

THE UNIVERSITY CORPORATION
REPORT ON FINANCIAL STATEMENTS
and Supplementary Information

June 30, 2009

(with Independent Auditors' Report Thereon)

THE UNIVERSITY CORPORATION

AUDIT REPORT

June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-22
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	23-24
SUPPLEMENTARY INFORMATION	
Schedule of Net Assets	25
Schedule of Revenues, Expenses and Change in Net Assets	26
Other Information	27-36

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The University Corporation
California State University Northridge
Northridge, California

We have audited the accompanying statement of financial position of The University Corporation (the Corporation), as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Corporation's financial statements and, in our report dated September 17, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Corporation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2009 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
The University Corporation

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 25-36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 18, 2009

THE UNIVERSITY CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 2009

(With Comparative Totals for 2008)

ASSETS	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 6,581,308	\$ 5,639,806
Grants and contracts receivable	4,283,887	3,569,826
Account and notes receivable, net of allowance for doubtful accounts of \$34,957 and \$30,157	662,503	388,912
Inventory	167,302	171,178
Prepaid expenses and deposits	<u>155,623</u>	<u>91,540</u>
Total current assets	<u>11,850,623</u>	<u>9,861,262</u>
Noncurrent assets:		
Note receivable	76,552	-
Note receivable, related party	800,000	-
Investments	15,560,277	21,062,147
Endowment investments	3,863,793	3,863,793
Investments in real estate held for sale	-	126,759
Capital assets, net	<u>19,080,492</u>	<u>18,570,954</u>
Total noncurrent assets	<u>39,381,114</u>	<u>43,623,653</u>
Total assets	<u>\$ 51,231,737</u>	<u>\$ 53,484,915</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,564,414	\$ 971,520
Current portion of accrued compensated absences	251,854	228,874
Current portion of postretirement benefit payable	69,300	65,200
Other accrued liabilities	1,571,141	1,092,048
Deposits held in custody for others	8,487,645	6,438,088
Deferred revenue	2,310,110	2,166,093
Current portion of long term debt and capital leases	<u>437,684</u>	<u>411,878</u>
Total current liabilities	<u>14,692,148</u>	<u>11,373,701</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	107,937	98,089
Postretirement benefit payable, net of current portion	3,080,591	2,673,441
Capital lease obligation and related premium, less current portion	9,884,845	10,180,885
Bonds and mortgages payable, less current portion	<u>3,087,896</u>	<u>3,229,540</u>
Total noncurrent liabilities	<u>16,161,269</u>	<u>16,181,955</u>
Total liabilities	<u>30,853,417</u>	<u>27,555,656</u>
Net assets:		
Unrestricted	12,453,416	16,070,959
Temporarily restricted	4,061,111	5,994,507
Permanently restricted	<u>3,863,793</u>	<u>3,863,793</u>
Total net assets	<u>20,378,320</u>	<u>25,929,259</u>
Total liabilities and net assets	<u>\$ 51,231,737</u>	<u>\$ 53,484,915</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Revenue and support:					
Auxiliary services:					
Food service sales	\$ 10,266,228	\$ -	\$ -	\$ 10,266,228	\$ 9,916,570
Bookstore sales and commissions	1,918,797			1,918,797	2,048,849
Real estate rentals	605,638			605,638	562,201
Total auxiliary services	12,790,663			12,790,663	12,527,620
Grants and contracts	18,694,233			18,694,233	18,449,961
Investment loss	(2,708,548)	(1,556,996)		(4,265,544)	(1,557,077)
Other revenue	1,086,235			1,086,235	1,007,824
Net assets released from restriction	376,400	(376,400)		-	-
Total revenue and support	<u>30,238,983</u>	<u>(1,933,396)</u>	<u>-</u>	<u>28,305,587</u>	<u>30,428,328</u>
EXPENSES					
Auxiliary services:					
Expenses	12,978,683			12,978,683	12,359,410
Total auxiliary services	12,978,683	-	-	12,978,683	12,359,410
Program services:					
Grants and contracts	16,999,117			16,999,117	16,674,628
Student grants and scholarships	267,843			267,843	272,464
University projects	1,904,861			1,904,861	1,881,583
Total program services	19,171,821	-	-	19,171,821	18,828,675
Supporting services:					
General and administrative	1,851,864			1,851,864	1,753,651
Total operating expenses	<u>34,002,368</u>	<u>-</u>	<u>-</u>	<u>34,002,368</u>	<u>32,941,736</u>
Operating loss	<u>(3,763,385)</u>	<u>(1,933,396)</u>	<u>-</u>	<u>(5,696,781)</u>	<u>(2,513,408)</u>
NONOPERATING REVENUES (EXPENSES)					
Pension related changes other than net periodic pension cost	145,842			145,842	(1,027,601)
Loss on defeasement of bonds	-			-	(199,286)
Net nonoperating revenues (expenses)	<u>145,842</u>	<u>-</u>	<u>-</u>	<u>145,842</u>	<u>(1,226,887)</u>
CHANGE IN NET ASSETS	<u>(3,617,543)</u>	<u>(1,933,396)</u>	<u>-</u>	<u>(5,550,939)</u>	<u>(3,740,295)</u>
NET ASSETS AT BEGINNING OF YEAR	18,650,779	4,947,859	2,324,621	25,929,259	29,669,554
RESTATEMENT OF NET ASSETS, SEE NOTE 14	<u>(2,585,820)</u>	<u>1,046,648</u>	<u>1,539,172</u>	<u>-</u>	<u>-</u>
RESTATED NET ASSETS AT BEGINNING OF YEAR	16,070,959	5,994,507	3,863,793	25,929,259	29,669,554
NET ASSETS AT END OF YEAR	<u>\$ 12,453,416</u>	<u>\$ 4,061,111</u>	<u>\$ 3,863,793</u>	<u>\$ 20,378,320</u>	<u>\$ 25,929,259</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (5,550,939)	\$ (3,740,295)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,399,959	1,399,751
Amortization expense	16,717	8,320
Write-off of deferred financing costs	-	179,692
Loss on disposal of capital assets	-	6,768
Realized and unrealized losses on investments and investments held in real estate, net	5,438,325	3,021,277
Changes in operating assets and liabilities:		
Grants and contracts receivable	(714,061)	205,363
Accounts and notes receivable	(273,591)	194,874
Inventory	3,876	(14,870)
Prepaid expenses and deposits	(64,083)	31,146
Accounts payable	592,894	(758,903)
Accrued liabilities	923,171	1,134,547
Deposits held in custody for others	2,049,557	1,664,200
Deferred revenue	<u>144,017</u>	<u>(823,970)</u>
Net cash provided by operating activities	<u>3,965,842</u>	<u>2,507,900</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Decrease in restricted cash	-	150,111
Payments on long-term debt	(428,595)	(3,346,583)
Issuance of long-term debt and related premium	<u>-</u>	<u>3,119,594</u>
Net cash used by financing activities	<u>(428,595)</u>	<u>(76,878)</u>
CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES:		
Purchase of capital assets	(1,909,497)	(2,403,542)
Issuance of note receivable	(876,552)	-
Proceeds from sales of investments and investments held in real estate	4,820,516	5,304,227
Purchase of investments and investments held in real estate	<u>(4,630,212)</u>	<u>(6,024,075)</u>
Net cash used by investing activities	<u>(2,595,745)</u>	<u>(3,123,390)</u>
Net increase (decrease) in cash and cash equivalents	941,502	(692,368)
Cash and cash equivalents at beginning of year	<u>5,639,806</u>	<u>6,332,174</u>
Cash and cash equivalents at end of year	<u>\$ 6,581,308</u>	<u>\$ 5,639,806</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 610,746</u>	<u>\$ 686,035</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - ORGANIZATION:

The University Corporation (the Corporation) is a California State University auxiliary organization located on the campus of California State University, Northridge (the University). The Corporation operates the campus bookstore, food services, vending operations, administers various funds and grants, manages certain campus housing projects, and performs other activities related to the University community. The Corporation is also responsible for the licensing of campus facilities, logos, and trademarks via an operating agreement with the campus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The Corporation's financial statements are prepared using the accrual basis of accounting. Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Corporation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.

Permanently restricted net assets - Net assets that are permanently restricted by donors for investment in perpetuity. Permanently restricted net assets at June 30, 2009, include endowment gifts which are required by donor restrictions to be maintained in perpetuity and only the income from these investments is expendable to support program operations in accordance with donor restrictions.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of operating cash, money market funds, certificates of deposit, money market funds held in the Common Fund, and commercial paper. The Corporation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Restricted Cash

Amounts in restricted cash represent cash held by a trustee for payments of debt service.

D. Grants and Contracts

Amounts received for federal and state grants are recorded as revenue when expended by the Corporation. Expenditures incurred by the Corporation which have not yet been reimbursed under the terms of the grant agreements are recorded as grants and contracts receivable. Amounts received by the Corporation in advance of expenditures have been reported as a net reduction to grants and contracts accounts receivable in prior years. Amounts received by the Corporation in advance of expenditures are treated as deferred revenue.

E. Inventory

Inventories, consisting of food service supplies, are stated at the lower of cost (first-in, first-out) or market.

F. Investments

Investments consist primarily of corporate equity securities, various pooled investment funds, and alternative investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the accompanying statement of activities as investment income. Fair values of equity investments are based on quoted market prices.

G. Investments in Real Estate

Investments in real estate consist of certain properties located in Memphis, Tennessee. These properties are classified as held-for-sale assets and are carried at the lower of cost or estimated net realizable value. The remaining two homes were sold in 2009. See Note 5.

Profit on sales of real estate is recognized when title has passed, minimum down payment criteria are met, the terms of any note received are such as to satisfy continuing investment requirements and collectability of the note is reasonably assured, the risks and rewards of ownership have been transferred to the buyer, and there is no substantial continuing involvement with the property. If any of the aforementioned criteria is not met, profit is deferred and recognized under the installment, cost-recovery, deposit, or percentage-of-completion method.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition if purchased or, if contributed, at fair value on the date of contribution. All assets purchased with a value greater than \$5,000 are capitalized and depreciated. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Building improvements	10 years
Furniture, fixtures and equipment	3 to 7 years
Computers and software	3 years

I. Deposits Held in Custody for Others

Funds administered by the Corporation on behalf of University academic and administrative units and other campus organizations are recorded as deposits held in custody for others. It is management's belief that the Corporation is acting as an agent for the transactions of these units. Accordingly, the financial activities of such units have not been recorded in the accompanying statement of activities.

Total revenue and expenses related to agency funds were \$772,024 and \$849,332 for the years ended June 30, 2009 and 2008. Workshop related revenue and expenses totaled \$939,490 and \$844,825 for the years ended June 30, 2009 and 2008. Agency and workshops are charged a handling fee of approximately 8%. Income for 2009 was \$126,859 and income for 2008 was \$113,874.

J. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California taxes under corresponding California provisions. As such, the Corporation is not subject to federal or state income taxes. Accordingly, no income tax provision has been recorded.

K. Concentration of Credit Risk

The Corporation maintains its cash accounts with numerous major commercial banks and financial institutions. Furthermore, the majority of the Corporation's investment portfolio at June 30, 2009 was held by the Common Fund in various pooled investment funds. From time to time, balances in the Corporation's operating cash accounts exceeded amounts insured by the Federal Deposit Insurance Corporation.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

L. Functional Allocation of Expenses

Expenses that can be specifically identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management. Program expenses, consisting of program services expenses and expenses related to auxiliary services, less the general and administrative allocation to auxiliary services, totaled \$30,049,726 and \$28,319,747 for the years ended June 30, 2009 and 2008.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, or other changes in net assets during the reporting period. Actual results could differ from these estimates.

N. Licensing

The University Corporation manages licensing activity on behalf of the University and receives a 10% management fee. Income was \$57,301 in 2009 and \$61,976 in 2008. Licensing activity is included in University financial reports.

O. Recent Accounting Pronouncement

In September 2006, the FASB issued SFAS No. 157, which "Fair Value Measurements", defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The Corporation was required to categorize their investments into levels. These are defined and presented in Note 4. SFAS No. 157 is effective for fiscal years beginning after November 27, 2007. The Corporation adopted the provisions of SFAS No. 157 for the fiscal year ended June 30, 2009.

In August 2008, the FASB issued FAS No. 117-1, which requires the Corporation to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds (both donor-restricted and board designated). FAS No. 117-1 is effective for fiscal years ending after December 15, 2008. The Corporation adopted the provisions of FAS No. 117-1 for the fiscal year ended June 30, 2009.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

P. Reclassifications

Certain June 30, 2008 amounts have been reclassified to conform with the June 30, 2009 presentation.

NOTE 3 - INVENTORY:

Inventories consist of food service supplies of \$167,302 and \$171,178 at June 30, 2009 and 2008.

NOTE 4 - INVESTMENTS:

Investments and endowment investments consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Level 1:		
Equity funds	\$10,993,450	\$16,401,008
Equity securities	1,314,424	1,707,528
Fixed-income fund	75,460	79,052
Other investments	159,339	276,464
Level 3:		
Alternative investments:		
- Public Safety Building	6,372,139	6,461,888
- Hedge fund	509,258	-
Total	<u>\$19,424,070</u>	<u>\$24,925,940</u>

Net investment income for the year ended June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Net realized and unrealized losses on investments and investments held in real estate	\$ (5,438,325)	\$ (3,021,277)
Interest and dividend income	<u>1,172,781</u>	<u>1,464,200</u>
Investment loss	(4,265,544)	(1,557,077)
Investment fees (included in general and administrative expenses)	<u>(267,484)</u>	<u>(296,162)</u>
Net investment loss	<u>\$ (4,533,028)</u>	<u>\$ (1,853,239)</u>

The Corporation assesses endowment investments a 2% fee for management of these investments. This fee is shown as a reduction to investment income.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 4 - INVESTMENTS: (continued)

In accordance with SFAS No. 157, levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

NOTE 5 - INVESTMENTS IN REAL ESTATE:

In 2009, the Corporation sold the last two remaining single-family homes located in Memphis, Tennessee. The properties were originally repossessed by the U. S. Department of Housing and Urban Development (HUD) and subsequently sold to the Corporation. The Corporation recorded a net loss of (\$2,333) on the sale of the two homes in 2009 and recorded a gain of \$16,653 on the sale of one home in 2008.

NOTE 6 - ENDOWMENT:

The Corporation's endowment consists of approximately 20 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Corporation considers the factors on the following page in making a determination to appropriate or accumulate donor-restricted endowment funds.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - ENDOWMENT: (continued)

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation

Investment Return Objectives, Risk Parameters and Strategies. The funds entrusted to the Corporation will be pooled in an actively managed portfolio, except when precluded by a donor or granting agency. The Corporation will participate in standards within the content of the "Prudent Investor" rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The primary investment objective is to achieve risk-adjusted real returns necessary to preserve and grow capital and to support the long term and short term spending requirements of the Corporation. The Corporation and its Investment Managers must properly balance the following overall objectives:

- (1) *Liquidity.* The Corporation's investment portfolio will remain satisfactorily liquid to enable it to meet anticipated operating and cash flow requirements, which are to be analyzed continuously.
- (2) *Return on Investment.* The investment portfolio will be designed to attain a market rate or better rate of return throughout a full economic cycle.
- (3) *Preservation of Capital.* Sufficient limitations are placed on risks associated with the implementation of the return on investment objective and to protect the portfolio through the diversification of assets and the setting of specific quality standards.

The long term investment pool includes all endowment and certain reserve funds and is invested with a focus on long term growth of capital through asset diversification. The investment target mix for the long term pool will be 55% equities, 30-35% alternative investments – real assets/fixed income, 10% alternative investments – hedge funds, 0-5% cash. The Corporation prohibits investments that jeopardize the non-profit status of the Corporation or unduly jeopardize the safety of principal.

Spending Policy. The Corporation has a policy of appropriating for distribution each year 4% of its prior year ending combined balance of the corpus and growth accounts. The total amount available to spend is comprised of the spending allocation plus any unspent dollars remaining from prior years. A quarterly report is forwarded to all endowment custodians containing the amount of available funds they can spend. All endowment expenditures have to be authorized by the respective endowment custodian.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - ENDOWMENT: (continued)

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$	\$ 4,061,111	\$ 3,863,793	\$ 7,924,904
Board-designated endowment funds	<u>2,944,823</u>			<u>2,944,823</u>
Total funds	<u>\$ 2,944,823</u>	<u>\$ 4,061,111</u>	<u>\$ 3,863,793</u>	<u>\$ 10,869,727</u>

Changes in endowment net assets as of June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year (before restatement)	\$ 6,290,879	\$ 4,947,859	\$ 2,324,621	\$ 13,563,359
Restatement	(2,585,820)	1,046,648	1,539,172	-
Endowment net assets, beginning of year (restated)	<u>3,705,059</u>	<u>5,994,507</u>	<u>3,863,793</u>	<u>13,563,359</u>
Investment loss	(585,169)	(1,556,996)		(2,142,165)
Net appreciation(depreeciation)				-
Amounts appropriated for expenditure	<u>(175,067)</u>	<u>(376,400)</u>		<u>(551,467)</u>
Endowment net assets, end of year	<u>\$ 2,944,823</u>	<u>\$ 4,061,111</u>	<u>\$ 3,863,793</u>	<u>\$ 10,869,727</u>

NOTE 7 - CAPITAL ASSETS:

Capital assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Capital leases	\$ 12,914,389	\$ 12,914,389
Buildings	8,343,098	8,343,098
Building improvements	3,424,926	2,129,383
Real estate properties	712,716	712,716
Furniture, fixtures, and equipment	3,587,079	3,395,111
Computers and software	1,153,919	1,114,873
Construction in progress	1,043,073	696,719
Solar observatory	<u>1</u>	<u>1</u>
Total	<u>31,179,201</u>	<u>29,306,290</u>
Less accumulated depreciation	<u>(12,098,709)</u>	<u>(10,735,336)</u>
Net fixed assets	<u>\$ 19,080,492</u>	<u>\$ 18,570,954</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 7 - CAPITAL ASSETS: (continued)

Depreciation expense totaled \$1,399,959 and \$1,399,751 for the years ended June 30, 2009 and 2008. Real estate properties included in capital assets above consist of a vacant lot near the campus and ten acres of farmland located in Ventura County.

In January 1976, the Corporation received from Aerospace Corporation a gift of a solar observatory situated on the Van Norman Reservoir in the San Fernando Valley. The Corporation recorded this gift as a capital asset at a nominal value of \$1 because of the unique nature of, and limited market for, the facility at the date of gift.

NOTE 8 - BONDS AND MORTGAGES PAYABLE:

Certificates of Participation – July 1, 1996

On July 1, 1996, the Corporation entered into an arrangement with the California Statewide Communities Development Authority (the Authority), under which the Authority issued \$9,000,000 of Auxiliary Organization Revenue Certificates of Participation (Certificates) on behalf of the Corporation. A portion of the proceeds was used to refund \$6,450,000 of 1990 bonds payable by depositing a sufficient amount of cash into a trust. In addition, the proceeds were used to finance the acquisition of faculty housing units.

Under the terms of the various agreements and the official statement, the Trustees of the California State University (the Trustees) sold the bookstore facility at the University to the Authority and the Corporation sold the Faculty Housing Project located near the University to the Authority in exchange for the proceeds of the Certificates. The Authority simultaneously leased back the bookstore facility and sold back the Faculty Housing Project to the Corporation in exchange for a stream of payments equal to the outstanding principal and interest to accrue on the outstanding principal of the Certificates.

Certificates of Participation – April 10, 2008

On April 10, 2008, the Authority refunded \$3,100,000 which represents the portion of the Certificates related to the bookstore facility. The proceeds were deposited in an escrow account which was used to redeem the outstanding Certificates on May 15, 2008. All 1996 Certificates are now considered fully defeased.

The California State University System issued \$3,020,000 in system wide revenue bonds (SRB) to replace the refunded Certificates. At June 30, 2009, the Corporation has recorded these new bonds as bonds payable. Annual principal payments are required as indicated in the table that follows. Interest rates range from 3.50% to 5.00%. The bonds mature in 2026.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - BONDS AND MORTGAGES PAYABLE: (continued)

Certificates of Participation – April 10, 2008 (continued)

There is a net bond premium associated with this new bond issuance. The premium of \$99,594 is being amortized over the life of the bonds. The amortization amount was \$5,677 and \$1,183 for the year ended June 30, 2009 and 2008.

Condominium Mortgage

In February 2005, the Corporation refinanced mortgage payables worth \$282,000 in order to reduce interest costs. The refinanced mortgage bears interest at 5.125% and is due in 2020.

Future minimum principal payments on bonds and mortgages payable are as follows:

<u>Year</u>	<u>CSU SRB Bonds</u>	<u>Condominium mortgage</u>	<u>Total</u>
2010	\$ 120,000	\$ 15,967	\$ 135,967
2011	125,000	16,817	141,817
2012	125,000	17,686	142,686
2013	135,000	18,653	153,653
2014	140,000	19,646	159,646
Thereafter	<u>2,270,000</u>	<u>133,038</u>	<u>2,403,038</u>
Total	<u>\$2,915,000</u>	<u>\$ 221,807</u>	3,136,807
Less current portion			<u>(135,967)</u>
Bonds and Mortgages Payable, less current portion			3,000,840
Noncurrent portion of bond premium			<u>87,056</u>
Total long-term bonds and mortgages payable			<u>\$3,087,896</u>

Interest expense for all long term debt totaled \$610,746 and \$686,035 for the years ended June 30, 2009 and 2008.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - BONDS AND MORTGAGES PAYABLE: (continued)

Condominium Mortgage (continued)

The Corporation has the following sinking fund requirements on the bonds and mortgages payable, including interest:

<u>Year</u>	<u>CSU SRB Bonds</u>	<u>Condominium mortgage</u>	<u>Total</u>
2010	\$ 251,775	\$ 27,117	\$ 278,892
2011	252,175	27,117	279,292
2012	247,175	27,117	274,292
2013	251,975	27,117	279,092
2014	250,775	27,117	277,892
Thereafter	<u>2,992,737</u>	<u>153,930</u>	<u>3,146,667</u>
	<u>\$ 4,246,612</u>	<u>\$ 289,515</u>	<u>\$ 4,536,127</u>

NOTE 9 - CAPITAL LEASE:

The University Corporation and the Trustees of the California State University signed a thirty-year capital lease for the Sierra Center Building effective in October 2003. The three-story building incorporates food service units, indoor and outdoor seating, and office spaces. Lease payments are due twice a year, on May 1 and November 1.

The University Corporation and the Trustees of the California State University signed an 18 year lease for the Matador Bookstore Complex addition effective March 2007. Lease payments are due twice a year, on May 1 and November 1.

There is a net capital lease premium associated with the Matador Bookstore Complex lease. The premium of \$220,725 is being amortized over the life of the lease. The amortization amount for the years ended June 30, 2009 and 2008 was \$11,040.

At June 30, 2009 and 2008, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases were as follows:

	<u>2009</u>	<u>2008</u>
Buildings	\$12,914,389	\$12,914,389
Less accumulated amortization	<u>(5,465,938)</u>	<u>(5,088,990)</u>
	<u>\$ 7,448,451</u>	<u>\$ 7,825,399</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 9 - CAPITAL LEASE: (continued)

The following is a summary by year of future minimum rental payments for the capital leases at the Sierra Center Building and Matador Bookstore Complex:

<u>Year</u>	<u>Capital lease payments</u>		
	<u>Sierra Center Building</u>	<u>Matador Bookstore Complex</u>	<u>Total</u>
2010	\$ 436,493	\$ 326,850	\$ 763,343
2011	432,375	330,650	763,025
2012	432,972	329,150	762,122
2013	432,038	332,350	764,388
2014	434,537	330,250	764,787
Thereafter	<u>8,670,243</u>	<u>3,947,825</u>	<u>12,618,068</u>
Total minimum lease payments	10,838,658	5,597,075	16,435,733
Less amount representing interest (at rates ranging from 2.5% to 5.375% for Sierra Center and 4% to 5% for Matador Bookstore Complex)	<u>(4,653,658)</u>	<u>(1,797,075)</u>	<u>(6,450,733)</u>
Present value of net minimum capital lease payments	6,185,000	3,800,000	9,985,000
Less current installments of obligations under capital leases	<u>(135,000)</u>	<u>(150,000)</u>	<u>(285,000)</u>
Obligations under capital leases, excluding current installments	6,050,000	3,650,000	9,700,000
Non current portion of capital lease premium	<u>-</u>	<u>184,845</u>	<u>184,845</u>
Total long-term capital lease obligation and related premium	<u>\$ 6,050,000</u>	<u>\$ 3,834,845</u>	<u>\$ 9,884,845</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 - POSTRETIREMENT BENEFITS:

A. Benefits

The Corporation has a retiree health plan that offers retired employees the option of enrolling in certain health plans available through the California Public Employees' Retirement System. The Corporation currently pays 85% of the cost up to a maximum level. The current maximum is \$478 per month for retiree coverage and up to an additional \$431 per month for dependent coverage.

Retirees over age 65 may opt for the Medicare Risk Program. Under this option, the Corporation pays only the Medicare Part B premium. Any cost associated in the future with the Medicare Risk Program will be paid by the retiree. Retiree contributions fund the cost of coverage exceeding these amounts.

B. Eligibility

Eligible employees must meet one of the following requirements:

- Age 60 and 20 years of service
- Age 62 and 15 years of service
- Age 65 and 10 years of service

C. Obligations and Funding Status

The following table summarizes the Corporation's accrued postretirement benefit cost recorded in accrued liabilities in the accompanying statement of financial position at June 30, 2009 and 2008:

	2009	2008
Benefit obligation, end of year	\$ 3,149,891	\$ 2,738,641
Employer contributions	58,360	53,983
Participant contributions	-	-
Benefits paid	(58,360)	(53,983)
Fair value of plan assets, end of year	-	-
Net funded (unfunded) status	<u>\$ (3,149,891)</u>	<u>\$ (2,738,641)</u>

Amounts recognized in the statement of financial position consists of:

Current liabilities	\$ 69,300	\$ 65,200
Noncurrent liabilities	<u>3,080,591</u>	<u>2,673,441</u>
Total	<u>\$ 3,149,891</u>	<u>\$ 2,738,641</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 - POSTRETIREMENT BENEFITS: (continued)

C. Obligations and Funding Status (continued)

Amounts recognized in the statement of activities consist of:

	<u>2009</u>	<u>2008</u>
Service Cost	\$ 307,246	\$ 113,840
Interest Cost	162,364	88,963
Amortization of Transition Obligation/ (Asset)	9,153	9,153
Amortization of Prior Service Cost	100,537	-
Amortization of Net (Gain) or Loss	<u>36,152</u>	<u>43,274</u>
Total	<u>\$ 615,452</u>	<u>\$ 255,230</u>

Other changes in benefit obligations recognized in changes in unrestricted net assets:

	<u>2009</u>	<u>2008</u>
Additional Prior Service Cost for period	\$ -	\$ 1,033,212
Change to Net (Gain) or Loss for period	-	46,816
Amortization of Transition Obligation (Asset)	(9,153)	(9,153)
Amortization of Prior Service Cost	(100,537)	-
Amortization of Net Actuarial (Gain) or Loss	<u>(36,152)</u>	<u>(43,274)</u>
Total	<u>\$ (145,842)</u>	<u>\$ 1,027,601</u>

The assumptions used in the measurement of the Corporation's benefit obligation and net periodic benefit cost of the year ended June 30, are as follows:

	<u>2009</u>	<u>2008</u>
Benefit obligation:		
Discount rate	6.00%	6.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Medical trend:		
Initial	9.00%	9.00%
Ultimate	5.00%	5.00%
Number of years to ultimate	2 years	3 years

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 - POSTRETIREMENT BENEFITS: (continued)

D. Cash Flows

The Corporation expects to contribute \$69,300 to their postretirement health plan in 2010.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Postretirement Benefits</u>
2010	\$ 69,300
2011	85,800
2012	97,500
2013	113,900
2014	130,900
2015-2019	1,079,200

The expected benefits are based on the same assumptions used to measure the Corporation's benefit obligation at June 30 and include estimated future employee service.

NOTE 11 - EMPLOYEE RETIREMENT PLAN:

The employee retirement plan, administered through Teachers Insurance and Annuity Association, and the College Retirement Equity Fund, is a defined contribution plan that received a favorable determination from the Internal Revenue Service in 1994. All eligible employees that complete over 1,000 hours of service in the plan year, complete two consecutive years of employment, and are age 21 are eligible for the plan. The Corporation contributes up to 10% of the employees' salary. Under the terms of the plan, the Corporation and its eligible employees make contributions which the Corporation deposits monthly with a trustee. Contributions payable at June 30, 2009 and 2008 totaled \$24,149 and \$19,948. Pension expense for June 30, 2009 and 2008 totaled \$372,025 and \$343,338.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

The Corporation participates in a number of federal, state, and local grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Corporation expects such amounts, if any, to be immaterial to the Corporation's financial statements.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 13 - RELATED PARTY TRANSACTIONS:

The Corporation and the University are closely interrelated financially and operationally. Goods and services related to the personnel office, plant services, and graduation-related services are provided by the University and reimbursed by the Corporation throughout the year. The Corporation leases certain premises from the University.

At June 30, 2009, included in accounts receivable were \$4,038 due from the University Student Union, \$8,203 due from the North Campus-University Park Development Corporation, and \$1,035,449 due from various departments of the University which includes amounts that are both receivable and payable to the University. These are shown net in the Corporation's financial statements. These amounts are primarily related to catering services, payroll, rent, and licensing activities.

At June 30, 2008, included in accounts and notes receivable were \$21,640 due from California State University, Northridge Foundation, \$5,513 due from the University Student Union, \$292 due from the North Campus-University Park Development Corporation, and \$122,467 due from various departments of the University. These amounts are primarily related to catering services, payroll, rent, and licensing activities.

Included in notes receivable at June 30, 2009 was \$800,000 loaned to North Campus-University Park Development Corporation. On March 31, 2008, the Corporation entered into an agreement with North Campus-University Park Development Corporation to loan up to \$2,000,000 at a variable rate of 1.0% above the Bank of America Prime Rate adjusted each anniversary date of the loan agreement. The interest rate was 6.25% before the anniversary date and 4.25% after the anniversary date. Any outstanding amounts borrowed are due March 31, 2015. \$24,142 of interest was received during fiscal year 2009.

Included in accounts payable at June 30, 2009 and 2008 were \$945,519 and \$193,304 due to the University, \$1,604 and \$201 due to the University Student Union, and \$2,080 and \$0 due to the Associated Students CSUN Inc.

Amounts received from and paid to the University were \$3,868,353 and \$3,230,511, respectively for 2009 and were \$3,702,667 and \$3,209,391, respectively, for 2008. Amounts received from the University were for copy services, rent, and housing and food services provided to the campus. Amounts paid to the University included utilities and maintenance, Human Resource services, student scholarships, workshops and conferences, licensing, support for University projects, and grants and contracts activities including reimbursement of professor salaries in connection with federal grants.

In 2009, amounts received from other University auxiliary organizations were approximately \$470,223. Amounts received relate to catering services and food service management fees. In 2009, the Corporation paid \$104,603 to the University Student Union for commissions earned on food service sales, \$83,798 to the California State University, Northridge Foundation, and \$69,683 to Associated Students CSUN Inc.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 13 - RELATED PARTY TRANSACTIONS: (continued)

In 2008, amounts received from other University auxiliary organizations were approximately \$308,254. Amounts received relate to catering services and food service management fees. In 2008, the Corporation paid \$75,385 to the University Student Union for commissions earned on food service sales, \$71,460 to the California State University, Northridge Foundation, and \$48,291 to Associated Students CSUN Inc.

NOTE 14 - RESTATEMENT OF NET ASSETS:

The beginning balances of unrestricted, temporarily restricted and permanently restricted net assets have been adjusted to properly report two endowment fund balances previously shown as unrestricted net assets. See Note 6.

The net assets in total were properly stated in the June 30, 2008 financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
The University Corporation
California State University Northridge
Northridge, California

We have audited the financial statements of the University Corporation as of and for the year ended June 30, 2009 which collectively comprise the University Corporation's basic financial statements, and have issued our report thereon dated September 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the University Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University Corporation's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, board of directors, management of the Corporation, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 18, 2009

SCHEDULE OF NET ASSETS

June 30, 2009

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,081,308
Short-term investments	500,000
Accounts receivable, net	4,944,202
Leases receivable, current portion	—
Notes receivable, current portion	2,188
Pledges receivable, net	—
Prepaid expenses and other assets	322,926
Total current assets	<u>11,850,624</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	876,552
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	3,863,793
Other long-term investments	15,560,276
Capital assets, net	19,080,492
Other assets	—
Total noncurrent assets	<u>39,381,113</u>
Total assets	<u>51,231,737</u>
Liabilities:	
Current liabilities:	
Accounts payable	783,647
Accrued salaries and benefits payable	1,571,141
Accrued compensated absences— current portion	251,854
Deferred revenue	2,310,110
Capitalized lease obligations – current portion	296,040
Long-term debt obligations – current portion	141,644
Self-insurance claims liability - current portion	—
Other liabilities	69,300
Total current liabilities	<u>5,423,736</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	107,937
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	9,884,845
Long-term debt obligations, net of current portion	3,087,896
Self-insurance claims liabilities, net of current portion	—
Depository accounts	8,487,645
Other postemployment benefits obligation	3,080,591
Other liabilities	780,767
Total noncurrent liabilities	<u>25,429,681</u>
Total liabilities	<u>30,853,417</u>
Net assets:	
Invested in capital assets, net of related debt	5,670,067
Restricted for:	
Nonexpendable – endowments	3,863,793
Expendable:	
Scholarships and fellowships	3,422,128
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	7,422,332
Total net assets	<u>\$ 20,378,320</u>

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

Schedule 2

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Fiscal Year Ended June 30, 2009

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	15,574,084
State	354,999
Local	1,762,610
Nongovernmental	1,002,540
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	12,790,663
Other operating revenues	1,086,235
Total operating revenues	<u>32,571,131</u>
Expenses	
Operating expenses:	
Instruction	—
Research	16,999,117
Public service	—
Academic support	—
Student services	—
Institutional support	1,904,861
Operation and maintenance of plant	—
Student grants and scholarships	267,843
Auxiliary enterprise expenses	12,819,844
Depreciation and amortization	1,399,959
Total operating expenses	<u>33,391,624</u>
Operating income (loss)	<u>(820,493)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	(2,123,377)
Endowment income	(2,142,165)
Interest Expenses	(610,746)
Other nonoperating revenues (expenses)	145,842
Net nonoperating revenues (expenses)	<u>(4,730,446)</u>
Income (loss) before other additions	<u>(5,550,939)</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net assets	<u>(5,550,939)</u>
Net assets:	
Net assets at beginning of year, as previously reported	25,929,259
Restatements	—
Net assets at beginning of year, as restated	<u>25,929,259</u>
Net assets at end of year	<u>\$ 20,378,320</u>

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

1 Restricted cash and cash equivalents at June 30, 2009:

Portion of restricted cash and cash equivalents related to endowments	\$ —
All other restricted cash and cash equivalents	—
Total restricted cash and cash equivalents	\$ —

2.1 Composition of investments at June 30, 2009:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
	\$	\$	\$	\$	\$	\$	\$
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—	—	—
Wachovia Short Term Fund	—	—	—	—	—	—	—
Wachovia Medium Term Fund	—	—	—	—	—	—	—
Wachovia Equity Fund	—	—	—	—	—	—	—
US Bank SWIFT pool	500,000	—	500,000	—	—	—	500,000
Common Fund - Short Term Fund	—	—	—	8,533	—	8,533	8,533
Common Fund - Others	—	—	—	7,482,028	1,931,896	9,413,924	9,413,924
Debt securities	—	—	—	—	—	—	—
Equity securities	—	—	—	1,314,424	—	1,314,424	1,314,424
Fixed income securities (Treasury notes, GNMA's)	—	—	—	—	—	—	—
Land and other real estate	—	—	—	6,000	—	6,000	6,000
Certificates of deposit	—	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	—	—
Mutual funds	—	—	—	377,152	1,931,897	2,309,049	2,309,049
Collateralized mortgage obligations	—	—	—	—	—	—	—
Inverse floaters	—	—	—	—	—	—	—
Interest-only strips	—	—	—	—	—	—	—
Agency pass-through	—	—	—	—	—	—	—
Private pass-through	—	—	—	—	—	—	—
Other major investments	—	—	—	—	—	—	—
Public Safety Building	—	—	—	6,372,139	—	6,372,139	6,372,139
Total investments	500,000	—	500,000	15,560,276	5,863,793	19,424,069	19,924,069
Less endowment investments (enter as negative number)	—	—	—	—	(3,863,793)	(3,863,793)	(3,863,793)
Total investments	500,000	—	500,000	15,560,276	15,560,276	15,560,276	16,060,276

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

3.1 Composition of capital assets at June 30, 2009:

	Balance June 30, 2008	Prior period Adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2009
Nondepreciable capital assets								
Land and land improvements	712,716	--	--	712,716	--	--	--	712,716
Works of art and historical treasures	--	--	--	--	--	--	--	--
Construction work in progress (CWIP)	696,719	--	--	696,719	1,703,189	--	(1,356,835)	1,043,073
Total nondepreciable capital assets	1,409,435	--	--	1,409,435	1,703,189	--	(1,356,835)	1,755,789
Depreciable capital assets								
Buildings and building improvements	23,386,872	--	--	23,386,872	38,380	--	1,257,162	24,682,414
Improvements, other than buildings	--	--	--	--	--	--	--	--
Infrastructure	--	--	--	--	--	--	--	--
Leasehold improvements	--	--	--	--	--	--	--	--
Personal property	4,509,983	--	--	4,509,983	167,928	(36,586)	99,673	4,740,998
Equipment	--	--	--	--	--	--	--	--
Library books and materials	--	--	--	--	--	--	--	--
Intangible assets	--	--	--	--	--	--	--	--
Total depreciable capital assets	27,896,855	--	--	27,896,855	206,308	(36,586)	1,356,835	29,423,412
Total capital assets	29,306,290	--	--	29,306,290	1,909,497	(36,586)	--	31,179,201
Less accumulated depreciation	(7,733,222)	--	--	(7,733,222)	(896,634)	--	--	(8,629,856)
Buildings and building improvements	--	--	--	--	--	--	--	--
Improvements, other than buildings	--	--	--	--	--	--	--	--
Infrastructure	--	--	--	--	--	--	--	--
Leasehold improvements	--	--	--	--	--	--	--	--
Personal property	(3,002,114)	--	--	(3,002,114)	(503,325)	36,586	--	(3,468,853)
Equipment	--	--	--	--	--	--	--	--
Library books and materials	--	--	--	--	--	--	--	--
Intangible assets	--	--	--	--	--	--	--	--
Total accumulated depreciation	(10,735,336)	--	--	(10,735,336)	(1,399,959)	36,586	--	(12,098,709)
Total capital assets, net	18,570,954	--	--	18,570,954	509,538	--	--	19,080,492

3.2 - Detail of depreciation and amortization expense for the year ended June 30, 2009:

Depreciation and amortization expense related to capital assets	\$ 1,399,959
Amortization expense related to other assets	--
Total depreciation and amortization	\$ 1,399,959

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

	Balance June 30, 2008	Prior period adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Balance June 30, 2009	Current portion	Long-term portion
Accrued compensated absences	\$ 326,963	—	—	326,963	366,395	(333,567)	359,791	251,854	107,937
Capitalized lease obligations	10,260,000	—	—	10,260,000	—	(275,000)	9,985,000	285,000	9,700,000
Gross balance	206,925	—	—	206,925	—	(11,040)	195,885	11,040	184,845
Unamortized premium / (discount) on capitalized lease obligations	10,466,925	—	—	10,466,925	—	(286,040)	10,180,885	296,040	9,884,845
Total capitalized lease obligations									
Long-term debt obligations	3,020,000	—	—	3,020,000	—	(105,000)	2,915,000	120,000	2,795,000
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Other	236,967	—	—	236,967	—	(15,160)	221,807	15,967	205,840
Mortgage	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	3,256,967	—	—	3,256,967	—	(120,160)	3,136,807	135,967	3,000,840
Unamortized bond premium / (discount)	98,411	—	—	98,411	—	(5,678)	92,733	5,677	87,056
Total long-term debt obligations, net	3,355,378	—	—	3,355,378	—	(125,838)	3,229,540	141,644	3,087,896
Unamortized loss on refunding	14,149,266	—	—	14,149,266	366,395	(745,445)	13,770,216	689,538	13,080,678
Total long-term liabilities									

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

\$ Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
2010	\$ 285,000	\$ 478,343	\$ 763,343
2011	295,000	468,025	763,025
2012	305,000	457,122	762,122
2013	320,000	444,388	764,388
2014	335,000	429,787	764,787
2015 - 2019	1,925,000	1,889,882	3,814,882
2020 - 2024	2,480,000	1,330,399	3,810,399
2025 - 2029	2,120,000	703,036	2,823,036
2030 - 2034	1,920,000	249,749	2,169,749
2035 - 2039	—	—	—
2040 - 2044	—	—	—
2045 - 2049	—	—	—
2050 - 2054	—	—	—
2055 - 2059	—	—	—
Total minimum lease payments			16,435,733
Less amounts representing interest			(6,450,733)
Present value of future minimum lease payments			9,985,000
Less: current portion			(285,000)
Capitalized lease obligation, net of current portion			\$ 9,700,000

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

7 Calculation of net assets

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
7.1 Calculation of net assets - Invested in capital assets, net of related debt			
Capital assets, net of accumulated depreciation	\$	\$ 19,080,492	\$ 19,080,492
Capitalized lease obligations - current portion	—	(296,040)	(296,040)
Capitalized lease obligations, net of current portion	—	(9,884,845)	(9,884,845)
Long-term debt obligations - current portion	—	(141,644)	(141,644)
Long-term debt obligations, net of current portion	—	(3,087,896)	(3,087,896)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	<u>\$</u>	<u>\$ 5,670,067</u>	<u>\$ 5,670,067</u>
7.2 Calculation of net assets - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$	\$	\$
Endowment investments	—	3,863,793	3,863,793
Other adjustments (please list)	—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	<u>\$</u>	<u>\$ 3,863,793</u>	<u>\$ 3,863,793</u>

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION

(for inclusion in the California State University)
June 30, 2009

8 Transactions with Related Entities	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,316,494
Reimbursements to University for other than salaries of University personnel	1,914,017
Payments received from University for services, space, and programs	3,868,353
Gifts-in-kind to the University from Auxiliary Organizations	—
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	(945,519)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	1,035,449
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)	\$
Annual required contribution (ARC)	411,250
Contributions during the year	(69,300)
Increase (decrease) in net OPEB obligation (NOO)	341,950
NOO - beginning of year	2,738,641
NOO - end of year	3,080,591

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

10 - Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

11 The nature and amount of the prior period adjustment(s) recorded to beginning net assets

Net Asset Class	Amount
Net assets as of June 30, 2008, as previously reported	\$ 25,929,259
Prior period adjustments:	
1 (list description of each adjustment)	—
2 (list description of each adjustment)	—
3 (list description of each adjustment)	—
4 (list description of each adjustment)	—
5 (list description of each adjustment)	—
6 (list description of each adjustment)	—
7 (list description of each adjustment)	—
8 (list description of each adjustment)	—
9 (list description of each adjustment)	—
10 (list description of each adjustment)	—
Net assets as of June 30, 2008, as restated	\$ 25,929,259

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2009

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net asset class		
1 (breakdown of adjusting journal entry)	\$	\$
#		
Net asset class		
2 (breakdown of adjusting journal entry)		
#		
Net asset class		
3 (breakdown of adjusting journal entry)		
Net asset class		
4 (breakdown of adjusting journal entry)		
Net asset class		
5 (breakdown of adjusting journal entry)		
Net asset class		
6 (breakdown of adjusting journal entry)		
Net asset class		
7 (breakdown of adjusting journal entry)		
Net asset class		
8 (breakdown of adjusting journal entry)		
Net asset class		
9 (breakdown of adjusting journal entry)		
Net asset class		
10 (breakdown of adjusting journal entry)		

See accompanying independent auditors' report.