140)	103
	(\$5,406)	(\$1,332)

NOTE 6: NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2009 and 2008, along with the related allowances for uncollectible amounts, are as follows (in thousand of dollars):

	CURRENT	NONCURRENT		TOTAL
		NOTES	MORTGAGES	
At June 30, 2009				
Notes and mortgage receivable	\$5,086	\$25,577	\$2,985	\$28,562
Allowance for uncollectible amounts	(55)	(2,075)	-	(2,075)
Notes and mortgage receivable, net	\$5,031	\$23,502	\$2,985	\$26,487
At June 30, 2008				
Notes and mortgage receivable	\$5,981	\$24,346	\$2,365	\$26,711
Allowance for uncollectible amounts	(69)	(2,128)	-	(2,128)
Notes and mortgage receivable, net	\$5,912	\$22,218	\$2,365	\$24,583

University of California, Berkeley
Notes to Financial Statements (unaudited)
Years Ended June 30, 2009 and 2008

NOTE 7: CAPITAL ASSETS

Berkeley's capital asset activity for the year ended June 30, 2009 and 2008 is as follows (in thousands of dollars):

	2007	ADDITIONS	DISPOSALS	2008	ADDITIONS	DISPOSALS	2009
ORIGINAL COST							
Land	\$47,103	\$20,254	-	\$67,357	\$23,697	(\$1)	\$91,053
Infrastructure	35,460	3,328	-	38,788	1,736	-	40,524
Buildings and improvements	2,338,872	260,165	(7,132)	2,591,905	297,492	-	2,889,397
Equipment	448,993	36,527	(32,648)	452,872	36,935	(32,123)	457,684
Libraries and collections	805,122	31,426	-	836,548	29,816	(3,392)	862,972
Special collections	84,084	6,451	-	90,535	4,170	(1,612)	93,093
Construction in progress	276,725	(24,107)	-	252,618	(11,365)	-	241,253
Capital assets, at original cost	\$4,036,359	\$334,044	(\$39,780)	\$4,330,623	\$382,481	(\$37,128)	\$4,675,976
ACCUMULATED DEPRECIATION AND AMORTIZATION							
	2007	DEPRECIATION AND AMORTIZATION	DISPOSALS	2008	DEPRECIATION AND AMORTIZATION	DISPOSALS	2009
Infrastructure	\$12,292	\$1,467	\$564	\$14,323	\$1,536	-	\$15,859
Buildings and improvements	813,760	75,701	(6,176)	883,285	84,668	-	967,953
Equipment	330,691	31,803	(29,723)	332,771	31,382	(31,477)	332,676
Libraries and collections	585,368	23,437	-	608,805	26,624	(2,803)	632,626
Accumulated depreciation and amortization	\$1,742,111	\$132,408	(\$35,335)	\$1,839,184	\$144,210	(\$34,280)	\$1,949,114
Capital assets, net	\$2,294,248			\$2,491,439			\$2,726,862

NOTE 8: DEBT

UC finances Berkeley's construction, renovation and acquisition of facilities and equipment through the issuance of debt obligations. Long-term financing includes capital lease obligations and other borrowings. Most long-term indebtedness for Berkeley's housing and food service operations is carried by UC rather than by Berkeley. Long-term indebtedness for Berkeley's parking operations, the Recreational Sports Facility, deferred maintenance and various other facilities is also carried by UC. Berkeley is assessed the required debt service related to its proportionate share of the systemwide debt by UC.

Berkeley's outstanding debt at June 30, 2009 and 2008 is as follows (in thousands of dollars):

	INTEREST RATES	MATURITY YEARS	2009	2008
LONG-TERM FINANCING:				
Capital lease obligations	2.84-5.49%	2010-2032	\$ 83,880	\$ 85,067
Mortgages and other borrowings	8.80%	2010	11,571	11,726
Total outstanding debt			95,451	96,793
Less: Current portion of outstanding debt			(13,750)	(2,800)
Noncurrent portion of outstanding debt			\$ 81,701	\$ 93,993

Total interest expense during the years ended June 30, 2009 and 2008 was \$5.9 million and \$6.3 million, respectively. Interest expense of \$4.2 million and \$4.3 million associated with financing projects during the construction phase was capitalized during the years ended June 30, 2009 and 2008, respectively. The remaining \$1.7 million in 2009 and \$2.0 million in 2008 was reported as interest expense in the statement of revenues, expenses and changes in net assets.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Outstanding Debt Activity

The activity with respect to Berkeley's current and noncurrent debt for the years ended June 30, 2009 and 2008 is as follows (in thousands of dollars):

	CAPITAL LEASE OBLIGATIONS	OTHER BORROWINGS	TOTAL
<i>Year ended June 30, 2009</i>			
Current portion at June 2008	\$2,645	\$155	\$2,800
Reclassification from noncurrent	2,400	11,571	13,971
Principal payment	(2,866)	(155)	(3,021)
Current portion at June 30, 2009	\$2,179	\$11,571	\$13,750
Noncurrent portion at June 30, 2008	\$82,422	\$11,571	\$93,993
New obligations	1,679	-	1,679
Reclassification to current	(2,400)	(11,571)	(13,971)
Noncurrent portion at June 30, 2009	\$81,701	\$-	\$81,701
<i>Year ended June 30, 2008</i>			
Current portion at June 2007	\$3,386	\$30,200	\$33,586
Reclassification from noncurrent	2,810	19,581	22,391
Principal payment	(3,551)	(49,626)	(53,177)
Current portion at June 30, 2008	\$2,645	\$155	\$2,800
Noncurrent portion at June 30, 2007	\$83,478	\$1,500	\$84,978
New obligations	1,754	29,652	31,406
Reclassification to current	(2,810)	(19,581)	(22,391)
Noncurrent portion at June 30, 2008	\$82,422	\$11,571	\$93,993

Capital Leases

UC has entered into lease-purchase agreements with the State of California that are recorded as capital leases. The state sells lease revenue bonds to finance construction of certain state-owned buildings to be used by UC. During the construction phase, UC acts as agent for the state. Bond proceeds remain on deposit with the state, as trustee, until UC is reimbursed as the project is constructed.

Upon completion, the buildings and equipment are leased to UC under terms and amounts that are sufficient to satisfy the state's lease revenue bond requirements with the understanding that the state will provide financing appropriations to UC to satisfy the annual lease requirements. At the conclusion of the lease term, ownership transfers to UC. Most of the capital lease obligations associated with the lease-purchase agreements with the state and financing construction projects at multiple campuses are carried by UC, and Berkeley is assessed for its share of the related debt service. However, capital lease obligations associated only with Berkeley are recorded by Berkeley. The capital lease obligations associated with the lease-purchase agreements with the State that are carried by Berkeley and reported in Berkeley's statement of net assets were \$79.9 million at June 30, 2009, and at June 30, 2008.

The state of California financing appropriation to Berkeley under the terms of the lease-purchase agreements, recorded as nonoperating revenue in the statement of revenues, expenses and changes in net assets, for the year ended June 30, 2009 and 2008 was \$17.9 million and \$17.6 million, respectively. The principal and interest debt service payments reported in Berkeley's financial statements as transfers for the years ended June 30, 2009 and 2008 were as follows (in thousands of dollars):

	2009	2008
Capital lease principal	\$10,478	\$8,601
Capital lease interest	7,910	9,572
Total	\$18,388	\$18,173

Capital leases entered into with other lessors, primarily for equipment, totaled \$4.0 million and \$5.2 million for the years ended June 30, 2009 and 2008, respectively.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2009 are as follows (in thousands of dollars):

Year Ending June 30	CAPITAL LEASES	OTHER BORROWINGS	TOTAL PAYMENT	PRINCIPAL	INTEREST
2010	\$2,296	\$12,174	\$14,470	\$13,750	\$720
2011	1,242	-	1,242	1,190	52
2012	631	-	631	615	16
2013	27	-	27	26	1
Total future debt service	4,196	12,174	16,370	\$15,581	\$789
Less: Interest component of future payments	186	603	789		
Principal portion of future payments	\$4,010	\$11,571	\$15,581		

NOTE 9: OTHER LIABILITIES

Other current liabilities of \$62.0 million and \$57.6 million and noncurrent liabilities of \$20.1 million and \$23.3 million at June 30, 2009 and 2008, respectively, consisted of compensated absences, deposits, pollution remediation and other accrued liabilities and funds held for others.

Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated the University is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost or recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2009 reducing the pollution remediation liability.

Berkeley participates in UC's self-insurance programs for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded by UC when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the anticipated future payments. Berkeley is assessed for its share of the required insurance expense. Insurance expense of \$7.9 million and \$5.7 million was included in other operating expenses in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008, respectively.

OTE 10: TRANSFERS

Transfers of funds from (to) UC's Office of the President or other UC campuses for the years ended June 30, 2009 and 2008 were as follows (in thousands dollars):

	2009	2008
Capital projects funding	\$245,380	\$92,375
Endowment income - dividend and interest	44,327	45,010
Endowment income - accumulated capital gains	31,100	22,000
Short-term investment pool earnings	23,777	42,640
Indirect cost recovery	(94,586)	(86,103)
Net revenue for bond programs	(23)	10,223
Debt service	(62,750)	(23,812)
Transfers of net capital assets	1,726	1,981
Other operating funding	34,948	21,528
Total transfers	\$223,899	\$125,842

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

NOTE 11: RETIREE HEALTH PLANS

The University administers single-employer health plans to provide health and welfare benefits, primarily medical, dental and vision benefits, to eligible retirees of the University of California and its affiliates. The Regents has the authority to establish and amend the benefit plans.

The contribution requirements of the eligible retirees and the participating University locations, such as Berkeley, 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 the campus prior to 1990 are eligible for the maximum employer contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the campus after 1989 and not rehired after that date 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.

Participating University locations, such as the campus, are required to contribute at a rate assessed each year by the UCRHBT. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were \$3.09 and \$2.86 per \$100 of UCRP covered payroll resulting in campus contributions of \$22.9 million and \$20.4 million for the years ended June 30, 2009 and 2008, respectively.

The actuarial value of UCRHBT assets and the actuarial accrued liability associated with the University's campuses and medical centers using the entry age normal cost method as of July 1, 2008, the date of the latest actuarial valuation, were \$51.2 million and \$13.3 billion, respectively. The net assets held in trust for pension benefits on the UCRHBT's Statement of Plan Fiduciary Net assets were \$74.4 million at June 30, 2009. For the years ended June 30, 2009 and 2008, combined contributions from the University's campuses and medical centers were \$278.5 million and \$268.1 million, respectively, including an implicit subsidy of \$44,079 and \$43,036, respectively. The University's annual retiree health benefit expense for its campuses and medical centers was \$1.50 billion and \$1.36 billion for the years ended June 30, 2009 and 2008, respectively. As a result of contributions that were less than the retiree health benefit expense, the University's obligation for retiree health benefits attributable to its campuses and medical centers totaling \$2.31 billion at June 30, 2009 increased by \$1.22 billion and \$1.09 billion for the years ended June 30, 2009 and 2008, respectively.

Information related to plan assets and liabilities as they relate to individual campuses and medical centers is not readily available. Additional information on the retiree health plans can be obtained from the 2008–2009 annual reports of the University of California and the University of California Health and Welfare Program.

NOTE 12: RETIREMENT PLANS

Substantially all full-time employees of Berkeley 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 single employer defined benefit plan, and the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the benefit plans.

The UCRP provides lifetime retirement income, disability protection, and survivor benefits to eligible employees. Benefits are based on average highest three years compensation, age, and years of service and are subject to limited cost-of-living increases.

Contributions to the UCRP may be made by the campus 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. The Regents determine the portion of the total contribution to be made by the campus and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. As a result of the funded status of the UCRP, during the years ended June 30, 2009 and 2008, there were no required campus or employee contributions other than for service credit buybacks.

The actuarial value of UCRP assets and the actuarial accrued liability associated with the University's campuses and medical centers using the entry age normal cost method as of July 1, 2008, the date of the latest actuarial valuation, were \$35.5 billion and \$34.3 billion, respectively, resulting in a funded ratio of 103.4 percent. The net assets held in trust for pension benefits attributable to the campuses and medical centers included in the UCRP Statement of Plan's Fiduciary Net assets were \$32.32 billion and \$42.02 billion at June 30, 2009 and June 30, 2008, respectively.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

The University utilizes asset allocation strategies that are intended to optimize the UCRP's investment returns over time in accordance with investment objectives and at acceptable levels of risk. However, the financial markets, both domestically and internationally, deteriorated subsequent to July 1, 2008. As a result, the funded ratio as of the July 1, 2009 actuarial valuation for the campuses and medical centers is approximately 94.8 percent.

For the years ended June 30, 2009 and 2008, University's campuses and medical centers contributed a combined \$442 thousand and \$2.7 million, respectively. The University's annual UCRP benefits expense for its campuses and medical centers was \$69.13 million for the year ended June 30, 2009. As a result of contributions that were less than the UCRP benefits expense, the University's obligation for UCRP benefits attributable to its campuses and medical centers increased by \$68.7 million for the year ended June 30, 2009. For the year ended June 30, 2008, contributions from the University's campuses and medical centers was equivalent to the annual UCRP benefits expense. As a result, there was no obligation for UCRP benefits at June 30, 2008.

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 campus 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, and are immediately vested.

Information related to plan assets and liabilities, as they relate to campus employees, is not readily available. Additional information on the retirement plans can be obtained from the 2008-2009 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Plan and the University of California PERS-VERIP.

NOTE 13: CAMPUS FOUNDATION INFORMATION

Under UC policies approved by The Regents, Berkeley established a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and UC. Although an independent board governs the Foundation, its assets are dedicated for the benefit of Berkeley. The Foundation provided Berkeley gifts of \$78.9 million and \$122.4 million, including endowment investment payout of \$31.8 million and \$27.4 million, during the years ended June 30, 2009 and 2008, respectively. These amounts were included in private gifts or capital gifts and grants in the statement of revenues, expenses and changes in net assets.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

Condensed Foundation financial statement information for the years ended June 30, 2009 and 2008 is as follows (in thousands of dollars):

	2009	2008
CONDENSED STATEMENT OF NET ASSETS		
Current assets	\$86,133	\$86,788
Noncurrent assets	873,544	1,060,881
Total assets	959,677	1,147,669
Current liabilities	10,736	25,095
Noncurrent liabilities	66,858	62,543
Total liabilities	77,594	87,638
Restricted	881,312	1,058,801
Unrestricted	771	1,230
Total net assets	\$882,083	\$1,060,031
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	\$61,111	\$86,620
Operating expenses	(81,402)	(124,364)
Operating (loss)	(20,291)	(37,744)
Nonoperating income (loss)	(207,579)	(22,086)
Income (loss) before other changes in net assets	(227,870)	(59,830)
Permanent endowments	49,922	55,327
Increase (decrease) in net assets	(177,948)	(4,503)
Net assets - beginning of year	1,060,031	1,064,534
Net assets - end of year	\$882,083	\$1,060,031
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	(\$20,688)	(\$31,308)
Noncapital financing activities	45,836	46,767
Investing activities	(25,966)	(11,898)
Net increase in cash	(818)	3,561
Cash and cash equivalents - beginning of year	4,807	1,246
Cash and cash equivalents - end of year	\$3,989	\$4,807

NOTE 14: COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled \$557.2 million and \$464.5 million at June 30, 2009 and 2008, respectively.

Berkeley leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the year ended June 30, 2009 and 2008 were \$21.2 million and \$21.1 million, respectively. The terms of operating leases extend through the year ending 2017.

University of California, Berkeley

Notes to Financial Statements (unaudited)

Years Ended June 30, 2009 and 2008

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

Year Ending June 30	Minimum Annual Lease Payments
2010	\$12,429
2011	7,863
2012	6,548
2013	4,378
2014	2,986
2015 and thereafter	722
Total	\$34,926

Contingencies

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

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

UNIVERSITY OF CALIFORNIA, BERKELEY
CAMPUS AND FINANCIAL HIGHLIGHTS

For Fiscal Years Ended June 30

	<u>2009</u>	<u>2008</u>
Enrollment - Fall Semester		
Undergraduates	25,151	24,636
Graduates	10,258	10,317
All Students	35,409	34,953
Staff (Full-Time Equivalent) as of April		
Academic	5,558	5,535
Non-Academic	9,009	8,960
All Employees	14,567	14,495
Campus Land Area (Including adjacent properties)	6,679 acres	6,675 acres
Operating Expenses By Function (dollars in thousands)		
Instruction	\$ 545,062	\$ 545,003
Research	481,914	422,942
Public service	60,677	57,943
Academic support	114,608	118,383
Student services	120,832	117,375
Institutional support	131,882	127,396
Operation & maintenance of plant	71,377	75,589
Student financial aid	77,753	69,251
Auxiliary enterprises	118,248	118,293
Depreciation & amortization	144,210	132,408
Other	21,891	25,804
Total operating expenses	<u>\$ 1,888,454</u>	<u>\$ 1,810,387</u>