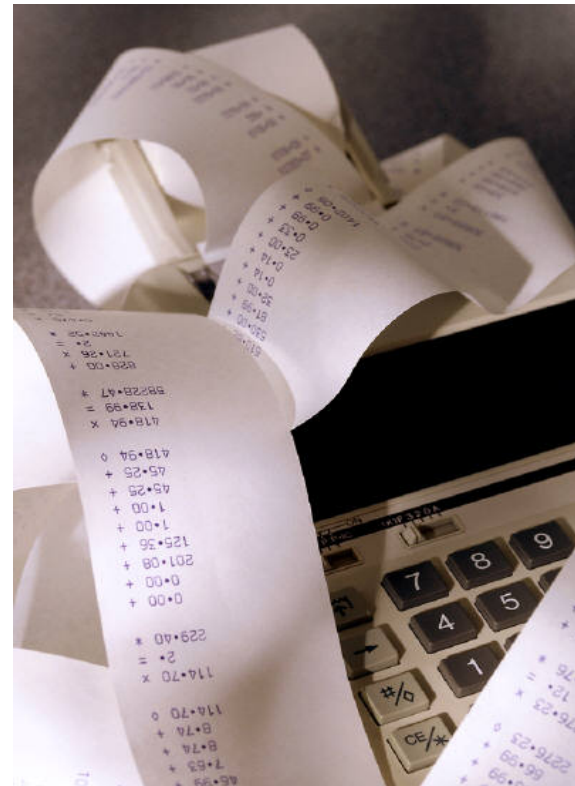


Analyzing Employer Finances

It's Not About The Arithmetic!

- A budget is “The Mother of All Policy Documents”. It’s an expression of policy, quantified in dollars that identifies what is valued by the institution. It is our obligation to intervene so our members’ voice may be heard, and our values included.



What Can You Expect From Fiscal Analysis????

Fiscal analysis has many uses. It may assist you to:

- Reorder educational or other employer priorities;
- participate as equals in decision making;
- Supports collective bargaining goals;
- Inform members about the budget process and fiscal climate;
- Organize members around fiscal and economic issues
- Identify and deal with economic and fiscal trends early while you have time to make small adjustments.



Steps to Conduct Analysis

1. Identify a Fiscal Analysis Team
2. Collect Documents for Fiscal Analysis
3. Read Documents
4. Graph Data
5. Spot Trends and Anomalies
6. Generate Questions
7. Research Answers (investigate explanations)
8. Report your findings

Policy Evaluation

1. Where does the budget say they will put their resources?
2. Where does the audit show they actually spent the resources?
3. Does management rhetoric = identifiable results?

You Should Be Able to Identify...

- How much did your institution spend this past year?
- What was it spent it on?
- What are the main revenue sources and how are they changing?
- How accurate are revenue and expenditure estimates in your institution?
- Are they running a deficit or surplus?
- What is the rate of growth or decline?

Step 1

Identify and Recruit a Fiscal Analysis Team

Traits to look for:

- Ability to devote 4 hours per month
- Attend institutions Board of Directors meetings
- Access to a computer, and knowledge of spreadsheet software
- Willing to work in a group
- Willing to be accountable to the



Step 2

Collect Tools for Fiscal Analysis

- CAFR (audit & financial statements)
- Budgets
- Budget Amendments
- Monthly or Quarterly Financial Statements
- State forms
- Press Clips
- Governance Board & Governance Board Committees' Meeting Notes



Collecting the Documents

- We have a standard letter requesting documents that help look at budgets and audits. These documents can be collected under state law by the union or as citizens seeking freedom of information requests.
- Request information in electronic format (i.e. in excel format)

Higher Education Request for Financial Information

- Comprehensive Annual Financial Reports from 2006-2007, 2007-08, 2008-09
- The 2009 Annual Report
- The 2006-07, 2007-08, 2008-09, 2009-10 Operating Budgets with all supporting documents such as executive summaries, tables, charts;
- Copies of budgets and 990 forms from integrated foundations for the three most recent years.
- any amendments to the current budget that have been either considered and/or adopted as well as any amendments to the prior year budget;
- Copies of any summaries of the general ledger or other documents prepared that show the progress in budgeting during the current year, for example, year-to-date budgeted and actual for revenues and expenditures.
- Monthly financial statement for September 2008, December 2008, March 2009, and June 2009 with the restated final version of the June 2009 statement. For the current year, the September 2009 and December 2009 and the most recent 2010 statement available;
- List of employees, identifying number, address, job title/assignments, department, wage rates, age, start date, hours or full-time and part time status. A sample is provided in the attachment;
- Official enrollment report of the institution and any forecast of enrollments;

Collect the documents and create files, have a place where they reside in the union office.

Sample Employee Data Request Format

SAMPLE EMPLOYEE DATA REQUEST				Annual/Hourly	LONGEVITY	YEARLY	YEARLY				
EMPNO	NAME	JOB	LOCATION	WAGE	BIRTHDT	DT	DAYS	HOURS	INION/LOCA	Age	Experience
455303	ABBOTT KIMBERLY ANN	COUNS JR HIGH	DEVEAUX	56,779.00	19630208	19970902	202	0	ADMIN	43.0	9.0
293	Boswell REBECCA L	BUS DRVR 6.00H/1230 HR	TRANSPORTATION	16.54	19490320	19960530	0	1230	2853	57.0	10.0
285	Dardwell AMEER	BD PROV NO ROUTE	TRANSPORTATION	14.71	19840128	20050208	0	1178.75	2853	22.0	1.0
325	Elsworth KAREN ANN	SUBSTITUTE SECRETARY	ADMINISTRATION	7.68	19581005	20041130	0	0	0	47.9	1.9
585	Faber FLOYD W SR	NIGHT/MISC/LAB 2080HR	PEARSON CENTER	21,257.60	19510228	20040826	0	2080	349	55.0	2.0
722	Francis NEAL	GROUP 3 OPERATOR	HALE	37,107.20	19540725	19760524	0	2080	272	52.0	30.0
135759	Gharand FADIA S	COUNS JR HIGH	JONES JR HIGH	64,644.50	19440329	19760906	202	0	ADMIN	62.0	30.0
202656	Gerico MONA	SEC IV 1950/12M/7.5HR	PURCHASING	34,417.50	19520507	19960513	0	1950	2174	54.0	10.0
1192	Hachinger JUDITH	SP ED PA 30.0	MAYFAIR ACHIEVE	18,164.16	19470714	19871110	0	1224	PARA	59.0	18.9
1273	Hackerman CANDY	FSW I 1020 HRS	ROBINSON JR. HI	10,424.40	19600831	19991206	0	1020	840	46.0	6.9
1168	Hackerman LEWIS W	BIC TEACHER	BOWSHER	33,701.00	19770520	20020118	190	0	CFT	29.0	4.0
1281	Kackley DEBORAH S	MATH JR HIGH	BRIGADOON ACADE	36,977.00	19581015	20010829	190	0	CFT	47.9	5.0
1321	LaCosta Henry	SPANISH	START	54,753.00	19500202	19920901	190	0	CFT	56.0	14.0
478762	LaCosta Wilmal	KINDERGARTEN	ARLINGTON	43,394.00	19690223	19970529	190	0	CFT	37.0	9.0
2253	Marazewskil SANDY	BUS DRVR	TRANSPORTATION	16.54	19530917	19960611	0	1178.75	2853	52.9	10.0

Note: Depending on your institution, graduate employee organizations may encounter resistance to disclosure. Universities sometimes cite the FERPA Act as a reason to withhold information: The Family Educational Rights and Privacy Act (FERPA) (20 U.S.C. § 1232g; 34 CFR Part 99) is a Federal law that protects the privacy of student education records. The law applies to all schools that receive funds under applicable program of the U.S. Department of Education.

Additional Items to Request

- Contracts in excess of \$20,000, related RFP (request for proposal and a brief statement as to the purpose of the contract
- Foundation Bylaws & Investment Policy and/or the University Investment Policy
- A list of retirees, resignations, and terminations including the wage rates, start date, full-time or part-time status as current as available
- Any report filed with State Agencies pursuant to application for aid, support or in fulfillment of requirements for aid or operation of the college
- Other Items ???

Step 3

Read Documents



Accounting Methods – Basis of Accounting

Basis of Accounting will be reported in the Audit:

Accrual Accounting: records revenue and expenses in the year when they become recognizable and measurable. In other words when the “event” occurs, even if no “cash” changes hands. We are born accrual accountants, we have to learn cash accounting.

Cash Accounting: Records revenue when it is received & expenditures when they are spent (like a checkbook).

Modified Accrual/Modified Cash: Revenue is recognized when it becomes available and measurable. Also, expenditure is typically recognized in the period in which the liability is incurred, except in cases related to inventory, debt that is recognized on the date due, and encumbrances.

Keep in Mind Underlying Rules and Practices: Government Accounting Standards Board (GASB)

- GASB standards are designed to provide financial information that responds to the needs of three groups of primary users of general purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors.
- Under the guidance known as GASB No. 35, a public institution is required to include management's discussion and analysis (MD&A); basic financial statements, as appropriate for the category of special-purpose government reporting selected; notes to the financial statements; and required supplementary information other than MD&A.
- In 2002 GASB rules mandated a switch from fund accounting, so although budgets are still organized by fund, audits now report budgeted funds in a single consolidated audit. At the U of Michigan this means that transfers between its three branches are not reported in the audit.
- Another prominent change resulted in the appearance of large operating losses because any state operating appropriation is now considered to be non-operating revenue or subsidy.

The Audit is the Most Useful Place to Begin Your Effort

Why Start with Audits and Not Budgets? Audits are the record of what is actually spent. Because budgets can and do change during the fiscal year. Budgets can be amended on the last day of the fiscal year.

Important Components of an Audit:

- Each audit contains a transmittal letter that shows the date that the audit generally will be available.
- The Management Discussion & Analysis which provides a narrative explanation of fiscal conditions accompanied with charts and graphs.
- Contained in next section of Financial Statements is the Statement of Net Assets a.k.a. the Balance Sheet
- Following is a Statement of Revenues, Expenditures, and Changes in Net Assets
- The Notes to the Financial Statement are your key to understanding what you are reading.
- Additional tables or what is referred to as a statistical section are sometimes included.

Elements of the Audit—The Transmittal Letter

The Regents of the University of Michigan

In our opinion, the accompanying consolidated statement of net assets and the related consolidated statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of the University of Michigan (the “University”) at June 30, 2009 and 2008, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits

PricewaterhouseCoopers LLP
September 8, 2009


Key Questions:

- 1) Is the Auditor’s opinion “Qualified” (i.e. there’s a problem here) or “Unqualified” (No problem)?
- 2) Transmittal date. This is the date around which you should expect the work on the report to be completed annually.

Management Discussion and Analysis (MD&A): A Narrative for Stakeholders

**Management's Discussion and Analysis (Unaudited)
Henry Ford Community College**

Henry Ford Community College



This discussion and analysis of Henry Ford Community College's financial statements provide an overview of the College's financial activities for the year ended June 30, 2009. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above referred format, notes to financial statements, and supplemental information.

Elements of Financial Statements

- Assets – what an organization owns or controls that the potential to be of service or create future economic benefit. Examples include cash, investments, property, plant, and equipment.
- Liabilities – future payment-or other obligations-of an organization resulting from a past transaction. Examples include fringe benefits such as retiree health insurance, accrued leave, accounts payable, and long-term debt.
- Net Assets – the difference between an organizations assets and liabilities. Not-for profit net assets are classified as permanently restricted, temporarily restricted, or unrestricted.
- Revenues – inflows resulting from the provision of services or other activities of the organization. Examples include tuition revenue and investment income.
- Expenses – cash outflows caused by the production or delivery of an organization’s good’s and services. They can also be incurrences of liabilities. Examples include instruction, academic support, and administration.

Source: “The Financial Reporting Process: Concepts and Definitions”, Chapter 2 Understanding Financial Statements: A Strategic Guide for Independent College and University Boards, Association of Governing Boards (AGB)

Statement of Net Assets aka the “Balance Sheet”

1) Assets

2) Liabilities

3) Net Assets

Financial Statements		
CONSOLIDATED STATEMENT OF NET ASSETS		
	June 30,	
(in thousands)	2009	2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 358,373	\$ 405,137
Operating Investments	345,207	666,218
Investments for capital activities	541,577	607,260
Investments for student loan activities	31,483	20,880
Investment trade settlements receivable	128	56,280
Accounts receivable, net	434,708	443,375
Current portion of notes and pledges receivable, net	64,055	73,832
Current portion of prepaid expenses and other assets	49,401	54,037
Total Current Assets	1,825,022	2,536,026
Noncurrent Assets:		
Endowment, life income and other investments	6,215,285	7,854,562
Notes and pledges receivable, net	210,823	293,572
Prepaid expenses and other assets	21,425	17,153
Capital assets, net	4,627,498	4,120,830
Total Noncurrent Assets	11,094,032	12,295,117
Total Assets	\$ 12,909,054	\$ 14,771,143
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 184,595	\$ 191,604
Investment trade settlements payable	5,658	64,442
Accrued compensation and other	305,563	297,725
Deferred revenue	187,519	178,638
Current portion of insurance and benefits reserves	67,133	64,117
Current portion of obligations for postemployment benefits	58,401	60,792
Commercial paper and current portion of bonds payable	178,690	172,030
Long-term bonds payable subject to remarketing, net	652,285	706,870
Deposits of affiliates and others	29,705	27,933
Total Current Liabilities	1,669,549	1,765,150
Noncurrent Liabilities:		
Accrued compensation	76,024	78,578
Insurance and benefits reserves	65,912	78,448
Obligations for postemployment benefits	1,504,569	1,431,021
Obligations under life income agreements	47,843	60,437
Government loan advances	67,548	66,567
Bonds payable	656,341	362,408
Deposits of affiliates and other	113,393	153,860
Total Noncurrent Liabilities	2,572,530	2,251,310
Total Liabilities	4,242,079	4,016,460
Net Assets:		
Invested in capital assets, net of related debt	3,275,665	3,030,110
Restricted:		
Nonspendable	1,143,668	1,070,058
Expendable	2,705,369	3,733,022
Unrestricted	1,542,083	2,020,584
Total Net Assets	8,666,975	10,754,674
Total Liabilities and Net Assets	\$ 12,909,054	\$ 14,771,143

Statement of Revenue, Expenditures and Changes in Net Assets

Condensed Changes in Net Assets for the Year Ended June 30 (in millions)

	2008	2009	Increase (Decrease)	Percent Change
Operating Revenue				
Tuition and fees	\$ 20.4	\$ 21.1	\$ 0.7	3.4
Grants and contracts	5.8	5.6	(0.2)	(3.4)
Auxiliary enterprises	8.2	9.6	1.4	17.1
Other	2.1	2.7	0.6	28.6
Total operating revenue	36.5	39.0	2.5	6.8
Operating Expenses				
Instruction	37.4	38.3	0.9	2.4
Instructional support	7.3	7.7	0.4	5.5
Student services	9.0	9.3	0.3	3.3
Institutional administration	5.0	9.4	4.4	88.0
Information technology	7.3	5.3	(2.0)	(27.4)
Physical plant operations	8.1	8.4	0.3	3.7
Auxiliary enterprises	7.2	8.4	1.2	16.7
Depreciation expense	3.3	3.5	0.2	6.1
Other operating expenses	0.2	0.9	0.7	350.0
Total operating expenses	84.8	91.2	6.4	7.5
Operating Loss	(48.3)	(52.2)	(3.9)	8.1
Nonoperating Revenue (Expense)				
Federal grants	17.7	23.6	5.9	33.3
State appropriations	22.4	20.9	(1.5)	(6.7)
Property taxes	16.5	17.1	0.6	3.6
Other nonoperating expenses	0.1	(0.8)	(0.9)	(900.0)
Net nonoperating revenue	56.7	60.8	4.1	7.2
Increase in Net Assets	8.4	8.6	0.2	2.4
Net Assets - Beginning of year	51.3	59.7	8.4	16.4
Net Assets - End of year	\$ 59.7	\$ 68.3	\$ 8.6	14.4



Statement of Cash Flows

Statement of Cash Flows

Another way to assess the financial health of a college is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Cash Flows for the Year (in millions)

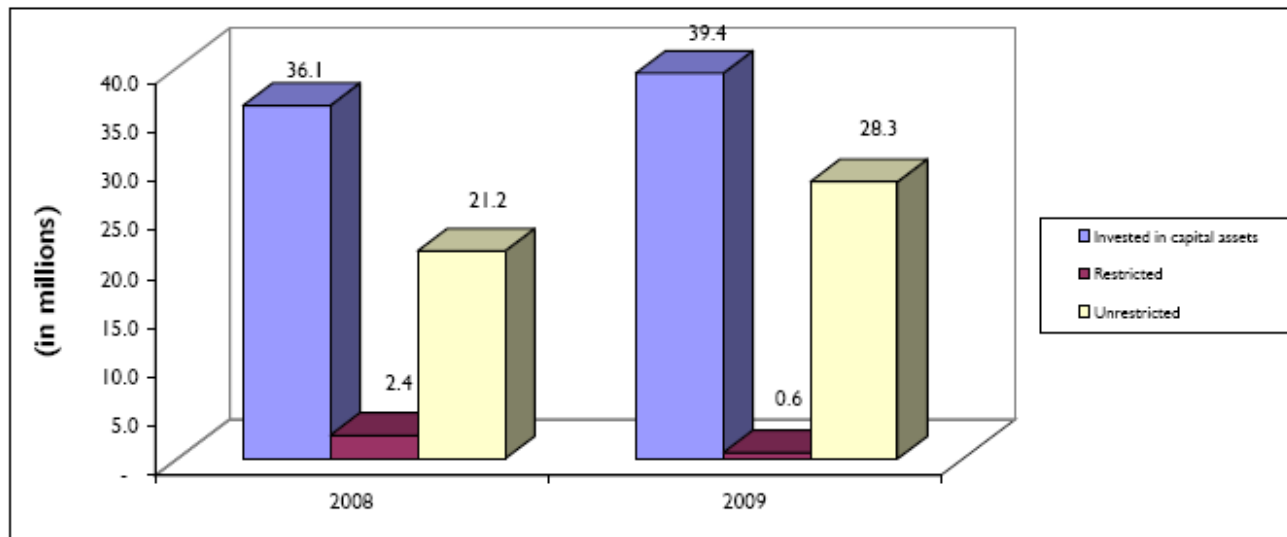
	2008	2009	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	\$ (47.0)	\$ (44.2)	\$ 2.8	6.0
Noncapital financing activities	50.8	60.3	9.5	18.7
Capital and related financing activities	(1.0)	(8.0)	(7.0)	(700.0)
Investing activities	<u>1.1</u>	<u>0.3</u>	<u>(0.8)</u>	<u>(72.7)</u>
Net Increase in Cash	3.9	8.4	4.5	
Cash - Beginning of year	<u>19.8</u>	<u>23.7</u>	<u>3.9</u>	19.7
Cash - End of year	<u>\$ 23.7</u>	<u>\$ 32.1</u>	<u>\$ 8.4</u>	35.4

In the MD&A Management is Required to Explain What Occurred in the Year

Financial Highlights

Overall, the College's financial position at June 30, 2009 improved from June 30, 2008. In total, the College's net assets increased \$8.6 million, or 14.4 percent, from the prior year. The overall increase is primarily the result of an increase in unrestricted net assets which were the result of improvements in the process to manage student accounts receivable, an increase in enrollment of approximately 12 percent, cost containments, and energy management.

The following chart provides a graphic breakdown of net assets by category as of June 30, 2009 and 2008:

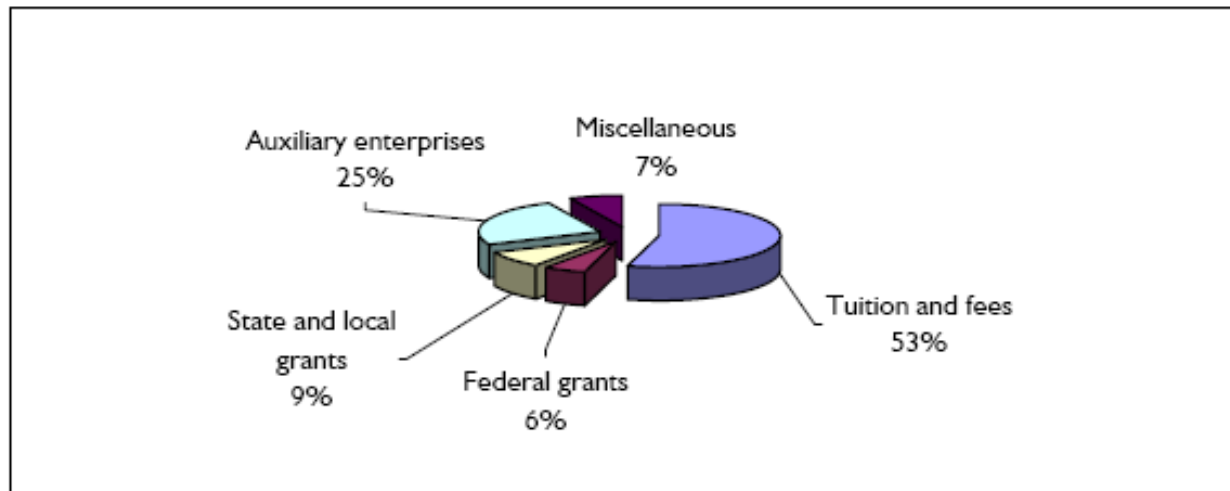


Sources of Revenue – Henry Ford Community College – Operating Revenues

Operating Revenues

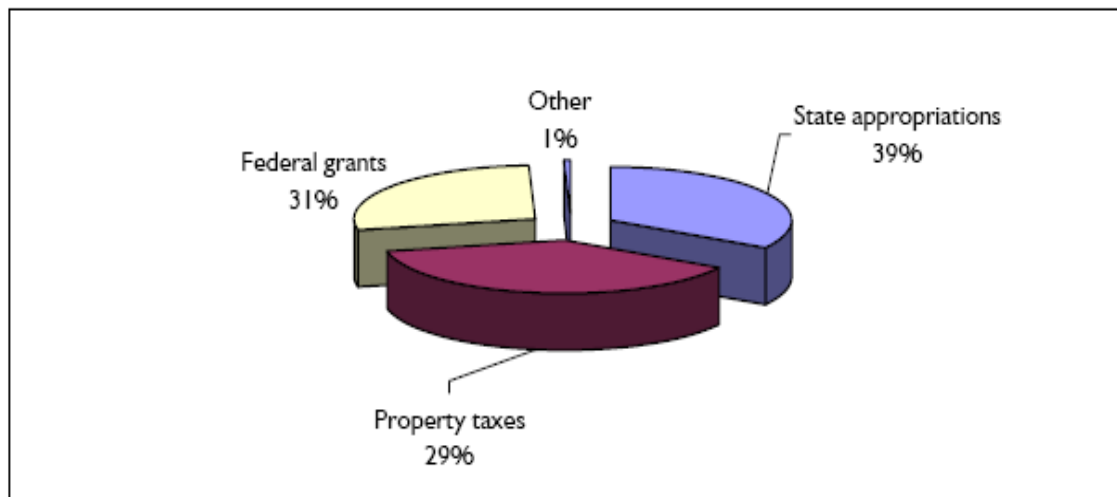
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenues increased by 6.8 percent, from \$36.5 million to \$39.0 million. The following is a graphic illustration of operating revenue by source for the year ended June 30, 2009:



Sources of Revenue – Henry Ford Community College – Non-Operating Revenues

The following is a graphic illustration of nonoperating revenue by source:



Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

In fiscal year 2008-2009, the State of Michigan did not significantly increase state aid support for community colleges. Property tax revenue increased slightly for the fiscal year.

Federal grant revenue increased by approximately \$5.9 million from \$17.7 million to \$23.6 million. State and local grants and gifts decreased by about \$0.1 million from \$3.5 million to \$3.4 million.

Standard & Poor's Analysis of Henry Ford Community College (9/04/2009)

Henry Ford Community College

Henry Ford Community College maintains two proprietary funds -- an operating fund and a foundation -- that are separate from the pre-K-12 school district's operating funds. The college's operating fund closed fiscal 2008 with nearly \$21 million of cash and cash equivalents, or nearly 92 days' operating expenditures. Historically, the college's operations have been financially sound, averaging \$14 million of unreserved cash and investments in its operating fund since fiscal 2004. In addition, management has stated the college's foundation maintained an additional \$5.5 million of cash and investments at fiscal year-end 2009.

While the college and school district can transfer funds to one another, subject to school board approval, neither has used it in the past. The college currently levies 2.5 mills for operating purposes, as well as an additional 0.5 mills, authorized by the electorate in 2005; the authorization expires in 2010. According to management, the additional millage generates approximately \$2.2 million of revenues annually; the millage, however, is subject to reauthorization upon its expiration in 2010. The college's diverse revenue stream consists of numerous sources, including state aid (24% of total revenues), tuition and fees (21%), federal grants (19%), and property taxes (18%).

How S&P's analysis is represented in the Henry Ford CC MD&A

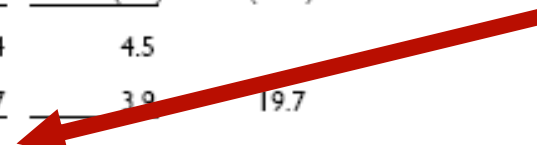
Statement of Cash Flows

Another way to assess the financial health of a college is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Cash Flows for the Year (in millions)

	2008	2009	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	\$ (47.0)	\$ (44.2)	\$ 2.8	6.0
Noncapital financing activities	50.8	60.3	9.5	18.7
Capital and related financing activities	(1.0)	(8.0)	(7.0)	(700.0)
Investing activities	1.1	0.3	(0.8)	(72.7)
Net Increase in Cash	3.9	8.4	4.5	
Cash - Beginning of year	19.8	23.7	3.9	19.7
Cash - End of year	<u>\$ 23.7</u>	<u>\$ 32.1</u>	<u>\$ 8.4</u>	35.4



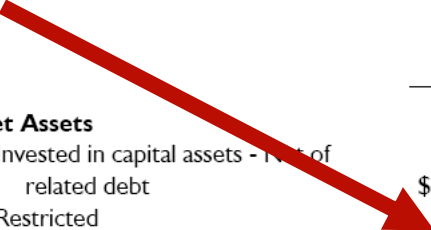
Henry Ford CC

Unrestricted Net Assets

Unrestricted Net Assets. In 2008 these equaled 25% of operating expenses and in 2009 they equaled 31%.

Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

	2008	2009	Increase (Decrease)	Percent Change
Net Assets				
Invested in capital assets - net of related debt	\$ 36.1	\$ 39.4	\$ 3.3	9.1
Restricted	2.4	0.6	(1.8)	(75.0)
Unrestricted	21.2	28.3	7.1	33.5
Total net assets	59.7	68.3	8.6	14.4
Total liabilities and net assets	<u>\$ 96.2</u>	<u>\$ 107.0</u>	<u>\$ 10.8</u>	11.2



The primary change in the statement of net assets from 2008 to 2009 relates to an increase in unrestricted net assets. Student enrollments increased approximately 12 percent due to increased marketing efforts and a continuing structural change in the Michigan economy.

The Politics of Unrestricted Net Assets (i.e. the Unrestricted Fund Balance)



BEST PRACTICE

Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)

Background. Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.¹ In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

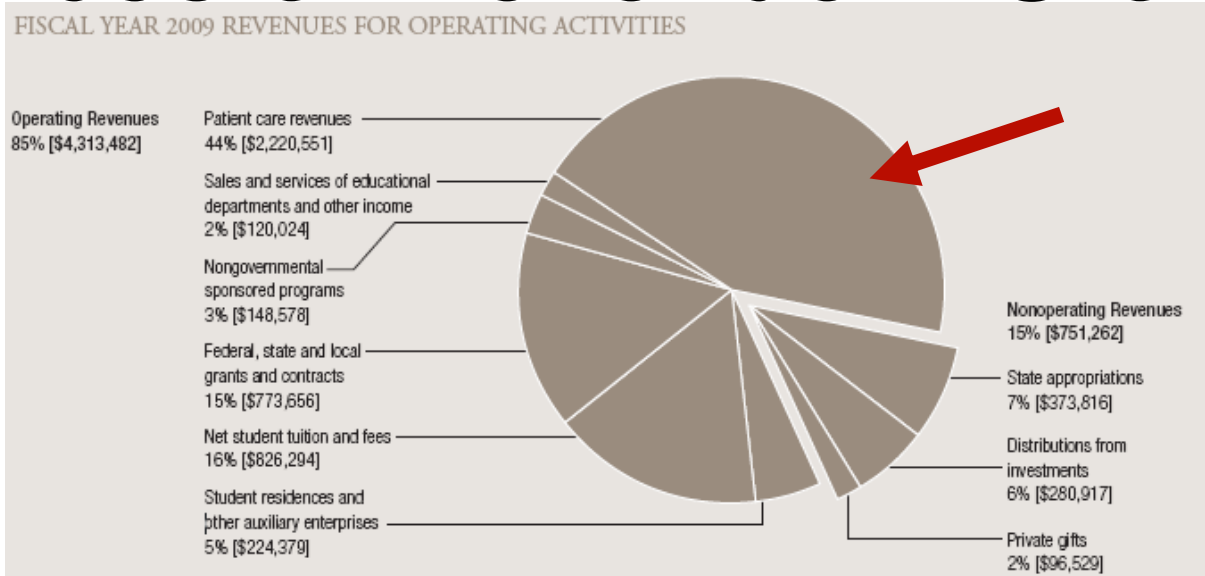
Accountants distinguish up to five separate categories of fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.² The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*.

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.⁵

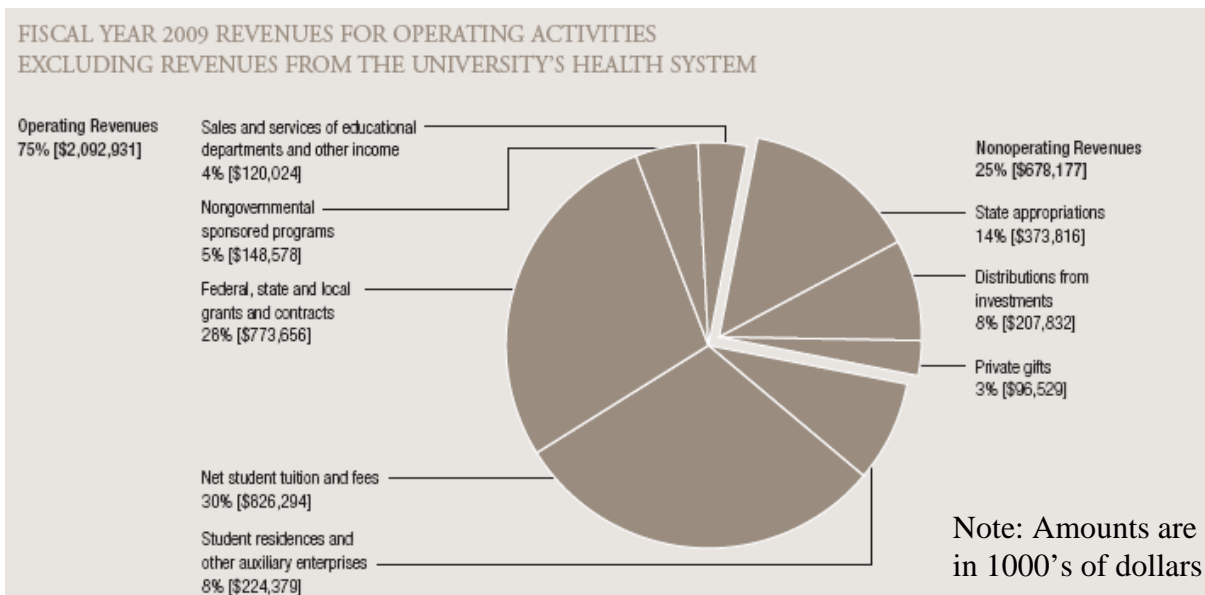
Footnote number #5: In practice, **a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts)** because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

Sources of Revenue – U of M

All Revenues



Revenues Excluding University Health System



Note: Amounts are presented in 1000's of dollars

Statement of Revenues, Expenditures, Changes in Net Assets-University of

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(in thousands)	Year Ended June 30,	
	2009	2008
Operating Revenues		
Student tuition and fees	\$ 1,029,240	\$ 975,316
Less scholarship allowances	202,946	184,095
Net student tuition and fees	826,294	791,221
Federal grants and contracts	766,416	712,963
State and local grants and contracts	7,240	9,649
Nongovernmental sponsored programs	148,579	130,634
Sales and services of educational departments	117,690	138,484
Auxiliary enterprises:		
Patient care revenues	2,220,551	2,105,439
Student residence fees (net of scholarship allowances of \$16,542,000 in 2009 and \$16,701,000 in 2008)	81,391	74,759
Other revenues	142,988	139,410
Student loan interest income and fees	2,334	2,049
Total Operating Revenues	4,313,482	4,104,608
Operating Expenses		
Compensation and benefits	3,390,470	3,234,232
Supplies and services	1,255,078	1,167,616
Depreciation	341,462	319,351
Scholarships and fellowships	107,127	98,847
Total Operating Expenses	5,094,137	4,820,046
Operating loss	(780,655)	(715,438)
Nonoperating Revenues (Expenses)		
State educational appropriations	373,816	404,003
Private gifts for other than capital and endowment purposes	96,529	136,713
Net investment (loss) income	(1,851,234)	621,879
Interest expense	(25,136)	(33,644)
Total Nonoperating Revenues (Expenses), Net	(1,406,025)	1,128,950
(Loss) income before other revenues (expenses)	(2,186,680)	413,512
Other Revenues (Expenses)		
State capital appropriations	12,244	11,796
Capital gifts and grants	27,791	66,372
Private gifts for permanent endowment purposes	60,802	93,777
Implementation of GASB Statement No. 45, postemployment benefits obligations as of July 1, 2007		(1,306,859)
Other	(1,656)	(21,065)
Total Other Revenues (Expenses), Net	98,981	(1,156,979)
Decrease in net assets	(2,087,699)	(742,467)

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Operating results

The university's audit consolidates extensive academic and health care operations. UM's operating results are consistently positive on a cash basis, and have historically been positive on a full-accrual basis. For fiscal 2009, we adjusted negative audited operating results of \$2.186 billion for realized/unrealized gains and losses, spendable endowment draws and working capital income, and noncash OPEB accruals, resulting in an estimated \$52 million operating surplus. When similar adjustments were applied to fiscal 2008, adjusted operating results were in excess of \$135 million. In fiscals 2009 and 2008, cash results before depreciation of \$341 million and \$319 million, respectively, were solidly positive. Differences between fiscal 2009 and 2008 operating results are likely due to a variety of factors, including lower interest earnings on working capital, increased depreciation expense, and lower gifts in 2009 (2008 was the end of a significant capital campaign).


For the fiscal year ending June 30, 2010, the university is again expecting balanced budgetary performance, and management reports that it continues to make cost reductions and strategic revenue reallocations and alignments, anticipating cuts in state appropriations going forward. The 2010 general funds budget did not include the \$10 million in state-applied stimulus funding. Management reports that enrollment was up for fall 2009, tuition increased about 5.6%, research activity remains robust, and hospital operating margins will be slim but positive on a full-accrual basis.

University of Michigan MD&A – Net Assets

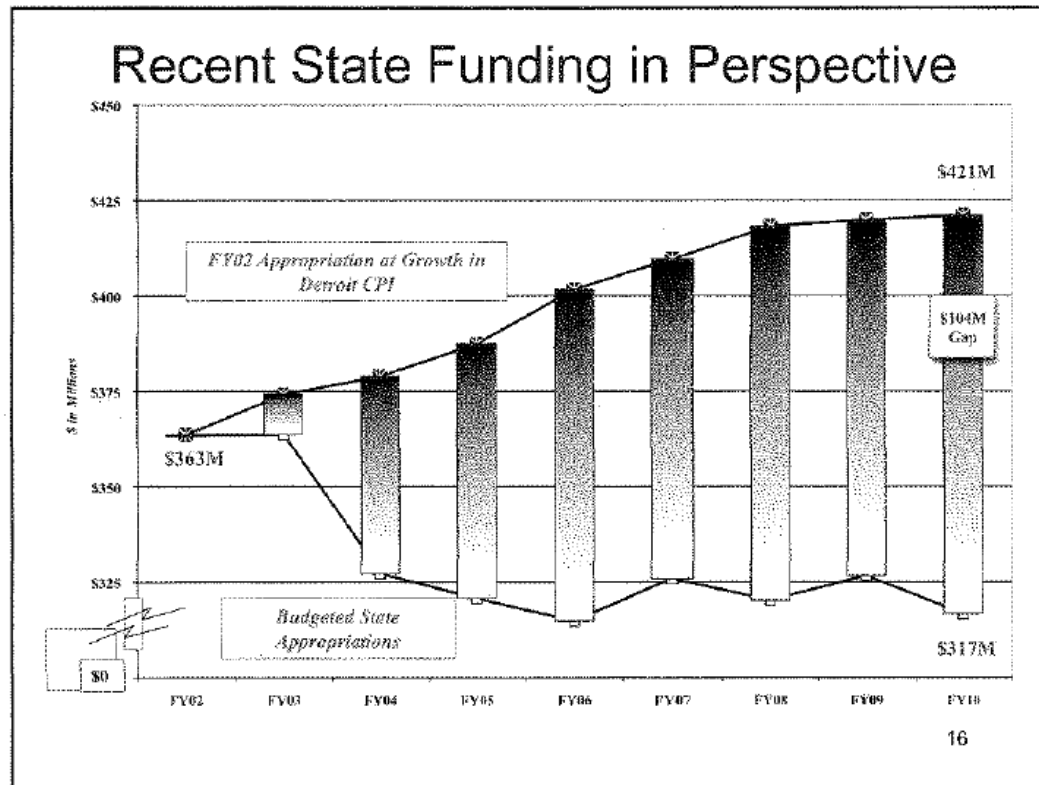
NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets at June 30, 2009 and 2008 is summarized as follows

<u>(in millions)</u>	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related debt	\$ 3,276	\$ 3,030
Restricted:		
Nonexpendable:		
Permanent endowment corpus	1,144	1,071
Expendable:		
Net appreciation of permanent endowments	808	1,492
Funds functioning as endowment	1,291	1,561
Restricted for operations and other	606	680
Unrestricted	1,542	2,921
	<u>\$ 8,667</u>	<u>\$ 10,755</u>



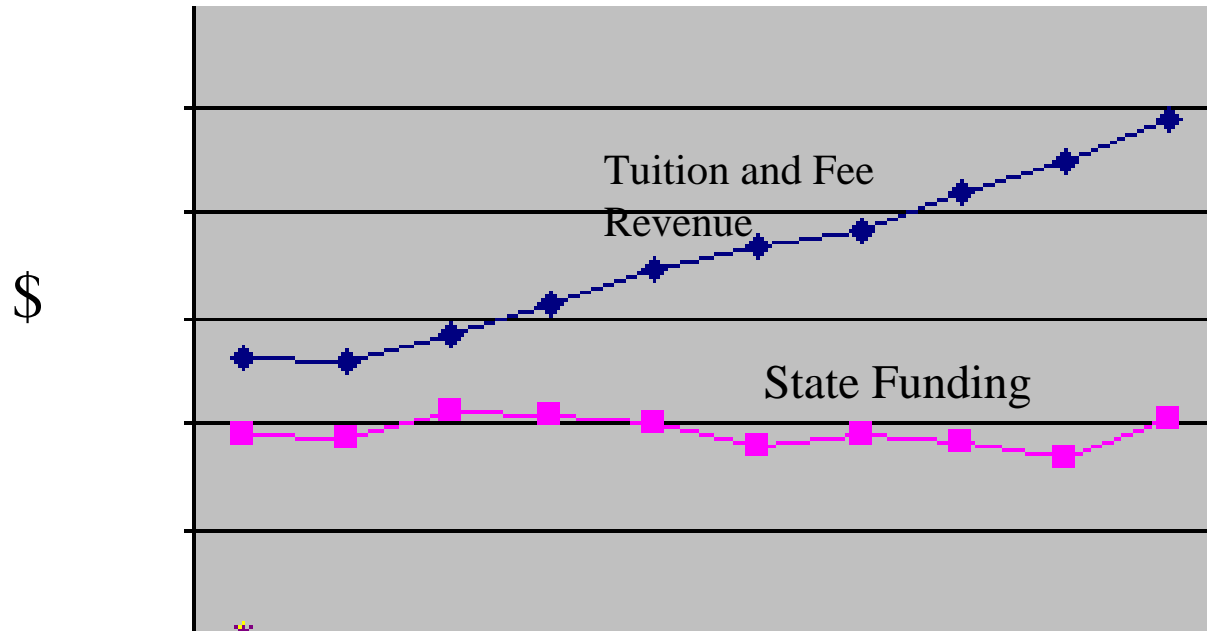
Recent State Funding in Perspective— Courtesy of the University of Michigan



Change in Tuition and Fee Revenue vs. Changes in State Funding

University of Michigan-Combined Ann Arbor+Dearborn+Flint - Total \$\$\$

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Tuition and Fees	\$520,790,973	\$514,004,949	\$569,581,582	\$626,093,011	\$687,478,841	\$731,171,408	\$765,195,549	\$834,369,381	\$891,662,277	\$975,333,567
State Appropriations	\$380,988,957	\$373,156,314	\$421,097,907	\$415,627,795	\$401,095,096	\$356,946,557	\$374,893,914	\$364,927,232	\$332,457,732	\$404,015,784



1998-99 to 2007-08