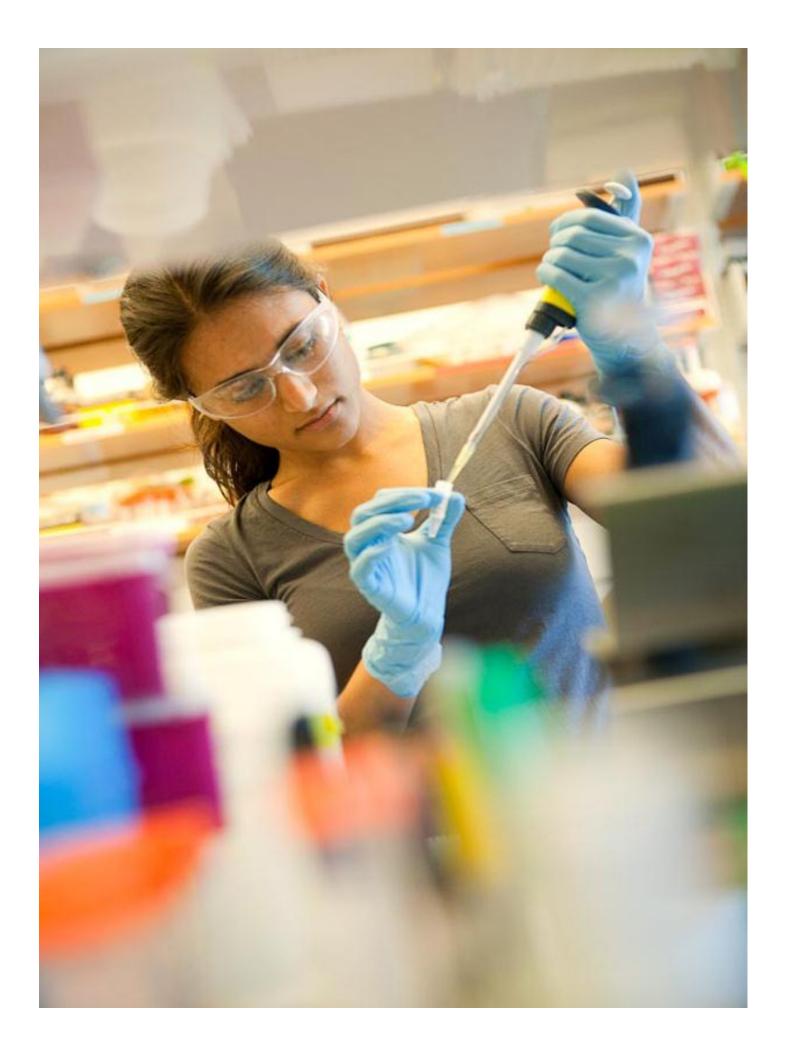


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CAMPUS FACTS

	2003-04	2006-07	2009-10	2010-11
Applicant Headcount				
Freshmen	36,976	41,750	48,674	50,393
Transfer	10,037	10,644	13,293	15,120
Total	47,013	52,394	61,967	65,513
Fall Enrollment				
Undergraduate	23,206	23,863	25,530	25,540
% female	54%	54%	53%	53%
% underrepresented	15%	15%	16%	16%
Graduate	9,870	10,070	10,313	10,298
% female	46%	46%	45%	45%
% underrepresented	10%	10%	11%	11%
Total	33,076	33,933	35,843	35,838
Primary Courses Offer	ed			
Lower Division	1,913	2,349	2,332	2,404
Upper Division	2,801	3,552	3,376	3,391
Graduate	3,461	3,774	3,806	3,901
Total	8,175	9,675	9,514	9,696
Degrees Awarded				
Bachelor	6,648	6,629	7,086	7,466
Master/Professional	2,292	2,346	2,411	2,480
Doctoral	770	895	877	905
Total	9,710	9,870	10,374	10,851
Graduation Rates				
Freshmen (6 Years)	86%	89%	90%	91%
Transfers (4 Years)	86%	87%	89%	90%
. ,		0770	0370	3070
Workforce (October co	-			
Ladder-rank Faculty	1,484	1,490	1,508	1,484
Other Faculty & Staff	11,590	12,455	12,597	12,478
Student Titles	9,442	9,713	9,528	9,562
Total	22,516	23,658	23,633	23,524



Current Berkeley faculty
include:
9 Nobel Laureates
(22 winners total)
137 National Academy of
Science members
222 Academy of Science
members
115 Sloan Research Scholars
21 MacArthur "Geniuses"

In 2011, 95% of UC
Berkeley seniors rated
their ability to
appreciate, tolerate
or understand racial
and ethnic diversity as
good or better.

28 Berkeley alumni have won Nobel Prizes, and more of our graduate students currently hold National Science Foundation and Ford Foundation fellowships than students at any other university in the U.S.

lacksquare Message from the vice chancellor, administration & finance



John Wilton,Vice Chancellor, Administration & Finance

"We need a Berkeley solution that places the campus on a stable financial footing in a manner that is consistent with our public mission."

Last February, I began as vice chancellor with the goal of helping Berkeley succeed in these challenging financial times. After working for the World Bank for many years, I recognize that there is a hard and fast link between future social mobility and economic vitality and the availability of affordable, top quality education and research conducted in the public's interest. In this context, Berkeley's success is critical for our state and nation to be competitive in a global environment.

Berkeley's long-held tradition of combining *Access and Excellence* has distinguished us from other institutions of higher education. While this commitment is being challenged by California's disinvestment in public higher education and

discouraging national and global economic news, Berkeley has a strategy to succeed.

It is no accident that we have continued to maintain our *Access and Excellence* in the face of financial challenges. As state funds decreased, Berkeley's revenues and net assets have grown as other fund sources have increased. However, Berkeley does not exist in a self-contained bubble; it needs to compete for talent, and some core costs, such as pensions and health benefits, that are not determined at the campus level are set to significantly increase. In addition, we need to continually invest in our core infrastructure and people.

While the resulting financial challenges are not unique to Berkeley, we need a Berkeley solution that places the campus on stable financial footing in a manner that is consistent with our public mission.

While we need to be vigilant with respect to increasing efficiency and containing expenditures, finding ways to grow revenue is critical. Making sure that Berkeley has a solid and sustainable financial foundation is key if we are to continue to attract and retain the highest quality students and faculty, as well as provide them with the resources and opportunities they need to excel. Our capacity to grow revenue will involve accepting changes to the status quo and being receptive to new initiatives that are consistent with our fundamental educational purpose. It will necessitate accepting changes in the way we currently work. I believe we all have a lot at stake in the success of these endeavors; put simply, change will happen, the challenge is to productively shape this process to make Berkeley stronger.

We are a resilient institution and should not lose the sense of optimism and possibility that has always guided Berkeley. Now, more than ever, we will need to be bold and innovative in a funding environment that has fundamentally and irrevocably changed. We need to continue with advocacy efforts in Sacramento and across the state to reverse the process of disinvestment in education. At the same time, I believe it is our responsibility to ensure that we build our financial plan on a realistic basis around the fundamental objective of maintaining, and expanding *Access and Excellence*. We have shown we can do this, and will continue to do so.

lacksquare Message from the associate vice chancellor, chief financial officer



Erin Gore,Associate Vice Chancellor, Chief Financial Officer

"Berkeley is also taking an aggressive, proactive approach in developing comprehensive financial strategies to secure its future."

As I enter my third year as chief financial officer, I continue to be inspired by Berkeley and the accomplishments of our students, faculty and staff.

In December, Berkeley made history by becoming the first public university to provide needs-based financial aid to middle income families. The Middle Class Access Plan (MCAP) demonstrates Berkeley's commitment to protect the public character of our university by doing everything in its power to preserve the affordability of attendance. Beyond MCAP, our financial aid programs enable 40% of our undergraduates to matriculate without paying tuition and have kept the average level of student debt far below the national average. Both MCAP and the success of existing financial aid programs are, in part, the result of improved financial management that is now providing us with a much clearer picture of revenue streams and the projected costs of new and existing programs. During challenging times, improved financial management is what enables Berkeley to make strategic financial decisions to support our Access and Excellence.

Berkeley is also taking an aggressive, proactive approach in developing comprehensive financial strategies to secure its future. A few years ago, we began to diversify our sources of revenue to lessen our reliance on state funding. At the same time, we embarked on a comprehensive effort to improve the efficiency of our operations and reduce administrative costs. We are advocating for policy changes in the University of California system that promote financial sustainability, including a recent funding streams agreement that ensures revenues generated on campus will remain on campus. Berkeley is moving toward comprehensive budgeting that will improve the strategic use of all revenue sources so the campus can fund programs and initiatives critical to our success. Furthermore, we are investing in our workforce and technology so we can build our financial management capacity.

In the pages that follow, we outline many of the innovative programs, outcomes and successes that Berkeley has achieved over the past year. Our financial statements provide insight on major drivers of change that will help us forecast and plan for the future so we can continue to succeed.

If ingenuity excites you, Berkeley is a very exciting place to be.

CAMPUS HIGHLIGHTS

Berkeley continues to respond to a challenging fiscal environment by making strategic investments in the academic enterprise that protect its reputation for *Access and Excellence*. As a result, Berkeley's reality and reputation continue to shine.

2011 Nobel Prize Winner Saul Perlmutter

Physics professor Saul UC Perlmutter became Berkeley's 22nd Nobel Prize winner last fall, joining eight previous Nobel winners currently on campus and an increasing number of faculty honored with awards and memberships for contributions to their disciplines. Similarly, in



Saul Perlmutter (Roy Kaltschmidt, LBNL)

2010 the National Research Council placed 48 of Berkeley's 52 doctoral programs in the top 10, the most of any institution in the nation. When university rankings focus on research quality and academic reputation, Berkeley continues to shine among the world's best.

Faculty choose Berkeley and stay because of the amazing depth and breadth of academic programs that support interdisciplinary research serving the greater good, along with the opportunity to prepare students to make a difference in the world. In fact, the campus serves as a microcosm of the world itself by bringing people from diverse backgrounds and cultures together to learn about and address issues of global concern. These are but a few of the factors that have enabled the campus to keep its faculty retention rates in line with historical averages.

Engineers help Austin Whitney walk at Graduation



Graduates students come to Berkeley to work side-by-side with faculty making important, far-reaching research discoveries and economic contributions. These graduates become amazing researchers, and 28 alumni have become Nobel Laureates. The undergraduate and graduate curriculum is infused with a research culture, with classes taught by professors actively engaged in their fields of study.

Investing in this academic environment, particularly in challenging fiscal times, has been a campus priority.

We have directed new revenue generated from non-resident tuition to fund additional "common good" course offerings. Recent time-to-degree and graduation rates illustrate a successful start to meeting those challenges, but we know more work needs to be done.

Undergraduates choose Berkeley because they want to learn in an environment that is socially conscious and open to different points of view. They affirm the positive experience of being surrounded by others who challenge and change their perspective. Business leaders seek Berkeley graduates because they have confidence and are more grounded in the real world.



Berkeley inspires me to make a substantial difference in the World!

Louise Hussey 112

Berkeley is an amazing place with students, faculty and staff who want to make a difference, and together we do.

ACCESS AND EXCELLENCE: THE UNIVERSITY OF CALIFORNIA, BERKELEY

Mission
Teaching, Research
& Public Service

350 Programs
130 Departments
14 Schools and Colleges...



The oldest campus of the University of California, UC Berkeley is consistently ranked by its peers as the leading public university in the United States and among the very best research universities in the world. Highly selective undergraduates study in chemistry, engineering, environmental design, arts & humanities, biological sciences, math and physical sciences, social sciences, natural resources, and business, or in programs affiliated with graduate schools such as public health or social welfare. Graduate students choose from among 48 programs ranked in the top 10 range by the National Research Council in 2010. Additional graduate disciplines include education, journalism, information, law, optometry, public health, public policy and social welfare. The breadth and depth of teaching and research activity across and between disciplines at Berkeley is unparalleled among U.S. universities.

STRENGTHS

Successful recruitment and retention of world-class faculty across an unrivalled breadth of academic disciplines

Diverse and extraordinarily qualified undergraduate and graduate student bodies

A research enterprise that is able to support the multi-disciplinary approach required to meet the most pressing global challenges

Berkeley has a global reach and is consistently ranked among the top five in international higher education rankings

The San Francisco Bay Area is home to a core of high tech, cutting-edge research partners, including the Lawrence Berkeley National Lab, UC San Francisco and Stanford.

Continued growth in net assets, even in lean economic times

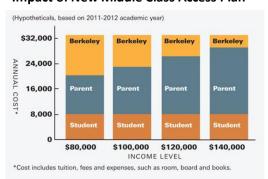
Ability to attract major philanthropic investments

Successful retention and graduation of students with high satisfaction ratings of their college experience

In any given year,
more than 4,000 Cal students do volunteer work. UC
Berkeley continues to be the
only school in the country to
have produced more than
3,400 Peace Corps volunteers since that organization's inception 50 years ago
in 1961.

Flexibility, ingenuity and responsibility define Berkeley's approach to turning challenges into strengths.

Impact of New Middle Class Access Plan



CHALLENGES

Preserving the university's public mission and character in an era of declining state funding

Increasing burden of employee benefit and depreciation costs

Fully realizing institutional performance potential in the context of the UC systemwide mission and goals

Accessing robust federal research funding for medicine without a medical school

Reducing the gap in average faculty salaries between Berkeley and its competitors

Maintaining adequate levels of financial support for graduate students

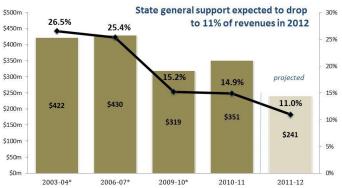
UNIVERSITY OF CALIFORNIA BERKELEY



FINANCIAL HIGHLIGHTS

UC Berkeley's net assets grew by \$563 million to \$4.2 billion in 2010-11. Revenues grew to \$2.4 billion, from \$2.1 billion the prior year. Expenses increased at a smaller rate to \$2.2 billion, from \$2 billion in 2009-10. Specific changes in revenues and expenses are described in the Operating Performance section.

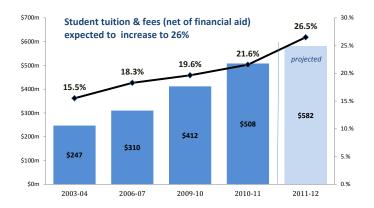
DECLINING STATE SUPPORT



*Prior to 2010-11, state general support includes Berkeley's Indirect Cost Recovery, (ICR) about \$22m each year. With the new Funding Streams agreement , ICR is no longer included in state general support.

State educational appropriations, which include federal American Reinvestment and Recovery Act (ARRA) and general state support, decreased \$37 million in 2010-11, primarily because of a \$68 million decline in ARRA support. While Berkeley had a modest increase of one-time funds (\$32 million) in state general support in 2010-11, we expect state general support to drop from 15% to 11% of revenues in 2011-12. Therefore, the campus is using the 2010-11 one-time increase in state support to mitigate the effect of anticipated budget cuts in the near term.

INCREASING TUITION & FEES, COUPLED WITH HIGHER SCHOLARSHIP EXPENSES



As a result of the Regents' decision to raise student tuition and our own initiative to increase number of non-resident undergraduate students, tuition accounted for 22% of operating revenues in 2010-11. This is expected to climb to

26% in 2011-12. Nearly one-third of all tuition and fee revenue collected is returned to students in the form of scholarships and fellowships. As part of our commitment to *Access and Excellence*, we will increase scholarship and fellowship expenses when we launch the Middle Class Access Plan, the first public university needs-based aid program directed at students from middle income families.

INCREASING BENEFIT COSTS

Salary and benefits make up our largest operating expense, and in 2010-11 this number grew by 4% after years in which our staff and faculty were furloughed and/or received no salary increases. We are projecting that the benefit costs – currently 22% of this expense – will continue to increase over the next five years, due primarily to health care and retirement pension cost increases. Absent pension reform or additional revenue growth, benefit costs in about five years will account for a major share of a projected \$200 million funding gap.

ONE-TIME SUPPORT/EXPENSES

Other drivers of major changes in revenues and expenses can be categorized as one-time events. For example, Berkeley received a one-time payment of \$87.5 million by monetizing future patent revenue for an invention, with those funds directed primarily toward faculty retention and recruitment efforts. At the same time, we incurred a one-time expense royalty of \$25 million to the campus inventors of that patent. Berkeley also received a net increase in transfers from the UC Office of the President for previously appropriated funds to initiate a new system-wide funding model. Lastly, capital gifts for the Li Ka-Shing Center for Biomedical and Health Sciences Building (\$40 million) and Blum Hall (\$17 million) were recorded in 2010-11.

■ ECONOMIC FACTORS & FINANCIAL STRATEGIES

Like other institutions, Berkeley is not immune to external economic and fiscal conditions. These exogenous factors include the large U.S. federal fiscal deficit and California's large structural deficit and underfunded "mandates," such as K-12 education, infrastructure and pensions. We must be proactive in confronting these challenges rather than shaped by them in ways that would threaten our quality and character.

In anticipation and response, Berkeley is creating a stable financial model and transforming its budget process to ensure *Access and Excellence* well into the future.

While we cannot cut our way to excellence, it is critical that Berkeley identify ways to become more efficient and reduce costs. Operational Excellence (OE) efforts are realizing cost savings throughout the campus: The Organizational Simplification initiative has already generated \$20 million in annual savings as a result of restructured administrative units and reduced managerial staff that created a flatter, more efficient organization. In Spring 2012, OE's Procurement initiative will launch a new, highly cost-effective method of procurement that combines the purchasing power of two of our UC campuses (Berkeley and UCSF) with a streamlined web ordering system. By centralizing the purchase of good and services, we expect to net \$45 million in annual savings over time. Coupled with other OE initiatives, the campus projects eventual savings of \$75 million a year.

Berkeley revenues have grown overall because of increases in non-state revenue sources including research contracts and grants, philanthropic gifts and student tuition. However, unlike state allocations, we need to compete for funds provided by each of these sources, and most - except, notably, student tuition - come with strict restrictions on how the revenue can be spent. It is worth noting that the fungibility of student tuition provides us with a measure of fiscal flexibility that helps support strategic budgeting. For example, Berkeley chose to allocate a portion of this revenue to provide additional "common good" courses and to partially fund MCAP. It was therefore critical for Berkeley to reach a funding streams agreement with the UC Office of the President to ensure these revenues remain on campus and to properly align incentives for revenue growth with Berkeley's enrollment management decisions.

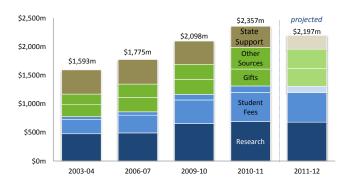
While OE cost savings and efficiencies and increased revenue from non-state sources are all critical, those efforts are not sufficient to maintain financial stability and address the potential funding gap from increasing pension costs.

Therefore, Berkeley is launching two initiatives to ensure future success: (1) financial sustainability through revenue growth and (2) new financial management capacity.

FINANCIAL SUSTAINABILITY THROUGH REVENUE GROWTH

Even as we reduce costs and improve efficiencies, costs will continue to rise. The resulting medium term "financing problem" is not unique to Berkeley, but we need a Berkeley-specific solution that places the campus on stable financial footing.

Total revenues must grow. A Berkeley solution is needed.

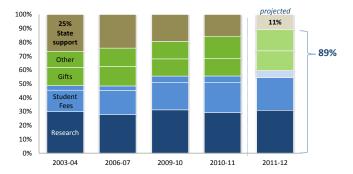


Financial growth is critical for Berkeley to achieve sustainability. The challenge will be finding opportunities that do not come with typical cost burdens; high revenue and high expense efforts will not help. Revenue generating efforts might include on-line education, growth in intellectual property income, greater alumni engagement in donor support and building international educational capacities. We know that other entrepreneurial ideas we need exist among our vice chancellors, deans, faculty and alumni, and we intend to fully engage the community in a broad effort to ensure Berkeley has the resources it needs to support *Access and Excellence*. Success at this scale will require a willingness to think differently about all aspects of our educational and research activities. Building on the ingenuity of Berkeley faculty, staff and other supporters, we know we can succeed.

NEW FINANCIAL MANAGEMENT CAPACITY

Until now, our campus budget process has tended to focus solely on the incremental allocation of state funds rather than on the full range of resources available. This practice was a legacy from an era when state funds were the largest single source of revenue for the campus, but it can no longer be justified at a time when state funding accounts for only 11% of revenue. In the past, state funds supported what was commonly referred to as the "permanent" budget for units and departments across the campus and led to an unproductive managerial focus on incremental adjustments and decision making "at the margin."

From 25% in 2003-04 to a projected 11% in 2011-12, declining state support necessitates an increasing reliance on other sources of revenue



Now, however, we must recognize that there is nothing permanent about revenue from the state and broaden our budgetary decision-making to focus on all revenue sources. This expanded view informs our new, comprehensive budget strategy that will improve the strategic use of all new and existing revenue sources so the campus can fund programs and initiatives critical to its success.

Today, these decisions about the allocation of our resources must recognize the competing priorities for each dollar: student aid, faculty compensation, facility maintenance and renewal, or any of a myriad of other needs. We also need to answer more complicated questions, such as what it actually costs to maintain the curriculum or to offer new programs. To prosper in an increasingly complex financial environment, Berkeley's legacy budgeting and financial systems need to be re-imagined, and we must improve our financial management capacity. We are investing in financial systems and workforce readiness. By deploying new tools like CalPlanning, we can reduce manual work and improve projections and monitoring while enhancing our ability to make decisions in a timely and effective manner.

OPERATING PERFORMANCE

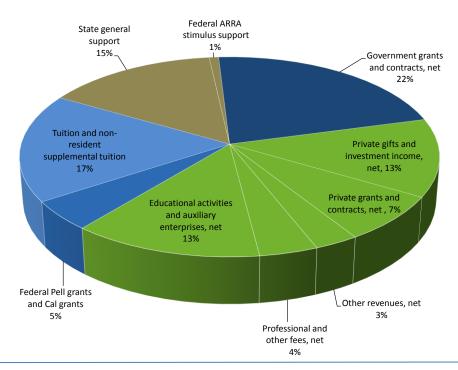
The following statement of revenues, expenses and changes in net assets is a presentation of Berkeley's operating results. It indicates whether the campus' financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of Berkeley are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. Berkeley's statement of revenues, expenses and changes in net assets includes investment income, interest expense and insurance costs associated with system-wide assets and liabilities omitted from Berkeley's statement of net assets.

Cal Grants are funded by the State of California and administered by the California Student Aid Commission (CSAC). Although Cal Grants activities are not reported in Berkeley's statement of revenues, expenses and changes in net assets, in accordance with GASB requirements, Cal Grants are included in this discussion as they are an important source of financial aid to Berkeley undergraduate students. Cal Grants amounts received from the CSAC and Cal Grants amounts disbursed to students are reflected under "Federal Pell Grants and Cal Grants" and "Scholarships and Fellowships," respectively.

A summarized comparison of the operating results for 2010-11 and 2009-10, adjusted to reflect Cal Grants and arranged in a format that matches the revenue supporting the core activities of Berkeley with the expenses associated with core activities, is as follows:

	YEAR ENDED JUNE 30, 2011		YEAR E	NDED JUNE 30,	2010	\$	%	
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	Change	Change
REVENUES								
Student tuition and fees:								
Tuition and non-resident supplemental tuition	\$413,894		\$413,894	\$337,713		\$337,713	\$76,181	23%
Professional and other fees, net	94,259		94,259	\$74,239		74,239	20,020	27%
State educational appropriations:								
State general support		\$350,887	350,887		\$318,850	318,850	32,037	10%
Federal ARRA stimulus support		19,174	19,174		87,782	87,782	(68,608)	(78%
Federal Pell Grants and Cal Grants		113,259	113,259		98,830	98,830	14,429	15%
Grants and contracts:								
Government grants and contracts, net	513,454		513,454	483,572		483,572	29,882	6%
Private grants and contracts, net	177,389		177,389	171,377		171,377	6,012	49
Private gifts and investment income, net		297,173	297,173		259,681	259,681	37,492	149
Other revenues:								
Educational activities and auxiliary enterprises, net	306,586		306,586	222,355		222,355	84,231	38%
Other, net	40,055	31,085	71,140	24,713	18,670	43,383	27,757	64%
Revenues supporting core activities	1,545,637	811,578	2,357,215	1,313,969	783,813	2,097,782	259,433	129
EXPENSES								
Salaries and employee benefits	1,223,132		1,223,132	1,174,929		1,174,929	48,203	4%
Scholarships and fellowships	177,344		177,344	136,052		136,052	41,292	30%
Utilities	35,091		35,091	35,425		35,425	(334)	(1%
Supplies and materials	141,234		141,234	144,264		144,264	(3,030)	(2%
Depreciation and amortization	153,714		153,714	149,835		149,835	3,879	3%
Other expenses:								
Subcontracts	133,671		133,671	141,447		141,447	(7,776)	(5%
Travel	40,008		40,008	36,371		36,371	3,637	10%
Interest		68,546	68,546		49,304	49,304	19,242	39%
Other	201,658	1,779	203,437	141,646	2,150	143,796	59,641	41%
Expenses associated with core activities	2,105,852	70,325	2,176,177	1,959,969	51,454	2,011,423	164,754	8%
Income (loss) from core activities	(\$560,215)	\$741,253	181,038	(\$646,000)	\$732,359	86,359	94,679	N/A
OTHER CHANGES IN NET ASSETS								
State capital appropriations			2,085			10,922	(8,837)	(81%
Capital gifts and grants, net			104,118			22,521	81,597	362%
Transfers from UC			275,592			158,331	117,261	74%
Increase in net assets			562,833			278,133	190,021	68%
NET ASSETS								
Beginning of year			3,636,198			3,358,065	278,133	89
End of year			\$4,199,031			\$3,636,198	\$562,833	15%

Revenues to support Berkeley's core activities, including those classified as nonoperating revenues, were \$2.4 billion in 2010-11.



Tuition and non-resident supplemental tuition revenue grew by \$76 million, or 23%, from \$338 million in 2009-10 to \$414 million in 2010-11. Tuition rate increases and growth in non-resident student enrollment were the primary contributing factors.

Although the changes in tuition and fee totals represent significant increases, Berkeley's tuition and fees were in line with other public flagship universities, and lower than those of any of Berkeley's private peers.

Peer Undergraduate Tuition and Fees (2010-11)					
	Resident	Non-Resident			
Stanford	\$42,606	\$42,606			
MIT	\$39,212	\$39,212			
Harvard	\$38,415	\$38,415			
Yale	\$38,300	\$38,300			
Princeton	<i>\$37,495</i>	\$37,265			
Michigan	\$12,590	\$37,265			
Berkeley	\$10,940	\$33,819			
UCLA	\$10,781	\$33,660			
Virginia	\$10,628	\$33,574			
Texas	\$9,418	\$31,218			
Illinois	\$13,508	\$27,650			
Wisconsin	\$8,987	\$24,237			

Notes: Private institutions shown in italics. Mandatory tuition and fees do not include student health insurance. Data obtained from campus websites.

Tuition and Fees	2009-10	2010-11
Undergraduate		
Resident	\$8,938	\$10,940
Non-resident	\$31,655	\$33,819
Graduate		
Resident	\$9,412	\$10,940
Non-resident	\$24,464	\$26,042

Professional and other fees totaled \$94 million in 2010-11, an increase of \$20 million, or 27%, from 2009-10. Professional Degree Fees (PDF) varied by program, with additional programs charging PDF in 2010-11.

Professional Degree Fees (PDF)

	2009-10	2010-11
¹ J.D Juris Doctor	\$25,283	\$31,355
¹ M.B.A Master of Business Administration	\$25,675	\$28,820
Joint Medical Program with UCSF	\$14,984	\$17,531
O.D Doctor of Optometry	\$12,018	\$13,220
M.P.H Master of Public Health	\$4,859	\$6,317
Dr.P.H Doctor of Public Health	\$4,859	\$6,317
M.P.P Master of Public Policy	\$4,995	\$5,494
*Enivronmental Design - 5 Master's programs		\$6,000
M.I.M.S Master of Information Mgt & Systems		\$6,000
M.S.W Master of Social Work		\$4,000

¹Non-residents paid a discounted PDF in these programs

^{*}Master of Architecture, Master of City Planning, Master of Landscape Architecture, MLA & Environmental Planning, Master of Urban Design

Berkeley and the UC system maintained their commitment to college students from California's financially-disadvantaged families. In concert with student fee increases, Berkeley contained required levels of self-help (as defined by the federal Financial Aid formula) by directing campus-raised funds toward needs-based aid for undergraduates and earmarking one-third of fee increases toward student financial aid. Both of these measures help offset a recipient's total cost of attending.

In 2010-11, Berkeley provided \$153 million in financial aid in the form of scholarship allowances that offset tuition and fees, compared to \$144 million in 2009-10, and \$121 million in 2008-09. Housing and dining scholarship allowance is similarly applied by the auxiliary toward the students' accounts. Amounts paid directly to students are reported as Scholarships and Fellowships expenses.

State general support allocated to Berkeley from the UC Office of the President was \$319 million in 2008-09, \$319 million in 2009-10 and \$351 million in 2010-11.

Federal American Recovery and Reinvestment Act (ARRA) stimulus support, also allocated from the UC Office of the President as part of state educational appropriations, was \$51 million in 2008-09, \$88 million in 2009-10 and \$19 million in 2010-11.

Federal Pell Grants and Cal Grants increased more than \$14 million, or 15%, to \$113 million in 2010-11. As a response to state budget cuts and tuition increases at the state's two university systems, the Cal Grant program adjusted award monies to cover some of the student fee increases, resulting in a \$12 million increase in 2010-11. Pell Grants had a \$2 million increase as more students qualified for aid.

Government grants and contracts from federal, state and local governments totaled \$513 million in 2010-11, an increase of \$30 million, or 6%, from \$484 million in 2009-10. In 2010-11, the federal government provided 79% of the total government grant and contract operating revenues, and agencies of the state of California and local government supplied the rest. Federal grants and contracts for research and other academic activities grew \$48 million from a variety of agencies, including the National Science Foundation, Department of Health and Human Services, Department of Energy, Department of Defense and other federal sponsors. State grants and contracts revenues decreased \$17 million in 2010-11 from various state departments, such as the California Department of Social Services, CalTrans, California Public Utilities Commission, California Institute for Regenerative Medicine and California Department of Mental Grants and contracts from local governments decreased \$1 million in 2010-11.

Private grants and contracts from industry and the non-profit sector increased \$6 million, or 4%, from \$171 million in 2009-10 to \$177 million in 2010-11, reflecting a slightly improving economy.

Private gifts and investment income totaled \$297 million in 2010-11, an increase of \$37 million from 2009-10.



Private gifts, mainly restricted as to use, increased \$38 million from \$145 million in 2009-10 to \$183 million in 2010-11. Gifts may be made to Berkeley through the UC or transferred from the Foundation to Berkeley.

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. Permanent endowments are not recorded on Berkeley's financial statements but rather are recorded on either UC's or the UC Berkeley Foundation's financial statements.

The gifts transferred from the Foundation to Berkeley increased \$10 million, from \$85 million in 2009-10 to \$95 million in 2010-11. Included in these gift amounts are the endowment payouts from the Foundation – \$36 million for 2010-11 and \$35 million for 2009-10. The endowment payout amounts relate to the payout rates approved by the executive committee of the Foundation for the preceding years (2009-10 and 2008-09), as the payouts are distributed to Berkeley in August of the following fiscal year. The executive committee approved a payout rate for 2009-10 of 4.75% and of 4.76% for 2008-09.

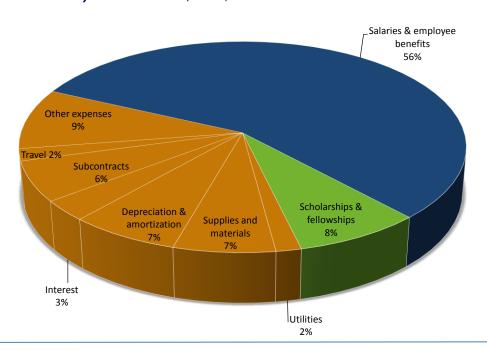
The portion of investment returns earned on endowments held by the UC Office of the President and distributed each year to Berkeley to support its current operations is reflected in investment income. Investment income, totaling \$114 million in 2010-11 and \$115 million in 2009-10, includes expendable endowment income, dividends and interest from the total return investment pool (TRIP) and earnings from the short-term investment pool (STIP), all distributed from the Office of the President.

Educational activities and auxiliary enterprises totaled \$307 million in 2010-11, an increase of \$84 million, or 38%, from 2009-10. This significant increase was primarily attributable to a one-time royalty buy-out transaction.

Other revenues for 2010-11 of \$71 million, including \$21 million of state financing appropriations, \$10 million of federal financing appropriations and \$40 million of other operating revenues, increased \$28 million from 2009-10. The state of California financing appropriation, which increased

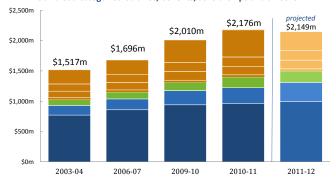
\$7 million in 2010-11, is directly related to the required rental payments under lease-purchase agreements with the state of California and deferred maintenance projects. The \$10 million of federal financing appropriation, which increased \$6 million from 2009-10, was from the Build America Bonds Subsidy, a program authorizing state and local governments to issue Build America Bonds as part of the American Recovery and Reinvestment Act of 2009 (ARRA), which provided a federal subsidy to cover a portion of the interest costs of these bonds. Lastly, a \$15 million increase in other operating revenues was primarily from various departmental revenue generating activities.

Expenses associated with Berkeley's core activities, were \$2.2 billion in 2010-11.

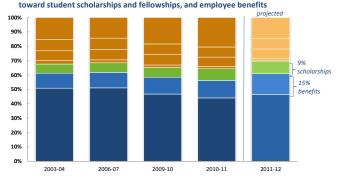


Salaries and employee benefits of \$1.2 billion in 2010-11 (\$958 million in salaries and wages and \$265 million in benefits) increased by \$48 million, or 4%, from 2009-10. There were 13,800 full time equivalent employees at Berkeley in 2010-11. Combined salaries and wages for both academic and administrative staff increased \$18 million, or 2%, from 2009-10, due to scheduled salary increases for academic and union personnel. Total benefit costs increased \$30 million, or 13%, in 2010-11, primarily attributable to the campus' contribution to the University of California Retirement Plan (UCRP), which restarted on April 15, 2010. Continued growth in health insurance costs and fee remission payments for graduate student employees also contributed to the benefit cost increase.

Berkeley's total expenses, showing allocation of resources in four broad categories: salaries, benefits, scholarships and all other



Berkeley's mix of expenses, indicating a stable, but growing share of resources



Scholarships and fellowships, including Cal Grants, totaled \$177 million in 2010-11 and \$136 million in 2009-10, an increase of \$41 million, or 30%. Total scholarship allowances, also a form of scholarship and fellowship cost, increased \$8 million to \$185 million in 2010-11. Scholarship allowances are reported as an offset to revenue, not as an operating expense. See the Student Tuition and Fees section above for additional financial aid information.

Utilities— consisting of natural gas, electricity, water and sewer, and utility services —remained flat at \$35 million in 2010-11 and in 2009-10 as the campus continued its aggressive effort to minimize these costs.

Supplies and materials of \$141 million in 2010-11 decreased \$3 million, or 2%, from 2009-10. The decrease was mainly attributable to less capital project related operating expenses.

Depreciation and amortization expenses increased \$4 million to \$154 million in 2010-11, reflecting the increase in capital assets.

Subcontracts expenses decreased \$8 million, or 5%, to \$133 million in 2010-11. The decrease in these expenses, including transfers to other UC campuses for related research projects, was primarily reflected in the state funded projects as total revenues from state contracts and grants dropped \$17 million, or 14%, in 2010-11.

Interest expense, mainly associated with financing for construction, renovation and acquisition of facilities and equipment, increased from \$49 million in 2009-10 to \$69 million in 2010-11, due primarily to more revenue bonds issued in 2009-10 and 2010-11 for construction projects, such as the Memorial Stadium Seismic Improvement project, the Li Ka-Shing Center for Biomedical and Health Sciences Building, the Helios Energy Research Facility and the Student-Athlete High Performance Center.

Travel expenses increased \$4 million, or 10%, from \$36 million in 2009-10 to \$40 million in 2010-11. The increases were mostly related to research and instructional programs.

Other expenses consist of a variety of expense categories, including rent, insurance, consultant fees, communication

services, legal settlements, repairs and maintenance, royalties to inventors and other nonoperating expenses. These expenses increased \$60 million, or 41%, to \$203 million in 2010-11. A significant portion of the increase was attributable to royalties paid to inventors, associated with the royalty buy-out.

Other Changes in Net Assets are assets 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 \$9 million in 2010-11. The decrease was mainly associated with the Durant Hall renovation and the Birge Hall infrastructure improvement, as the projects were substantially completed in 2009-10.

Capital gifts and grants totaled \$104 million in 2010-11, increasing \$82 million from 2009-10. Nearly \$40 million of the increase was gifts for the Li Ka-Shing Center for Biomedical and Health Sciences Building. In addition, a capital gift of \$17 million for Blum Hall was recorded in 2010-11. The remaining increase was associated with various capital projects.

Transfers from the UC, primarily between Berkeley and the UC Office of the President, were a \$276 million addition to Berkeley's net assets in 2010-11, compared to a \$158 million addition in 2009-10. See Note 10, Transfers from UC, in the Notes to Financial Statements, for additional detail of the transfers.

■ CAPITAL SPENDING & INVESTMENT

As the oldest UC campus, Berkeley faces unique challenges in addressing its aging physical infrastructure. The major drivers of capital investment are:

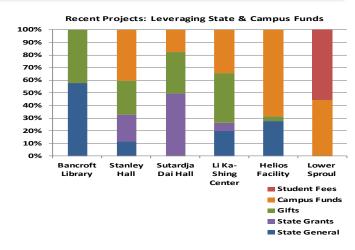
- Life safety. Although seismic improvements to 4.9 million square feet are complete, underway or in design, 1.6 million square feet with seismic deficiencies remain to be corrected.
- Renewal of existing buildings and infrastructure, where performance is compromised by age and by decades of inadequate capital reinvestment.
- New academic initiatives to accommodate new topics of research and new models of instruction.
- A vital intellectual community, with both buildings and commons designed to foster the interactions and collaborations that lead to discovery.

This spring, the Li Ka-Shing Center for Biomedical and Health Sciences (photo seen below) will open. The center will be the nexus for a broad spectrum of multidisciplinary research at Berkeley focused on the molecular mechanisms underlying diseases including cancer, HIV, infectious disease and neurodegenerative conditions such as Alzheimer's and Parkinson's.



Berkeley's capital investment program utilizes a wide range of funding sources: state capital funds (from general obligation and lease revenue bonds), donor gifts, state or federal grants, auxiliary revenues, student fees and unrestricted campus funds (such as indirect cost recovery from sponsored research, sales and services of educational activities, and unrestricted gifts and investment income).

With the decline in state support, Berkeley's capital investment increasingly relies on the creative mix of multiple funding sources. Because Berkeley recognized this trend early, it has already implemented it in several recent projects, as shown in the example below.



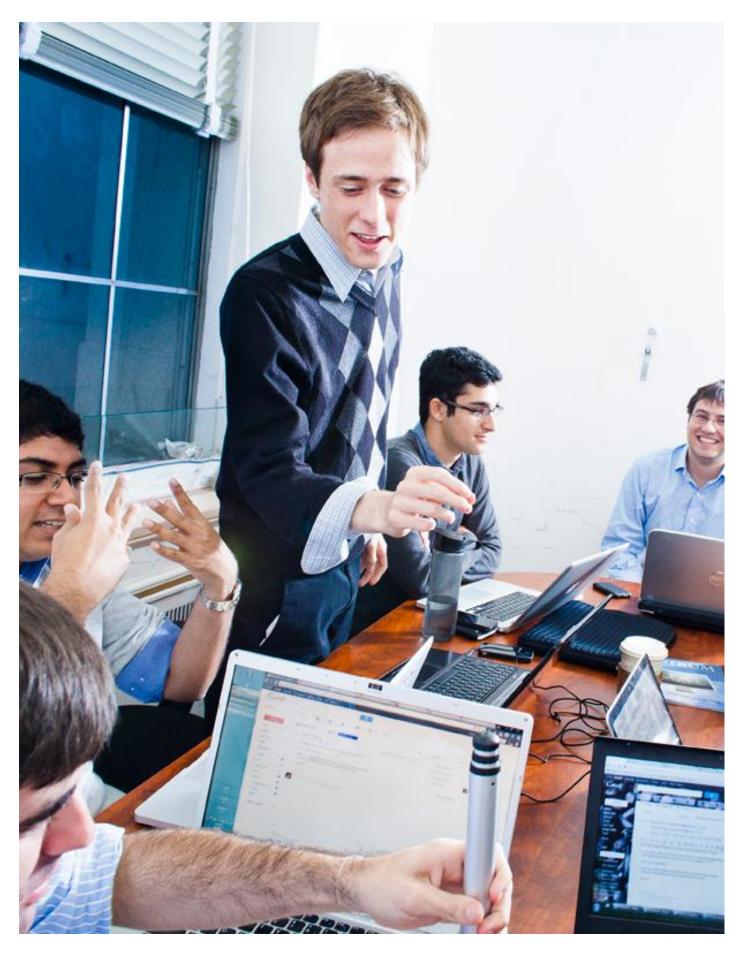
Debt service is targeted by UC policy to no more than 6% of operating expenses. Berkeley is half the way to reaching this threshold. The pace of future capital investment, therefore, is directly related to the rate of future growth in revenues and to our capacity to support additional debt.

Today, the campus budget must consider both its capital investment needs and the many competing demands on campus resources. Our 'strategic framework' of the current Ten Year Capital Plan¹ does this by prioritizing Base Investment Programs that reinvest in existing facilities for building and infrastructure renewal, seismic mitigations and the capital bank. The Enhanced Investment Programs continue to leverage external and auxiliary funds with campus funds for new facilities.

Lastly, Berkeley is looking for space consolidation opportunities to reduce rental space by better utilizing campus-owned buildings. In addition to generating cost savings and improving space utilization, Berkeley will be creating office space that supports the flexible needs of its future workforce.

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For more information, http://smcp.berkeley.edu/framework/index.html



■ FINANCIAL STATEMENTS

Berkeley's financial statements are prepared from the official UC records and accounts for the campus. These campus-level accounts are maintained in accordance with UC policies and relevant accounting principles generally accepted in the United States and established by the Governmental Accounting Standards Board (GASB). Berkeley's financial statements have not been separately 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.univeristyofcalifornia.edu/reportingtransparency

Berkelev's financial report communicates information for the Berkeley campus through these primary financial statements and notes to the financial statements. The three financial statements are the Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows. The three financial statements encompass the Berkeley campus and its discretely presented component, the Berkeley Foundation. However, the Notes to Financial Statements focus only on the campus. Information relating to the Berkeley Foundation can be found in its separately-issued financial statements report. The notes provide additional information on the Berkeley campus-level accounts that is essential to a full understanding of the financial statements.

Berkeley's Statements of Net Assets display 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 and endowment funds, are not reflected in Berkeley's campus-level accounts. Therefore, Berkeley's Statements of Net Assets do not reflect a picture of the campus' financial position on a stand-alone basis, but rather as a campus within the UC system.

	CAMPUS *		FOUNDA	TION
	2011	2010	2011	2010
ASSETS				
Cash and cash equivalents (Note 1)	\$811,288	\$563,974	\$2,969	\$3,440
Short-term investments			66,092	65,694
Investments held by trustees (Note 3)	1,677	1,555		
Investment of cash collateral				
Accounts receivable, net (Note 4)	168,009	179,313		1,652
Pledges receivable, net (Note 5)	34,370	15,751	14,541	7,081
Current portion of notes and mortgages receivable, net (Note 6)	5,131	5,168		
Inventories	4,801	4,839		
Other current assets	2,099	1,204	1,352	776
Current assets	1,027,375	771,804	84,954	78,643
Investments (Note 2)	467,240	447,020	1,203,750	987,234
Investments held by trustees (Note 3)	41,831	53,296	2,676	4,867
Pledges receivable, net (Note 5)	42,425	9,366	80,869	6,030
Notes and mortgages receivables, net (Note 6)	27,432	27,997		
Capital assets, net (Note 7)	3,194,032	2,916,672		
Other noncurrent assets	704	645	1,957	1,890
Noncurrent assets	3,773,664	3,454,996	1,289,252	1,000,021
Total assets	4,801,039	4,226,800	1,374,206	1,078,664
LIABILITIES				
Accounts payable	109,821	63,210	809	1,228
Accrued salaries and employee benefits	106,972	104,616		
Deferred revenue	141,076	173,955		
Collateral held for securities lending				
Current portion of long-term debt (Note 8)	7,118	3,652		
Funds held for others	1,950	1,660	500	500
Gift annuities payable			2,672	2,824
Trust liabilities			6,536	5,475
Other current liabilities (Note 9)	67,752	70,758		
Current liabilities	434,689	417,851	10,517	10,027
Federal refundable loans	23,066	23,060		
Deferred revenue				2,000
Funds held for others			6,122	2,249
Gift annuities payable			16,923	19,283
Trust liabilities			51,180	45,442
Long-term debt (Note 8)	128,474	129,863		
Other noncurrent liabilities (Note 9)	15,779	19,828		
Noncurrent liabilities	167,319	172,751	74,225	68,974
Total liabilities	602,008	590,602	84,742	79,001
NET ASSETS				
Invested in capital assets	3,099,426	2,835,608		
Restricted nonexpendable			644,037	561,293
Restricted expendable	402,062	322,606	644,372	437,470
Unrestricted	697,543	477,984	1,055	900
Total net assets	\$4,199,031	\$3,636,198	\$1,289,464	\$999,663

^{*} See accompanying Notes to Financial Statements

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

YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS OF DOLLARS)

	CAMPUS *		FOUNDA	TION
	2011	2010	2011	2010
OPERATING REVENUES				
Student tuition and fees, net	\$508,153	\$411,952		
Grants and contracts, net:	, ,			
Federal	405,165	356,836		
State	104,333	121,756		
Private	177,389	171,377		
Local	3,956	4,980		
Educational activities, net	154,902	70,514		
Auxiliary enterprises, net	151,684	151,841		
Campus foundation private gifts	.0.,00.	,	\$165,373	\$61,797
Other operating revenues, net	40,055	24,713	3,066	4,253
Total operating revenues	1,545,637	1,313,969	168,439	66,050
OPERATING EXPENSES				
Salaries and wages	958,243	940,123		
Employee benefits	264,889	234,806		
Scholarships and fellowships	110,067	80,668		
Utilities	35,091	35,425		
Supplies and materials	141,234	144,264		
Depreciation and amortization (Note 7)	153,714	149,835		
Campus foundation grants	155,7 14	149,000	98,823	84,551
Other operating expenses	375,337	319,464	3,664	2,825
Total operating expenses	2,038,575	1,904,585	102,487	87,376
			65,952	
Operating gain (loss)	(492,938)	(590,616)	05,952	(21,326)
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations:				
State general support	350,887	318,850		
Federal American Recovery and Reinvestment Act stimulus support	19,174	87,782		
State financing appropriations	20,678	13,830		
Build America Bonds federal interest subsidies	10,407	4,785		
Federal Pell grants	45,982	43,446		
Private gifts, net	183,310	144,872		
Investment income:				
Endowment, net (Note 11)	76,955	78,045		
Short-term investment pool and other, net	36,908	36,764		
Campus foundation			5,767	5,701
Net appreciation in fair value of investments			151,491	78,933
Adjustment to gift annuities and trust liabilities			13,713	7,601
Interest expense	(68,546)	(49,304)		
Loss on disposal of capital assets	(1,512)	(1,446)		
Other nonoperating revenues (expenses), net	(267)	(649)		
Net nonoperating revenues (expenses)	673,976	676,975	170,971	92,235
Income (loss) before other changes in net assets	181,038	86,359	236,923	70,909
OTHER CHANGES IN NET ASSETS				
State capital appropriations	2,085	10,922		
Capital gifts and grants, net	104,118	22,521		
Permanent endowments			52,878	46,671
Transfers from UC, net (Note 10)	275,592	158,331		
Increase (decrease) in net assets	562,833	278,133	289,801	117,580
Net assets, beginning of year	3,636,198	3,358,065	999,663	882,083
Net assets, beginning or year	-,,	- , ,	7	

^{*} See accompanying Notes to Financial Statements

	CAMPUS *		FOUNDA	TION
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	\$508,180	\$407,750		
Grants and contracts	696,011	630,086		
Educational activities	154,865	71,207		
Auxiliary enterprises	153,817	151,948		
Collection of loans from students and employees	4,219	3,922		
Campus foundation private gifts	•		\$71,506	\$63,928
Payments to employees	(958,364)	(935,516)		
Payments for employee benefits	(265,075)	(237,302)		
Payments to suppliers and utilities	(518,593)	(495,853)	(3,668)	(2,875)
Payments for scholarships and fellowships	(109,520)	(80,726)	(, ,	,
Loans issued to students and employees	(3,288)	(5,544)		
Payments to campus and beneficiaries	(=,===)	(=,= : :)	(106,895)	(92,406)
Other receipts	23,615	24,719	5,063	7,710
Net cash used by operating activities	(314,133)	(465,309)	(33,994)	(23,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	, ,		, ,	
State educational appropriations:				
State general support	350,958	318,578		
Federal American Recovery and Reinvestment Act stimulus support	19,174	87,782		
Federal Pell grants	44,507	40,050		
Gifts received for other than capital purposes:	,	,		
Private gifts for endowment purposes			44,559	39,857
Other private gifts	153,855	171,290	11,000	00,001
Student direct lending receipts	149,884	145,698		
Student direct lending payments	(149,884)	(145,698)		
Other receipts (payments)	5,836	(5,319)		
Net cash provided by noncapital financing activities	574,330	612,381	44,559	39,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u> </u>	0.1_,00.	,	00,001
State capital appropriations	(26,556)	17,535		
State financing appropriations	10,974	10,249		
Build America Bonds federal interest subsidies	9,073	4,785		
Capital gifts and grants	59,140	11,361		
Proceeds from debt issuance	· · · · · · · · · · · · · · · · · · ·	11,301		
	45,748	222		
Proceeds from the sale of capital assets	1,003	222 (335,921)		
Purchase of capital assets	(401,860)	, ,		
Principal paid on debt and capital leases	(1,706)	(13,925)		
Interest paid on debt and capital leases	(77,935)	(46,486)		
Net cash used by capital and related financing activities CASH FLOWS FROM INVESTING ACTIVITIES	(382,119)	(352,180)		
Proceeds from sale and maturities of investments			309,196	109,670
Investment income:			,	,
Endowment	76,955	78,045		
Short-term investment pool and other	36,909	36,779	7,419	4,429
•	(20,220)	(20,691)		
Purchase of investments Not each provided (used) by investing activities	, ,	, , ,	(327,651)	(130,862)
Net cash provided (used) by investing activities Transfers of net assets from UC, net	93,644 275,592	94,133 158,331	(11,036)	(16,763)
·			(474)	/E // ^ \
Net increase (decrease) in cash and cash equivalents	247,314	47,356	(471)	(549)
Cash and cash equivalents, beginning of year	563,974	516,618	3,440	3,989
Cash and cash equivalents, end of year	\$811,288	\$563,974	\$2,969	\$3,440

^{*} See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, BERKELEY

STATEMENTS OF CASH FLOWS (continued)

YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS OF DOLLARS)

	CAMPUS *		FOUNDA	TION
	2011	2010	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH				
USED BY OPERATING ACTIVITIES				
Operating gain (loss)	(\$492,938)	(\$590,616)	\$65,952	(\$21,326)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	153,714	149,835		
Noncash gifts			(13,068)	(8,110)
Allowance for doubtful accounts	880	(842)	29,578	406
Change in assets and liabilities:				
Accounts receivable	4,528	(39,673)	(139)	135
Pledges receivable			(111,877)	12,205
Investments held by trustees	(132)	202		
Notes and mortgages receivable	20	(29)		
Inventories	38	686		
Other assets	(1,025)	1,782	1,963	(290)
Accounts payable	30,312	(2,656)	(419)	845
Accrued salaries and employee benefits	2,357	(1,792)		
Deferred revenue	(2,198)	7,901	1,873	(98)
Gift annuities payable			(3,109)	(3,801)
Trust liabilities			(4,748)	(3,609)
Other liabilities	(9,689)	9,893		
Net cash used by operating activities	(\$314,133)	(\$465,309)	(\$33,994)	(\$23,643)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	\$2,615	\$1,503		
Capital assets acquired with a liability at year-end	پورورن 27,761	14,238		
Gifts of capital assets	22,711	8,475		
Other noncash gifts	22,111	0,473	\$21,074	\$15,188
Debt service for lease-revenue bonds	(9,481)	(3,887)	Φ ∠ 1,014	φ15,100
DODE SCIVICO FOI ICASE-TEVENIAE DONAS	(3,401)	(3,007)		

^{*} See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

ORGANIZATION

Founded in 1868, the University of California, Berkeley (Berkeley) is the original campus of the 10-campus University of California (UC). The 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 the 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 either 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-forprofit organization dedicated to providing to Berkeley the financial benefits generated from its fundraising efforts and investment earnings. The financial statements of the Foundation are presented discretely in Berkeley's financial statements because of the nature and significance of its relationship to the Berkeley campus, including its ongoing financial support of the campus. However, the Notes to Financial Statements focus only on the campus. Information relating to the Berkeley Foundation can be found in its separately- issued financial statements report.

Berkeley's financial statements display all of the assets, liabilities, net assets, revenues, expenses and transfers of net assets from the UC that are reflected in Berkeley's accounts. However, some significant financial balances and activities, such as certain UC-managed investments, self-insurance debt, retirement benefit liabilities, bond endowment funds, changes in fair value of investments and permanent endowments are not reflected in Berkeley's Therefore, Berkeley's financial campus-level accounts. statements do not reflect a picture of the campus' financial position or changes in financial position and cash flows on a stand-alone basis, but rather as a campus within the UC Berkeley's financial statements have not been system.

individually audited, but rather are audited as part of the UC financial statement audit.

Significant Accounting Policies

Berkeley's financial statements have been prepared in accordance with accounting principles generally accepted in the United States , including all applicable effective statements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting as applicable to its accounts.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, was adopted by the UC during the year ending June 30, 2011. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before Nov. 30, 1989. Implementation of Statement No. 62 had no effect on Berkeley's net assets or changes in net assets for the years ending June 30, 2011, and June 30, 2010.

The significant accounting policies of Berkeley are as follows:

Cash and cash equivalents

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

Investments

Berkeley considers its share of UC's Total Return Investment Pool (TRIP) to be non-current 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 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.

Capital assets

Land, infrastructure, buildings and improvements, intangible assets, 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 Estimates of fair value involve assumptions and estimation methods that are uncertain, and, therefore, the estimates could differ from actual results. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. 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 for:	Years
Infrastructure	25
Buildings and improvements	15-33
Equipment	2-20
Computer software	3-7
Intangible assets	2-indefinite
Library books and collections	15

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

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

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.

Funds held for others

Funds held for others result from Berkeley acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to Berkeley.

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.

Pollution remediation obligations

Upon an obligating event, Berkeley estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated Berkeley 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, 2011, and June 30, 2010, to reduce the pollution remediation Berkeley records in its accounts pollution liability. remediation liabilities associated with capital assets recorded in its accounts.

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 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.

Unrestricted: Net assets that are neither reserved, 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.

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, certain federal grants for student financial aid, private gifts and investment income, 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, Build America Bonds federal interest subsidies, federal Pell grants, private gifts for other than capital purposes, interest expense and gain or loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants, and certain net transfers from the Office of the President 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. These fees were approved by a student vote.

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

Scholarship allowances are netted in the statement of revenues, expenses and changes in net assets for the years ending June 30, 2011, and June 30, 2010, as follows:

(in thousands of dollars)		
	2011	2010
Student tuition and fees	\$152,922	\$144,300
Auxiliary enterprises	\$32,231	\$33,015
Scholarship allowances	\$185,153	\$177,315

State appropriations

The state of California provides appropriations to the UC on an annual basis. Total state educational appropriations consisted of state general support augmented by federal stimulus support. Berkeley's allocated share of state educational appropriations from the UC 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 nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenses are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating 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 expenses are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the UC's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ending June 30, 2011, the facilities and administrative cost recovery totaled \$114.6 million, \$79.8 million from federally sponsored programs and

\$34.8 million from other sponsors. For the year ending June 30, 2010, the facilities and administrative cost recovery totaled \$106.9 million, \$73.6 million from federally sponsored programs and \$33.3 million from other sponsors.

Self insurance programs

Berkeley participates in the UC's self insurance programs for medical malpractice, workers' compensation, employee health care and general liability claims. Berkeley's share of the self insurance programs expenses is determined by the UC. As a result, these expenses are included 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 UC. Berkeley's contributions toward UCRP benefits are at rates determined by the UC. As a result, Berkeley's required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets.

Retiree health benefits expense

UC established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain UC 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 UC 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 UC. Berkeley's contributions toward retiree health benefits are at rates determined by the UC. As a result, Berkeley's required contributions 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 for 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 Section 501(c) (3) of the Internal Revenue Code (IRC). Because the UC is a state institution, related

income received by Berkeley is also exempt from federal tax under IRC Section 115(a). In addition, Berkeley is exempt from state income taxes imposed under the California Revenue and Taxation Code.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 expenses 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.

Comparative information

Berkeley reclassified interest expense in the 2010 financial statements to present comparative information consistent with the presentation in 2011. The reclassification reported interest expense as a separate nonoperating expense line item rather than as a change in net assets. This revision had no effect on the previously reported net assets.

NOTE 1: CASH AND CASH EQUIVALENTS

The UC maintains centralized management for substantially all of its cash. Cash in Berkeley's demand deposit accounts is minimized by sweeping available cash balances into the UC's investment accounts on a daily basis.

Under UC policy, deposits are only held at financial institutions that maintain an issuer rating on long term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2011, and June 30, 2010, the carrying amount of Berkeley's demand deposits, held in nationally recognized banking institutions, was \$1.9 million and \$1.3 million, respectively.

Berkeley does not have 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 \$0.6 million and \$0.4 million at June 30, 2011, and June 30, 2010, respectively.

Berkeley considers its share of UC's STIP to be cash equivalents. Berkeley's share of UC's STIP at June 30, 2011, and June 30, 2010, was \$808.8 million and \$562.3 million, respectively.

NOTE 2: INVESTMENTS

The Regents, as the governing board, is responsible for the oversight of the UC's investments and establishes investment policy, which is carried out by the UC's chief investment officer. Primarily all of Berkeley's available cash balances were invested in STIP. STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenses and other operating expenses for Berkeley is invested in STIP. Investments authorized by the Regents for STIP include fixed income securities with a maximum maturity of five and one-half years. In addition, for STIP, the Regents has also authorized loans, primarily to faculty members residing in California, under the UC's Mortgage Origination Program with terms up to 40 years. Earnings from STIP distributed to Berkeley from the Office of the President included in short-term investment pool and others, net, in the statements of revenues, expenses and changes in net assets, was \$16.7 million in 2010-11 and \$16.1 million in 2009-10.

Berkeley participates in the UC's TRIP. 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. Dividend and interest income, net of administrative fees, is recorded as it is allocated from the Office of the President, totaling \$20.2 million in 2010-11 and \$20.7 million in 2009-10. These amounts were included in short-term investment pool and other, net, in the statements of revenues, expenses and changes in net assets.

Berkeley's share of the UC's TRIP was \$467.2 million and \$447.0 million at June 30, 2011, and June 30, 2010, respectively.

NOTE 3: INVESTMENTS HELD BY TRUSTEES

The state of California retains on deposit certain proceeds from the sale of lease-revenue bonds to be used for Berkeley's capital projects. In addition, Berkeley has entered into agreements with trustees to maintain trusts for certain capital projects. The combined fair value of all of the investments and deposits held by trustees was \$43.5 million and \$54.9 million at June 30, 2011, and June 30, 2010, respectively.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible amounts at June 30, 2011, and June 30, 2010, are as follows:

	STATE & FEDERAL GOVT	LOCAL GOVT & PRIVATE GRANTS & CONTRACTS	AUXILIARY & SERVICE ENTERPRISES	FEES & OTHER	TOTAL
At June 30, 2011					
Accounts receivable	\$103,800	\$37,013	\$4,890	\$29,334	\$175,037
Allowance for doubtful accounts	(164)	(250)	(1,008)	(5,606)	(7,028)
Accounts receivable, net	\$103,636	\$36,763	\$3,882	\$23,728	\$168,009
At June 30, 2010					
Accounts receivable	\$119,775	\$29,813	\$4,803	\$30,527	\$184,918
Allowance for doubtful accounts	(190)	(355)	(924)	(4,136)	(5,605)
Accounts receivable, net	\$119,585	\$29,458	\$3,879	\$26,391	\$179,313

Adjustments to the allowance for doubtful accounts have either increased or (decreased) the following revenues for the years ending June 30, 2011, and June 30, 2010:

(in thousands of dollars)					
	2011	2010			
Student tuition and fees	(\$42)	\$137			
Grants and contracts	(300)	(250)			
Educational activities	13	(10)			
Auxiliary enterprises	(101)	266			
Other operating revenues	(120)	(323)			

NOTE 5: PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2011, and June 30, 2010, is summarized as follows:

	2011	2010
Total pledges receivable outstanding	\$90,378	\$32,021
Less: Unamortized discount to present value	(3,932)	(893)
Allowance for uncollectible pledges	(9,651)	(6,011)
Total pledges receivable, net	76,795	25,117
Less: Current portion of pledges receivable	(34,370)	(15,751)
Noncurrent portion of pledges receivable	\$42,425	\$9,366

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2011, and thereafter are as follows:

2012	\$41,015
2013 2014	16,982 14,880
2015	9,163
2016	2,498
2017 and thereafter TOTAL PAYMENTS ON PLEDGES	5,840

Adjustments to the allowance for doubtful accounts associated with pledges have decreased the following revenues for the years ending June 30, 2011, and June 30, 2010:

(in thousands of dollars)

	2011	2010
Private gifts	(3,189)	(579)
Capital gifts and grants	(1,187)	(3,294)

NOTE 6: NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2011, and June 30, 2010, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

			NONCURRENT	
	CURRENT	NOTES	MORTGAGES	TOTAL
At June 30, 2011				
Notes and mortgages receivable	\$5,181	\$26,643	\$2,568	\$29,211
Allowance for uncollectible amounts	(50)	(1,779)		(\$1,779)
NOTES AND MORTGAGES RECEIVABLE, NET	\$5,131	\$24,864	\$2,568	\$27,432
At June 30, 2010				
Notes and mortgages receivable	\$5,228	\$27,456	\$2,854	\$30,310
Allowance for uncollectible amounts	(60)	(2,313)		(\$2,313)
NOTES AND MORTGAGES RECEIVABLE, NET	\$5,168	\$25,143	\$2,854	\$27,997

NOTE 7: CAPITAL ASSETS

Berkeley's capital asset activity for the years ending June 30, 2011, and June 30, 2010, is as follows:

(in thousands of dollars)

	2009	ADDITIONS	DISPOSALS	2010	ADDITIONS	DISPOSALS	2011
ORIGINAL COST							
Land	\$91,053	\$774		\$91,827			\$91,827
Infrastructure	40,524	2,918		43,442	11,359		54,801
Buildings and improvements	2,889,397	68,310	(1,217)	2,956,490	180,626	(3,329)	3,133,787
Equipment, software and intangibles	457,684	36,364	(22,955)	471,093	36,162	(31,607)	475,648
Libraries and collections	862,972	28,686	(5,158)	886,500	28,627	2,365	917,492
Special collections	93,093	3,896		96,989	5,288	(2,830)	99,447
Construction in progress	241,253	201,873		443,126	172,725		615,851
CAPITAL ASSETS, AT ORIGINAL COST	\$4,675,976	\$342,821	(\$29,330)	\$4,989,467	\$434,787	(\$35,401)	\$5,388,853

	2009	DEPRECIATION AND AMORTIZATION	DISPOSALS	2010	DEPRECIATION AND AMORTIZATION	DISPOSALS	2011
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	\$15,859	\$1,588		\$17,447	\$2,073		\$19,520
Buildings and improvements	967,953	89,439	(1,181)	1,056,211	92,221	(2,692)	1,145,740
Equipment, software and intangibles	332,676	31,556	(20,907)	343,325	31,484	(28,146)	346,663
Libraries and collections	632,626	27,252	(4,066)	655,812	27,936	(850)	682,898
ACCUMULATED DEPRECIATION AND AMORTIZATION	\$1,949,114	\$149,835	(\$26,154)	\$2,072,795	\$153,714	(\$31,688)	\$2,194,821
CAPITAL ASSETS, NET	\$2,726,862			\$2,916,672			\$3,194,032

NOTE 8: DEBT

UC finances Berkeley's construction, renovation and acquisition of facilities and equipment through the issuance of debt obligations. Commercial paper and bank loans provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings. Most long-term indebtedness for Berkeley's housing and food service operations is carried by the 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 the UC. Berkeley is assessed the required debt service related to its proportionate share of the systemwide debt by the UC.

Debt reflected in Berkeley's statement of net assets at June 30, 2011, and June 30, 2010, is as follows:

INTEREST RATES	MATURITY YEARS	2011	2010
2.16-6.7%	2012-2035	\$132,288	\$133,515
1.02%	2012	3,304	
		135,592	133,515
debt		(7,118)	(3,652)
g debt		\$128,474	\$129,863
	2.16-6.7% 1.02%	2.16-6.7% 2012-2035 1.02% 2012	2.16-6.7% 2012-2035 \$132,288 1.02% 2012 3,304 135,592 debt (7,118)

Interest expense associated with financing projects during construction, net of any investment income earned on taxexempt bond proceeds during construction, is capitalized. Total interest expense during the years ending June 30, 2011, and June 30, 2010, was \$84.9 million and \$60.6 million, respectively. Interest expense, net of investment income, totaling \$16.4 million and \$11.3 million was capitalized during the years ending June 30, 2011, and June 30, 2010, respectively. The remaining \$68.5 million in 2011 and \$49.3 million in 2010 is reported as interest expense in the statement of revenues, expenses and changes in net assets.

Outstanding Debt Activity

The activity with respect to Berkeley's current and noncurrent debt for the years ending June 30, 2011, and June 30, 2010, is as follows:

in	thousands	of	dol	lars)

	CAPITAL LEASE OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year ended June 30, 2011			
Long-term debt and capital leases at June 30, 2010	\$133,515		\$133,515
New obligations	2,614	\$3,304	5,918
Principal payments	(3,841)		(3,841)
LONG-TERM DEBT AND CAPITAL LEASES AT JUNE 30, 2011	132,288	3,304	135,592
Less: Current portion	(3,814)	(3,304)	(7,118)
NONCURRENT PORTION AT JUNE 30, 2011	\$128,474		\$128,474
Year ended June 30, 2010			
Long-term debt and capital leases at June 30, 2009	\$83,880	\$11,571	\$95,451
New obligations	51,989		51,989
Principal payments	(2,354)	(11,571)	(13,925)
LONG-TERM DEBT AND CAPITAL LEASES AT JUNE 30, 2010	133,515		133,515
Less: Current portion	(3,652)		(3,652)
NONCURRENT PORTION AT JUNE 30, 2010	\$129,863	_	\$129,863

Capital Leases

The 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 the UC. During the construction phase, the UC acts as agent for the state. Bond proceeds remain on deposit with the state, as trustee, until the UC is reimbursed as the project is constructed.

Upon completion, the buildings and equipment are leased to the 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 the UC to satisfy the annual lease requirements. At the conclusion of the lease term, ownership transfers to the UC.

Most of the capital lease obligations associated with the lease-purchase agreements with the state are carried by the 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 \$128.2 million at June 30, 2011, and \$130.4 million at June 30, 2010.

The state of California financing appropriation to Berkeley under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the years ending June 30, 2011, and June 30, 2010, was \$19.9 million and \$12.3 million, respectively. The principal and interest debt service payments reported in Berkeley's financial statements as transfers to the UC for the years ending June 30, 2011, and June 30, 2010, were as follows:

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	2011	2010
Capital lease principal	\$8,605	\$8,159
Capital lease interest	8,699	5,905
Total	\$17,304	\$14,064

Capital leases entered into with other lessors, typically for equipment, totaled \$4.1 million and \$3.2 million for the years ending June 30, 2011, and June 30, 2010, respectively.

Other Borrowings

Other borrowings consist of a bank loan associated with the acquisition of a building. The balance outstanding of \$3.3 million at June 30, 2011, was a new loan acquired in 2011, and the interest rate associated with this bank loan was 1.02 percent. There was no outstanding bank loan as of June 30, 2010. The interest payments for bank loans totaled \$0.04 million and \$0.6 million for 2011 and 2010, respectively.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2011:

(in thousands of dollars)					
YEAR ENDING JUNE 30	CAPITAL LEASES	OTHER BORROWINGS	TOTAL PAYMENT	PRINCIPAL	INTEREST
2012	\$1,696	\$3,326	\$5,022	\$4,903	\$119
2013	1,040		1,040	984	56
2014	877		877	845	32
2015	444		444	432	12
2016	211		211	208	3
TOTAL FUTURE DEBT SERVICE	4,268	3,326	7,594	\$7,372	\$222
Less: Interest component of	of		_		
future payments	(200)	(22)	(222)		
PRINCIPAL PORTION OF FUTURE PAYMENTS	\$4,068	\$3,304	\$7,372		

NOTE 9: OTHER LIABILITIES

Other current liabilities of \$67.7 million and \$70.8 million and noncurrent liabilities of \$15.8 million and \$19.8 million at June 30, 2011, and June 30, 2010, respectively, consisted of compensated absences, deposits, pollution remediation and other accrued liabilities.

NOTE 10: TRANSFERS FROM UC

Transfers from the UC include transfers arising out of binding legal agreements related to the financing of capital projects and transfers made at the discretion of management to serve a variety of objectives, such as additions to funds functioning as endowment and funding of specific designated operating activities.

Transfers of funds from (to) the UC for the years ending June 30, 2011, and June 30, 2010, are as follows:

	2011	2010
Capital projects funding	263,902	214,143
Debt service funding	24,104	5,869
Repayment of principal	(23,570)	(26,274)
Transfers of net capital assets	138	(1,266)
Indirect cost recovery, net	5,707	(30,016)
Student tuition	(2,286)	8,782
Funds functioning as endowments	(11,752)	(39,456)
Endowment cost recovery fees	7,764	6,823
Other operating funding	11,585	19,726
Total	275,592	158,331

NOTE 11: ENDOWMENTS AND FOUNDATION GIFTS

Endowments are administered either by the UC or by the campus foundation. The book value and market value for endowments for the years ending June 30, 2011, and June 30, 2010, are as follows:

(in thousands of dollars)				
	201	2011		.0
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Endowment - regental	\$624,498	\$1,948,103	\$614,979	\$1,670,211
Endowment - foundation	861,960	1,091,985	774,476	895,456
Total	\$1.486.458	\$3,040,088	\$1 380 455	\$2 565 667

The Regents' Endowments

The endowments held by the UC are administered on a systemwide basis, and related investments are not reflected on Berkeley's separate financial statements. The portion of investment returns earned on endowments held by the UC and distributed each year to support current operations is based on a rate (stated in dollar per share) that is approved by The Regents. The total distribution from endowments held by the UC was \$77.0 million and \$78.0 million for the years ended June 30, 2011, and June 30, 2010, respectively.

Campus Foundation

Under UC policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the mission of the campus and the UC. Although independent boards govern The Berkeley Foundation, its assets are dedicated for the benefit of the Berkeley campus. During the years ending June 30, 2011, and June 30, 2010, gifts of \$95.3 million (\$35.9 million from endowment investments and \$59.4 million from current funds) and \$84.6 million (\$35.3 million from endowment investments and \$49.3 million from current funds), respectively, were transferred to Berkeley from the Foundation.

NOTE 12: RETIREMENT PLANS

Most Berkeley employees participate in the University of California Retirement System (UCRS). The UCRS consists of the UCRP, a single employer, defined benefit plan funded with the UC (including campus) and employee contributions; the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans with options to participate in internally and externally managed investment portfolios generally funded with employee non-elective and elective contributions; and the California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Program (PERS-VERIP), a defined benefit plan for employees who were members of PERS who elected early retirement. The Regents has the authority to establish and amend the benefit plans.

The UCRP provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the campus. Membership in the retirement plan is required for all employees appointed to work at least 50 percent time 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 of service within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of the pension benefit is determined by salary rate, age and years of service credit with certain cost of living adjustments. The maximum monthly benefit is 100 percent of the employee's highest average compensation over a consecutive 36-month period, subject to certain limits imposed under the Internal Revenue Code.

Contributions to the UCRP may be made by the campus and the employees. The Regents' contribution funding policy is based on a percentage of payroll using the entry age normal actuarial cost method. Employee contributions by represented employees are subject to collective bargaining agreements. Berkeley's contributions were \$29.1 million and \$6.1 million, respectively, during the years ending June 30, 2011, and June 30, 2010. Employee contributions to the UCRP are accounted for separately and currently accrue interest at 6.0 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 a lump sum equal to the present value of their accrued benefits.

The UCRSP includes four defined contribution plans – the Defined Contribution Plan (DC Plan), the Supplemental Defined Contribution Plan (SDC Plan), the Tax Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan) – providing retirement savings incentives that are generally available to all campus employees. Participants' interests in the plans are fully and immediately vested and are distributable at retirement, termination of employment or death. Participants may also elect to defer distribution of the account until age 70 ½ or separation from service after age 70 ½, whichever is later, in accordance with Internal Revenue Code minimum distribution requirements. The plans also accept qualified rollover contributions.

The DC Plan accepts both after-tax and pretax employee contributions that are fully vested. Pretax contributions are mandatory for all employees who are members of the UCRP, as well as Safe Harbor participants — part-time, seasonal and temporary employees who are not covered by Social Security. The University established a SDC Plan to accept employer contributions on behalf of certain designated employees. The 403(b) and 457(b) Plans accept pretax employee contributions. Berkeley may also make contributions on behalf of certain members of management.

Information related to plan assets and liabilities as they relate to Berkeley is not readily available. Additional information on the retirement plans can be obtained from the 2010-11 annual reports of the UC, UCRP, UCRSP and UC PERS—VERIP.

NOTE 13: RETIREE HEALTH PLANS

UC administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the UC and its affiliates, including Berkeley. The Regents has the authority to establish and amend the plans. Membership in the UCRP is required to become eligible for retiree health benefits.

The contribution requirements of Berkeley and eligible retirees are established and may be amended by the UC. The contribution requirements are based upon projected pay-as-you-go financing. Contributions toward medical and dental

benefits are shared between the campus and the retiree. Contributions toward wellness benefits are made by the campus. Berkeley does not contribute toward the cost of other benefits available to retirees. Retirees employed by Berkeley prior to 1990 and not rehired after that date 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 five years of service. Retirees employed after 1989 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.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the employer's contribution.

Berkeley's contribution rates were \$3.31 and \$3.12 per \$100 of the UCRP covered payroll resulting in campus contributions of \$23.8 million and \$21.9 million for the years ending June 30, 2011, and June 30, 2010, respectively.

Information related to plan assets and liabilities as they relate to Berkeley is not readily available. Additional information on the retiree health plans can be obtained from the 2010–2011 annual reports of the UC and the University of California Health and Welfare Program.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled \$545.8 million and \$456.0 million at June 30, 2011 and June 30, 2010, respectively.

Berkeley leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the year ending June 30, 2011, and June 30, 2010, were \$15.5 million and \$17.0 million, respectively. The terms of operating leases extend through the year ending 2020.

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)
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Year Ending June 30	Minimum Annual Lease Payments	
2012	\$10,501	
2013	7,974	
2014	6,653	
2015	4,126	
2016	1,974	
2017 and thereafter	4,553	
Total	\$35,781	

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.

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

University of California Berkeley

