

**THE UNIVERSITY CORPORATION**  
**REPORT ON FINANCIAL STATEMENTS**  
**and Supplementary Information**

**June 30, 2010**

**(with Independent Auditors' Report Thereon)**

**THE UNIVERSITY CORPORATION**

**AUDIT REPORT**

**June 30, 2010**

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## 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, 2010, 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 18, 2009, 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, 2010, 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 9, 2010 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 26-37 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 9, 2010

**THE UNIVERSITY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2010**

(With Comparative Totals for 2009)

ASSETS	2010	2009
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,686,783	\$ 6,581,308
Grants and contracts receivable	3,772,938	4,283,887
Account and notes receivable, net of allowance for doubtful accounts of \$44,520 and \$34,957	1,612,848	662,503
Inventory	168,851	167,302
Prepaid expenses and deposits	149,065	155,623
<b>Total current assets</b>	<b>10,390,485</b>	<b>11,850,623</b>
<b>Noncurrent assets:</b>		
Note receivable	73,400	76,552
Note receivable, related party	625,000	800,000
Investments	10,426,837	15,560,277
Endowment investments	3,863,793	3,863,793
Capital assets, net	20,619,003	19,080,492
<b>Total noncurrent assets</b>	<b>35,608,033</b>	<b>39,381,114</b>
<b>Total assets</b>	<b>\$ 45,998,518</b>	<b>\$ 51,231,737</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 791,098	\$ 1,564,414
Current portion of accrued compensated absences	235,720	251,854
Current portion of postretirement benefit payable	76,600	69,300
Other accrued liabilities	1,498,062	1,571,141
Deposits held in custody for others	1,949,881	8,487,645
Deferred revenue	3,284,086	2,310,110
Current portion of long term debt and capital leases	661,347	437,684
<b>Total current liabilities</b>	<b>8,496,794</b>	<b>14,692,148</b>
<b>Noncurrent liabilities:</b>		
Accrued compensated absences, net of current portion	101,023	107,937
Postretirement benefit payable, net of current portion	3,199,419	3,080,591
Capital lease obligation and related premium, net of current portion	9,578,805	9,884,845
Bonds and mortgages payable, net of current portion	5,255,506	3,087,896
<b>Total noncurrent liabilities</b>	<b>18,134,753</b>	<b>16,161,269</b>
<b>Total liabilities</b>	<b>26,631,547</b>	<b>30,853,417</b>
<b>Net assets:</b>		
Unrestricted	14,063,591	12,453,416
Temporarily restricted	1,439,587	4,061,111
Permanently restricted	3,863,793	3,863,793
<b>Total net assets</b>	<b>19,366,971</b>	<b>20,378,320</b>
<b>Total liabilities and net assets</b>	<b>\$ 45,998,518</b>	<b>\$ 51,231,737</b>

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

**THE UNIVERSITY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Totals for 2009)**

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUES</b>					
<b>Revenue and support:</b>					
Auxiliary services:					
Food service sales	\$ 10,428,565	\$ -	\$ -	\$ 10,428,565	\$ 10,266,228
Bookstore sales and commissions	1,497,084			1,497,084	1,918,797
Real estate rentals	594,014			594,014	605,638
Total auxiliary services	12,519,663			12,519,663	12,790,663
Grants and contracts	19,386,543			19,386,543	18,694,233
Investment income (loss)	1,839,264	1,153,943		2,993,207	(4,265,544)
Other revenue	1,267,609			1,267,609	1,086,235
Net assets released from restriction	3,775,467	(3,775,467)		-	-
<b>Total revenue and support</b>	<u>38,788,546</u>	<u>(2,621,524)</u>	<u>-</u>	<u>36,167,022</u>	<u>28,305,587</u>
<b>EXPENSES</b>					
<b>Auxiliary services:</b>					
Expenses	12,073,126			12,073,126	12,978,683
Total auxiliary services	12,073,126	-	-	12,073,126	12,978,683
<b>Program services:</b>					
Grants and contracts	17,506,898			17,506,898	16,999,117
Student grants and scholarships	169,614			169,614	267,843
University projects	5,792,229			5,792,229	1,904,861
Total program services	23,468,741	-	-	23,468,741	19,171,821
<b>Supporting services:</b>					
General and administrative	2,037,666			2,037,666	1,851,864
Total operating expenses	37,579,533	-	-	37,579,533	34,002,368
Operating income (loss)	1,209,013	(2,621,524)	-	(1,412,511)	(5,696,781)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Pension related changes other than net periodic pension cost	475,115			475,115	145,842
Bond issuance fees	(73,953)			(73,953)	-
Net nonoperating revenues (expenses)	401,162	-	-	401,162	145,842
<b>CHANGE IN NET ASSETS</b>	1,610,175	(2,621,524)	-	(1,011,349)	(5,550,939)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	12,453,416	4,061,111	3,863,793	20,378,320	25,929,259
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 14,063,591</u>	<u>\$ 1,439,587</u>	<u>\$ 3,863,793</u>	<u>\$ 19,366,971</u>	<u>\$ 20,378,320</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, 2010**  
**(With Comparative Totals for 2009)**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,011,349)	\$ (5,550,939)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,615,068	1,399,959
Amortization expense	22,420	16,717
Loss on disposal of capital assets	3,904	-
Realized and unrealized (gains) losses on investments and investments held in real estate, net	(2,181,046)	5,438,325
Changes in operating assets and liabilities:		
Grants and contracts receivable	510,949	(714,061)
Accounts and notes receivable	(950,345)	(273,591)
Inventory	(1,549)	3,876
Prepaid expenses and deposits	6,558	(64,083)
Accounts payable	(773,316)	592,894
Accrued liabilities	30,001	923,171
Deposits held in custody for others	(6,537,764)	2,049,557
Deferred revenue	973,976	144,017
Net cash provided (used) by operating activities	(8,292,493)	3,965,842
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments on long-term debt	(465,807)	(428,595)
Issuance of long-term debt and related premium	2,528,620	-
Net cash provided (used) by financing activities	2,062,813	(428,595)
<b>CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES:</b>		
Purchase of capital assets	(3,157,483)	(1,909,497)
Issuance of note receivable	-	(876,552)
Payments from note receivable	178,152	-
Proceeds from sales of investments and investments held in real estate	7,537,704	4,820,516
Purchase of investments and investments held in real estate	(223,218)	(4,630,212)
Net cash provided (used) by investing activities	4,335,155	(2,595,745)
Net increase (decrease) in cash and cash equivalents	(1,894,525)	941,502
Cash and cash equivalents at beginning of year	6,581,308	5,639,806
Cash and cash equivalents at end of year	\$ 4,686,783	\$ 6,581,308
Supplemental disclosure of cash flow information:		
Interest paid during the year	\$ 625,848	\$ 610,746

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

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**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, 2010, 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, 2010**

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

**C. 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.

**D. Inventory**

Inventories, consisting of food service supplies, are stated at the lower of cost (first-in, first-out) or market. Inventories consist of food service supplies of \$168,851 and \$167,302 at June 30, 2010 and 2009.

**E. 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.

**F. 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

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

**G. 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 increases and decreases related to agency funds were \$6,101,638 and \$772,024 for the years ended June 30, 2010 and 2009. Workshop related increases and decreases totaled \$995,280 and \$939,490 for the years ended June 30, 2010 and 2009. Agency and workshops are charged a handling fee of approximately 8%. Income for 2010 was \$134,528 and income for 2009 was \$126,859.

**H. 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.

The Corporation has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Corporation's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Corporation files informational tax returns in the U.S. federal jurisdictions and the state of California. With few exceptions, the Corporation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2005.

**I. 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, 2010 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, 2010**

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

**J. 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 \$34,103,344 and \$30,049,726 for the years ended June 30, 2010 and 2009.

**K. 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.

**L. Licensing**

The University Corporation manages licensing activity on behalf of the University and receives a 10% management fee. Income was \$44,803 in 2010 and \$57,301 in 2009. Licensing activity is included in the University's financial reports.

**M. Subsequent Events**

The organization has evaluated subsequent events through September 9, 2010, which is the date these financial statements were available to be issued. See Note 12 for subsequent events requiring recognition or disclosure.

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 3 - INVESTMENTS:**

Investments and endowment investments consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Level 1:		
Equity funds	\$ 5,596,356	\$10,993,450
Equity securities	1,539,025	1,314,424
Fixed-income fund	86,862	75,460
Other investments	159,599	159,339
Level 3:		
Alternative investments:		
- Public Safety Building	6,372,139	6,372,139
- Hedge fund	<u>536,649</u>	<u>509,258</u>
Total	<u>\$14,290,630</u>	<u>\$19,424,070</u>

	<u>Fair Value Measurement Using Significant Unobservable Inputs (Level 3)</u>		
	<u>Public Safety Building</u>	<u>Hedge Fund</u>	<u>Total</u>
July 1, 2009	6,372,139	509,258	6,881,397
Total realized/unrealized gains/(losses)		32,308	32,308
Purchases, issuance, and settlements			-
Administrative, management fees		(4,917)	(4,917)
Transfers in/out of Level 3			-
June 30, 2010	<u>\$6,372,139</u>	<u>\$ 536,649</u>	<u>\$6,908,788</u>

In accordance with generally accepted accounting principles, 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.

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 3 - INVESTMENTS: (continued)**

The fair value measurement Level 3 within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Hedge Funds:* Accounting standards permit the measure of fair value of investments that do not have a quoted market price but calculate net asset value (NAV) per unit. The NAV is calculated based on the valuation of the funds' underlying assets owned by the fund at fair value at the end of the year. The hedge funds invest in a variety of funds including equity hedges, sector, equity neutral, special situations, distressed, global macro, commodity trading, short bias, emerging markets and arbitrage funds. Fund managers may shift investment strategies to manage risk and minimize volatility of the funds. The fair value of the hedge fund investments have been estimated using NAV of the fund shares. Hedge funds investments have no lock-up period and quarterly redemption frequency with a 60 day redemption notice period. There are no unfunded commitments.

*Public Safety Building:* Accounting standards permit that certain alternative investments may be measured by the lower of cost or market. The Corporation has an investment in a public safety building that is carried at cost. The fair value of the investment was estimated using recent observable transaction information for a public safety building built in 2008-09 on another campus. Based upon this estimate, the carrying amount of the public safety building was determined to be less than the estimated fair value and the cost is considered an appropriate measure.

There have been no changes in the methodologies used at June 30, 2010 and 2009.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 3 - INVESTMENTS: (continued)**

Net investment income for the years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Net realized and unrealized gain (losses) on investments	\$ 2,181,046	\$ (5,438,325)
Interest and dividend income	<u>812,161</u>	<u>1,172,781</u>
Investment gain (loss)	2,993,207	(4,265,544)
Investment fees (included in general and administrative expenses)	<u>(219,265)</u>	<u>(267,484)</u>
Net investment gain (loss)	\$ <u>2,773,942</u>	\$ <u>(4,533,028)</u>

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

**NOTE 4 - 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 Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors 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 following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 4 - 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, 2010**

**NOTE 4 - ENDOWMENT: (continued)**

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$	\$ 1,439,587	\$ 3,863,793	\$ 5,303,380
Board-designated endowment funds	<u>3,118,250</u>			<u>3,118,250</u>
Total funds	<u>\$ 3,118,250</u>	<u>\$ 1,439,587</u>	<u>\$ 3,863,793</u>	<u>\$ 8,421,630</u>

Changes in endowment net assets as of June 30, 2010 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	\$ 2,944,823	\$ 4,061,111	\$ 3,863,793	\$ 10,869,727
Investment income	28,539	76,803		105,342
Net appreciation	400,256	1,077,140		1,477,396
Amounts appropriated for expenditure	(255,368)	(275,467)		(530,835)
Transfers		<u>(3,500,000)</u>		<u>(3,500,000)</u>
Endowment net assets, end of year	<u>\$ 3,118,250</u>	<u>\$ 1,439,587</u>	<u>\$ 3,863,793</u>	<u>\$ 8,421,630</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Capital leases	\$ 12,914,389	\$ 12,914,389
Buildings	9,944,390	8,343,098
Building improvements	5,475,674	3,424,926
Real estate properties	712,716	712,716
Furniture, fixtures, and equipment	4,070,092	3,587,079
Computers and software	1,165,880	1,153,919
Construction in progress	21,041	1,043,073
Solar observatory	<u>1</u>	<u>1</u>
Total	34,304,183	31,179,201
Less accumulated depreciation	<u>(13,685,180)</u>	<u>(12,098,709)</u>
Net fixed assets	<u>\$ 20,619,003</u>	<u>\$ 19,080,492</u>

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 5 - CAPITAL ASSETS: (continued)**

Depreciation expense totaled \$1,615,068 and \$1,399,959 for the years ended June 30, 2010 and 2009. 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 6 - BONDS AND MORTGAGES PAYABLE:**

System Wide Revenue Bonds (SRB)

On April 10, 2008, the California State University System issued \$3,020,000 in system wide revenue bonds (SRB) to refund Certificates that were used to finance the acquisition of 28 faculty/staff housing units. 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.

There is a net bond premium associated with this bond issuance. The premium of \$99,594 is being amortized over the life of the bonds. The amortization amount was \$5,677 for the years ended June 30, 2010 and 2009.

On April 6, 2010, the California State University System issued \$2,310,000 in system wide revenue bonds (SRB) to fund the satellite student union food service (Geronimo's) renovation project. At June 30, 2010, the Corporation has recorded these bonds as bonds payable. Annual principal payments are required as indicated in the table that follows. Interest rates range from 2.00% to 5.00%. The bonds mature in 2019.

There is a net bond premium associated with this new bond issuance. The premium of \$218,620 is being amortized over the life of the bonds. The amortization amount was \$5,703 for the year ended June 30, 2010.

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.

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 6 - BONDS AND MORTGAGES PAYABLE: (continued)**

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

<u>Year</u>	<u>CSU SRB College Court</u>	<u>CSU SRB Geronimo's</u>	<u>Condominium mortgage</u>	<u>Total</u>
2011	\$ 125,000	\$ 185,000	\$ 16,817	\$ 326,817
2012	125,000	200,000	17,686	342,686
2013	135,000	205,000	18,653	358,653
2014	140,000	210,000	19,646	369,646
2015	145,000	225,000	20,691	390,691
Thereafter	<u>2,125,000</u>	<u>1,285,000</u>	<u>112,346</u>	<u>3,522,346</u>
Total	<u>\$2,795,000</u>	<u>\$2,310,000</u>	<u>\$ 205,839</u>	5,310,839

Less current portion (included in current portion of long-term debt  
and capital leases on Statement of Financial Position) (326,817)

Bonds and Mortgages Payable, less current portion 4,984,022  
Noncurrent portion of bond premium 271,484

Total long-term bonds and mortgages payable \$5,255,506

Interest expense for all long term debt totaled \$625,848 and \$610,746 for the years ended June 30, 2010 and 2009.

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

<u>Year</u>	<u>CSU SRB College Court</u>	<u>CSU SRB Geronimo's</u>	<u>Condominium mortgage</u>	<u>Total</u>
2011	\$ 252,175	\$ 240,129	\$ 27,117	\$ 519,585
2012	247,175	293,400	27,117	567,692
2013	251,975	292,400	27,117	571,492
2014	250,775	290,900	27,117	568,792
2015	249,375	295,700	27,117	572,192
Thereafter	<u>2,743,363</u>	<u>1,475,600</u>	<u>126,813</u>	<u>4,345,776</u>
	<u>\$3,994,838</u>	<u>\$2,888,293</u>	<u>\$ 262,398</u>	<u>\$7,145,529</u>

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 7 - 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, 2010 and 2009 was \$11,040.

At June 30, 2010 and 2009, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases were as follows:

	<b>2010</b>	<b>2009</b>
Buildings	\$12,914,389	\$12,914,389
Less accumulated amortization	<u>(5,842,887)</u>	<u>(5,465,938)</u>
	<u>\$ 7,071,502</u>	<u>\$ 7,448,451</u>

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 7 - 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>
2011	\$ 432,375	\$ 330,650	\$ 763,025
2012	432,973	329,150	762,123
2013	432,038	332,350	764,388
2014	434,537	330,250	764,787
2015	431,362	327,950	759,312
Thereafter	<u>8,238,881</u>	<u>3,619,875</u>	<u>11,858,756</u>
Total minimum lease payments	10,402,166	5,270,225	15,672,391
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>(4,352,166)</u>	<u>(1,620,225)</u>	<u>(5,972,391)</u>
Present value of net minimum capital lease payments	6,050,000	3,650,000	9,700,000
Less current installments of obligations under capital leases (included in current portion of long-term debt and capital leases on Statement of Financial Position)	<u>(135,000)</u>	<u>(160,000)</u>	<u>(295,000)</u>
Obligations under capital leases, excluding current installments	5,915,000	3,490,000	9,405,000
Non current portion of capital lease premium	-	<u>173,805</u>	<u>173,805</u>
Total long-term capital lease obligation and related premium	<u>\$ 5,915,000</u>	<u>\$ 3,663,805</u>	<u>\$ 9,578,805</u>

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 8 - 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 \$493 per month for retiree coverage and up to an additional \$458 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, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Benefit obligation, end of year	\$ 3,276,019	\$ 3,149,891
Employer contributions	50,411	58,360
Participant contributions	-	-
Benefits paid	(50,411)	(58,360)
Fair value of plan assets, end of year	-	-
Net funded (unfunded) status	<u>\$ (3,276,019)</u>	<u>\$ (3,149,891)</u>
Amounts recognized in the statement of financial position consists of:		
Current liabilities	\$ 76,600	\$ 69,300
Noncurrent liabilities	<u>3,199,419</u>	<u>3,080,591</u>
Total	<u>\$ 3,276,019</u>	<u>\$ 3,149,891</u>

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 8 - POSTRETIREMENT BENEFITS: (continued)**

**C. Obligations and Funding Status (continued)**

Amounts recognized in the statement of activities consist of:

	<u>2010</u>	<u>2009</u>
Service Cost	\$ 325,681	\$ 307,246
Interest Cost	186,914	162,364
Amortization of Transition Obligation/ (Asset)	9,153	9,153
Amortization of Prior Service Cost	100,537	100,537
Amortization of Net (Gain) or Loss	<u>29,369</u>	<u>36,152</u>
Total	<u>\$ 651,654</u>	<u>\$ 615,452</u>

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

	<u>2010</u>	<u>2009</u>
Additional Prior Service Cost for period	\$ -	\$ -
Change to Net (Gain) or Loss for period	(336,056)	-
Amortization of Transition Obligation (Asset)	(9,153)	(9,153)
Amortization of Prior Service Cost	(100,537)	(100,537)
Amortization of Net Actuarial (Gain) or Loss	<u>(29,369)</u>	<u>(36,152)</u>
Total	<u>\$ (475,115)</u>	<u>\$ (145,842)</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>2010</u>	<u>2009</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	10.00%	9.00%
Ultimate	5.00%	5.00%
Number of years to ultimate	5 years	2 years

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 8 - POSTRETIREMENT BENEFITS: (continued)**

**D. Cash Flows**

The Corporation expects to contribute \$76,600 to their postretirement health plan in 2011.

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

<u>Year</u>	<u>Postretirement Benefits</u>
2011	\$ 76,600
2012	89,700
2013	98,800
2014	115,000
2015	133,500
2016-2020	1,113,500

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 9 - 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, 2010 and 2009 totaled \$23,997 and \$24,149. Pension expense for June 30, 2010 and 2009 totaled \$414,344 and \$372,025.

**NOTE 10 - 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, 2010**

**NOTE 11 - 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, 2010 included in accounts receivable were \$62,395 due from California State University, Northridge Foundation, \$3,172 due from Associated Students and \$1,232,207 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, 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.

Included in notes receivable at June 30, 2010 was \$625,000 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. \$29,334 of interest was received during fiscal year 2010.

Included in accounts payable at June 30, 2010 and 2009 were \$105,392 and \$945,519 due to the University, \$0 and \$1,604 due to the University Student Union, and \$10,048 and \$2,080 due to the Associated Students CSUN Inc.

Amounts received from and paid to the University were \$4,089,354 and \$3,631,495, respectively for 2010 and were \$3,868,353 and \$3,230,511, respectively, for 2009. 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.

**THE UNIVERSITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)**

In 2010, amounts received from other University auxiliary organizations were \$325,862. Amounts received relate to catering services and food service management fees. In 2010, the Corporation paid \$120,550 to the University Student Union for commissions earned on food service sales, \$83,426 to the California State University, Northridge Foundation, and \$24,112 to Associated Students CSUN Inc.

In 2009, amounts received from other University auxiliary organizations were \$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.

**NOTE 12 – SUBSEQUENT EVENTS:**

**A. Faculty/Staff Housing Program**

On July 14, 2010, the Corporation purchased a house in the amount of \$365,000 to be used in their campus housing project program. There is no debt associated with the purchase.

**B. Valley Performing Arts Center**

The University Corporation entered into a loan agreement on August 1, 2010 with the Trustees of the California State University for \$7,014,000. This loan will be financed through California State University Tax Exempt Commercial Paper (CP) and will be used for construction costs related to the new California State University, Northridge Valley Performing Arts Center. The loan repayment period is five years.



**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 (the Corporation) of and for the year ended June 30, 2010 which collectively comprise The University Corporation's basic financial statements, and have issued our report thereon dated September 9, 2010. 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 opinion 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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.

**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**

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 9, 2010

## SCHEDULE OF NET ASSETS

June 30, 2010

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,686,783
Short-term investments	—
Accounts receivable, net	5,383,463
Leases receivable, current portion	—
Notes receivable, current portion	2,323
Pledges receivable, net	—
Prepaid expenses and other assets	317,916
Total current assets	<u>10,390,485</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	698,400
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	3,863,793
Other long-term investments	10,426,837
Capital assets, net	20,619,003
Other assets	—
Total noncurrent assets	<u>35,608,033</u>
Total assets	<u>45,998,518</u>
Liabilities:	
Current liabilities:	
Accounts payable	681,098
Accrued salaries and benefits payable	1,498,062
Accrued compensated absences- current portion	235,720
Deferred revenue	3,284,086
Capitalized lease obligations - current portion	306,040
Long-term debt obligations - current portion	355,307
Self-insurance claims liability - current portion	—
Depository accounts	1,949,881
Other liabilities	186,600
Total current liabilities	<u>8,496,794</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	101,023
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	9,578,805
Long-term debt obligations, net of current portion	5,255,506
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	3,199,419
Other liabilities	—
Total noncurrent liabilities	<u>18,134,753</u>
Total liabilities	<u>26,631,547</u>
Net assets:	
Invested in capital assets, net of related debt	5,123,345
Restricted for:	
Nonexpendable - endowments	3,863,793
Expendable:	
Scholarships and fellowships	1,439,587
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	8,940,246
Total net assets	<u>\$ 19,366,971</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, 2010

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$ _____)	\$	—
Grants and contracts, noncapital:		
Federal		17,003,223
State		277,507
Local		1,313,235
Nongovernmental		792,578
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)		12,519,663
Other operating revenues		1,267,609
Total operating revenues		<u>33,173,815</u>
Expenses:		
Operating expenses:		
Instruction		—
Research		17,506,898
Public service		—
Academic support		—
Student services		—
Institutional support		5,792,229
Operation and maintenance of plant		—
Student grants and scholarships		169,614
Auxiliary enterprise expenses		11,869,876
Depreciation and amortization		1,615,068
Total operating expenses		<u>36,953,685</u>
Operating income (loss)		<u>(3,779,870)</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		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		—
Investment income (loss), net		2,887,865
Endowment income (loss), net		105,342
Interest expense		(625,848)
Other nonoperating revenues (expenses)		401,162
Net nonoperating revenues (expenses)		<u>2,768,521</u>
Income (loss) before other additions		<u>(1,011,349)</u>
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net assets		<u>(1,011,349)</u>
Net assets:		
Net assets at beginning of year, as previously reported		20,378,320
Restatements		—
Net assets at beginning of year, as restated		<u>20,378,320</u>
Net assets at end of year	\$	<u><u>19,366,971</u></u>

See accompanying independent auditors' report.

**THE UNIVERSITY CORPORATION**  
**OTHER INFORMATION**

(for inclusion in the California State University)

June 30, 2010

1	Restricted cash and cash equivalents at June 30, 2010:	\$	-	-	-	-	-	-	-	-	-	-
	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, 2010:												
	State of California Surplus Money Investment Fund (SMIF)	\$	-	-	-	-	-	-	-	-	-	-
	State of California Local Agency Investment Fund (LAIF)	\$	-	-	-	-	-	-	-	-	-	-
	Waehovia Short Term Fund	\$	-	-	-	-	-	-	-	-	-	-
	Waehovia Medium Term Fund	\$	-	-	-	-	-	-	-	-	-	-
	Waehovia Equity Fund	\$	-	-	-	-	-	-	-	-	-	-
	US Bank SWIFT pool	\$	-	-	-	-	-	-	-	-	-	-
	Common Fund - Short Term Fund	\$	-	-	-	-	-	-	-	-	-	-
	Common Fund - Others	\$	-	-	-	-	-	-	-	-	-	-
	Debt securities	\$	-	-	-	-	-	-	-	-	-	-
	Equity securities	\$	-	-	-	-	-	-	-	-	-	-
	Fixed income securities (Treasury notes, GNMA's)	\$	-	-	-	-	-	-	-	-	-	-
	Land and other real estate	\$	-	-	-	-	-	-	-	-	-	-
	Certificates of deposit	\$	-	-	-	-	-	-	-	-	-	-
	Notes receivable	\$	-	-	-	-	-	-	-	-	-	-
	Mutual funds	\$	-	-	-	-	-	-	-	-	-	-
	Money Market funds	\$	-	-	-	-	-	-	-	-	-	-
	Collateralized mortgage obligations	\$	-	-	-	-	-	-	-	-	-	-
	Inverse floaters	\$	-	-	-	-	-	-	-	-	-	-
	Interest-only strips	\$	-	-	-	-	-	-	-	-	-	-
	Agency pass-through	\$	-	-	-	-	-	-	-	-	-	-
	Private pass-through	\$	-	-	-	-	-	-	-	-	-	-
	Other major investments:	\$	-	-	-	-	-	-	-	-	-	-
	Public Safety Building	\$	-	-	-	-	-	-	-	-	-	-
	Add description	\$	-	-	-	-	-	-	-	-	-	-
	Add description	\$	-	-	-	-	-	-	-	-	-	-
	Add description	\$	-	-	-	-	-	-	-	-	-	-
	Add description	\$	-	-	-	-	-	-	-	-	-	-
	Total investments	\$	-	-	-	-	-	-	-	-	-	-
	Less endowment investments (enter as negative number)	\$	-	-	-	-	-	-	-	-	-	-
	Total investments	\$	-	-	-	-	-	-	-	-	-	-

See accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

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June 30, 2010

2.2 Investments held by the University under contractual agreements at June 30, 2010:  
 Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2010:

	Amount
2.3 Restricted current investments at June 30, 2010 related to:	
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted current investments at June 30, 2010</b>	<b>\$ —</b>

2.4 Restricted noncurrent investments at June 30, 2010 related to:  
 Endowment investment

	Amount
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2010</b>	<b>\$ 3,863,793</b>

See accompanying independent auditors' report.

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June 30, 2010

3.1 Composition of capital assets at June 30, 2010:

	Balance June 30, 2009	Prior period Adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2010
Nondepreciable capital assets:								
Land and land improvements	\$ 712,716	-	-	712,716	-	-	-	712,716
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	1,043,073	-	-	1,043,073	2,960,589	-	(3,982,621)	21,041
Intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable capital assets	1,755,789	-	-	1,755,789	2,960,589	-	(3,982,621)	733,757
Depreciable capital assets:								
Buildings and building improvements	24,682,414	-	-	24,682,414	129,624	(16,822)	3,539,237	28,334,453
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	4,740,998	-	-	4,740,998	67,270	(15,679)	443,384	5,235,973
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total depreciable capital assets	29,423,412	-	-	29,423,412	196,894	(32,501)	3,982,621	33,570,426
Total capital assets	31,179,201	-	-	31,179,201	3,157,483	(32,501)	-	34,304,183
Less accumulated depreciation:								
Buildings and building improvements	(8,629,856)	-	-	(8,629,856)	(1,077,859)	19,395	-	(9,688,320)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	(3,468,853)	-	-	(3,468,853)	(537,209)	9,202	-	(3,996,860)
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation	(12,098,709)	-	-	(12,098,709)	(1,615,068)	28,597	-	(13,685,180)
Total capital assets, net	\$ 19,080,492	-	-	19,080,492	1,542,415	(3,904)	-	20,619,003

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2010:

Depreciation and amortization expense related to capital assets	\$ 1,615,068
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 1,615,068

*See accompanying independent auditors' report.*

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3.3 Detail of intangible assets as of June 30, 2010:

	Nonamortizable	Amortizable	Accumulated Amortization
Easements	-	-	-
Rights	-	-	-
Websites	-	-	-
Computer software	-	-	-
Licenses and permits	-	-	-
Patents	-	-	-
Copyrights	-	-	-
Trademarks	-	-	-
Others (please list)	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
<b>Total Intangible Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying independent auditors' report.

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**June 30, 2010**

4 Long-term liabilities activity schedule:

	Balance June 30, 2009	Prior period adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Balance June 30, 2010	Current portion	Long-term portion
Accrued compensated absences	\$ 359,791	—	—	359,791	372,020	(395,068)	336,743	235,720	101,023
Capitalized lease obligations	9,985,000	—	—	9,985,000	—	(285,000)	9,700,000	295,000	9,405,000
Gross balance	195,885	—	—	195,885	—	(11,040)	184,845	11,040	173,805
Unamortized premium / (discount) on capitalized lease obligations	10,180,885	—	—	10,180,885	—	(296,040)	9,884,845	306,040	9,578,805
Total capitalized lease obligations	2,915,000	—	—	2,915,000	2,310,000	(120,000)	5,105,000	310,000	4,795,000
Long-term debt obligations	—	—	—	—	—	—	—	—	—
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Other	221,807	—	—	221,807	—	(15,968)	205,839	16,817	189,022
Mortgage	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	3,136,807	—	—	3,136,807	2,310,000	(135,968)	5,310,839	326,817	4,984,022
Unamortized bond premium / (discount)	92,733	—	—	92,733	218,621	(11,380)	299,974	28,490	271,484
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	3,229,540	—	—	3,229,540	2,528,621	(147,348)	5,610,813	355,307	5,255,506
Total long-term liabilities	\$ 13,770,216	—	—	13,770,216	2,900,641	(838,456)	15,832,401	897,067	14,935,334

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**5 Future minimum lease payments - capital lease obligations:**

Year ending June 30	Principal	Interest	Principal and Interest
2011	295,000	468,025	763,025
2012	305,000	457,123	762,123
2013	320,000	444,388	764,388
2014	335,000	429,787	764,787
2015	345,000	414,312	759,312
2016 - 2020	2,650,000	1,790,932	3,820,932
2021 - 2025	2,605,000	1,201,887	3,806,887
2026 - 2030	1,890,000	603,563	2,493,563
2031 - 2035	1,575,000	162,374	1,737,374
2041 - 2045	-	-	-
2046 - 2050	-	-	-
2051 - 2055	-	-	-
2056 - 2060	-	-	-
<b>Total minimum lease payments</b>			<b>15,672,391</b>
Less amounts representing interest			<b>(5,972,391)</b>
<b>Present value of future minimum lease payments</b>			<b>9,700,000</b>
Less current portion			<b>(295,000)</b>
<b>Capitalized lease obligation, net of current portion</b>			<b>\$ 9,405,000</b>

**6 Long-term debt obligation schedule**

Year ending June 30	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	310,000	182,468	16,817	10,300	326,817	192,768
2012	325,000	215,575	17,686	9,431	342,686	225,006
2013	340,000	204,375	18,653	8,464	358,653	212,839
2014	350,000	191,675	19,646	7,471	369,646	199,146
2015	370,000	175,075	20,691	6,426	390,691	181,501
2016 - 2020	2,115,000	609,188	112,346	14,467	2,227,346	623,655
2021 - 2025	1,050,000	193,650	-	-	1,050,000	193,650
2026 - 2030	245,000	6,125	-	-	245,000	6,125
2031 - 2035	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-
<b>Total</b>	<b>\$ 5,105,000</b>	<b>1,778,131</b>	<b>205,839</b>	<b>56,559</b>	<b>5,310,839</b>	<b>1,834,690</b>
						<b>7,145,529</b>

*See accompanying independent auditors' report.*

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7 Calculation of net assets

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$	20,619,003	20,619,003
Capitalized lease obligations - current portion		(306,040)	(306,040)
Capitalized lease obligations, net of current portion		(9,578,805)	(9,578,805)
Long-term debt obligations - current portion		(355,307)	(355,307)
Long-term debt obligations, net of current portion		(5,255,506)	(5,255,506)
Portion of outstanding debt that is unspent at year-end			
Other adjustments: (please list)			
Add description			
Add description			
Add description			
Add description			
Net assets - invested in capital assets, net of related debt	\$	5,123,345	5,123,345

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)			
Add description			
Add description			
Add description			
Add description			
Add description			
Add description			
Add description			
Add description			
Add description			
Add description			
Net assets - Restricted for nonexpendable - endowments per SNA	\$	3,863,793	3,863,793

See accompanying independent auditors' report.

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<b>8</b>	<b>Transactions with Related Entities</b>				
	Payments to University for salaries of University personnel working on contracts, grants, and other programs			\$	1,508,800
	Payments to University for other than salaries of University personnel				2,122,695
	Payments received from University for services, space, and programs				4,089,354
	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)				(105,392)
	Other amounts (payable to) University (enter as negative number)				—
	Accounts receivable from University				1,232,207
	Other amounts receivable from University				—

<b>9</b>	<b>Other Postemployment Benefits Obligation (OPEB)</b>				
	Annual required contribution (ARC)	\$	169,239		
	Contributions during the year		(50,411)		
	Increase (decrease) in net OPEB obligation (NOO)		118,828		
	NOO - beginning of year		3,080,591		
	NOO - end of year	\$	<u>3,199,419</u>		

<b>10</b>	<b>Pollution remediation liabilities under GASB Statement No. 49:</b>				
	<b>Description</b>			<b>Amount</b>	
	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				<u>—</u>

See accompanying independent auditors' report.

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

	Net Asset Class	Amount	
		Dr.	Cr.
Net assets as of June 30, 2009, as previously reported		\$	20,378,320
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, 2009, as restated		\$	20,378,320

See accompanying independent auditors' report.

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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.