

Financial Summary Analysis of Clemson's Unrestricted Cash Balance

The Following Presents a Review of Selected Financial and Managerial Information Relative to Tuition, Appropriations, and Cash Balances From Audited Financial Statements for the Years Ended June 30, 2002 through June 30, 2006 per Statements displayed on the Clemson University Web Site as of September 24, 2007. Prepared by Scott Ludlow, CPA and former CFO, Clemson University.

Summary Analysis of Resources:						Total Change
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	
Tuition and Fees	94,062,000	111,346,000	131,049,000	149,405,000	166,912,000	72,850,000
State E&G Appropriation	108,489,595	96,456,560	86,523,554	87,713,541	93,302,462	(15,187,133)
Resource Available	<u>202,551,595</u>	<u>207,802,560</u>	<u>217,572,554</u>	<u>237,118,541</u>	<u>260,214,462</u>	
Net Increase in Resources		5,250,965	9,769,994	19,545,987	23,095,921	<u>57,662,867</u>
Unrestricted Cash Balance ¹	84,641,385	90,978,873	110,720,665	126,768,920	137,453,768	52,812,383

Data From Audited Financial Statements:						
Tuition and Fees	94,062,000	111,346,000	131,049,000	149,405,000	166,912,000	72,850,000
Dollar Change		17,284,000	19,703,000	18,356,000	17,507,000	
% Change		18.38%	17.70%	14.01%	11.72%	
State E&G Appropriation	108,489,595	96,456,560	86,523,554	87,713,541	93,302,462	(15,187,133)
Unrestricted Cash Balance	84,641,385	90,978,873	110,720,665	126,768,920	137,453,768	52,812,383
Net Unrestricted Assets	43,669,984	52,569,847	68,091,071	77,732,929	91,363,635	
Dollar Change		8,899,863	15,521,224	9,641,858	13,630,706	47,693,651
% Change		20.38%	29.52%	14.16%	17.54%	109.21%

1) The unrestricted cash balance is the result of multiple activities beyond the tuition and fee and state appropriations considered in this analysis. This however, does not change the fact that during the same period when the University was increasing tuition and fees that the available unrestricted cash balance, coincidentally or not, grew by nearly the same amount as the increase in tuition and fees with the state E&G appropriation reduction netted out.

Extraordinary Growth of Cash Account Raises Serious Questions

The chart presented herewith shows that Clemson's Unrestricted Cash Balance for fiscal year (FY) 2006 was **\$137,453,768**. For FY 2002, it was \$84,641,385. This shows, then, that from FY 2002 to FY 2006, Clemson's Unrestricted Cash Balance grew by **\$52,812,383, a growth of 62%**.

The chart illustrates that during the same period, Clemson's revenues grew by **\$57,662,867** due to increases in tuition and fees that purportedly were necessary to offset decreases in financial support by the General Assembly.

The dramatic growth of *both* the revenue account *and* the cash balance account, raises a glaring question. Why was tuition increased so dramatically, resulting in a growth of more than \$57 million, if less than one tenth of it (less than \$5 million) was utilized? As revenue grew to over \$57 million, the cash balance grew to over \$52 million.

Specifically, if only **\$4,840,484** of the **\$57,662,867** in growth was utilized, why was tuition raised year after year in double digits?¹

An apparent answer and reasonable speculation may be that the tuition increases were not warranted and the plans the administration presented to justify the increases were not, in fact, plans as much as they were ideas that remain undeveloped and largely undone.

In defense of their accumulated unrestricted cash reserves, University officials have stated that the unutilized funds were intentional and intended as a "rainy day" fund.

Reliable sources, however, maintain that the Clemson University budget does not include any formal or approved provision to fund any budget contingency account, or any emergency "rainy day" fund.

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¹ Clemson University **increased** tuition **42.0 % for FY 2002**.
Clemson University **increased** tuition **14.6 % for FY 2003**.
Clemson University **increased** tuition **18.8 % for FY2004**.
Clemson University **increased** tuition **13.0 % for FY 2005**.
Clemson University **increased** tuition **12.5 % for FY 2006**.