

THE UNIVERSITY CORPORATION
REPORT ON FINANCIAL STATEMENTS
and Supplementary Information
June 30, 2011
(with Independent Auditors' Report Thereon)

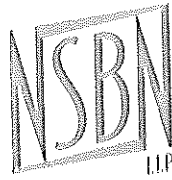
THE UNIVERSITY CORPORATION

AUDIT REPORT

June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 21, 2011

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The University Corporation (the Corporation), as of June 30, 2011, 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 audit. The prior year summarized comparative information has been derived from the Corporation's 2010 financial statements. The financial statements of The University Corporation as of June 30, 2010, were audited by other auditors whose report dated September 9, 2010, expressed an unqualified opinion on those 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 financial position of The University Corporation as of June 30, 2011, 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 21, 2011 on our consideration of The University Corporation's internal control over financial reporting and 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 important for assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT (CONT.)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 26-32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the Corporation's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the Corporation's financial statements taken as a whole.

NSBN LLP

NSBN LLP

THE UNIVERSITY CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,075,186	\$ 4,686,783
Grants and contracts receivable	4,509,290	3,772,938
Accounts and notes receivable, net of allowance for doubtful accounts of \$44,180 and \$44,520	930,579	1,612,848
Inventory	224,417	168,851
Prepaid expenses and deposits	71,177	149,065
Total current assets	<u>11,810,649</u>	<u>10,390,485</u>
Noncurrent assets:		
Note receivable	71,172	73,400
Note receivable, related party	6,384,000	625,000
Investments	11,326,846	10,426,837
Endowment investments	3,863,793	3,863,793
Capital assets, net	20,261,196	20,619,003
Total noncurrent assets	<u>41,907,007</u>	<u>35,608,033</u>
Total assets	\$ <u>53,717,656</u>	\$ <u>45,998,518</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 686,263	\$ 791,098
Current portion of accrued compensated absences	291,150	235,720
Current portion of postretirement benefit payable	89,700	76,600
Other accrued liabilities	1,565,050	1,498,062
Deposits held in custody for others	1,717,355	1,949,881
Deferred revenue	3,210,048	3,284,086
Current portion of long term debt and capital leases	2,011,215	661,347
Total current liabilities	<u>9,570,781</u>	<u>8,496,794</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	124,777	101,023
Postretirement benefit payable, net of current portion	3,717,288	3,199,419
Capital lease obligation and related premium, net of current portion	9,262,765	9,578,805
Bonds and mortgages payable, net of current portion	9,619,331	5,255,506
Total noncurrent liabilities	<u>22,724,161</u>	<u>18,134,753</u>
Total liabilities	<u>32,294,942</u>	<u>26,631,547</u>
Net assets:		
Unrestricted	15,552,373	14,063,591
Temporarily restricted	2,006,548	1,439,587
Permanently restricted	3,863,793	3,863,793
Total net assets	<u>21,422,714</u>	<u>19,366,971</u>
Total liabilities and net assets	\$ <u>53,717,656</u>	\$ <u>45,998,518</u>

See accompanying auditors' report.
The notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

(With Comparative Totals for 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Revenue and support					
Auxiliary services:					
Food service sales	\$ 12,028,110	\$ -	\$ -	\$ 12,028,110	\$ 10,428,565
Bookstore sales and commissions	1,489,541	-	-	1,489,541	1,497,084
Real estate rentals	707,482	-	-	707,482	594,014
Total auxiliary services	<u>14,225,133</u>	<u>-</u>	<u>-</u>	<u>14,225,133</u>	<u>12,519,663</u>
Grants and contracts	23,804,237	-	-	23,804,237	19,386,543
Investment income	1,482,059	832,253	-	2,314,312	2,993,207
Other revenue	1,307,130	-	-	1,307,130	1,267,609
Net assets released from restrictions	265,292	(265,292)	-	-	-
Total revenue and support	<u>41,083,851</u>	<u>566,961</u>	<u>-</u>	<u>41,650,812</u>	<u>36,167,022</u>
EXPENSES					
Auxiliary services:					
Expenses	12,317,293	-	-	12,317,293	12,073,126
Total auxiliary services	<u>12,317,293</u>	<u>-</u>	<u>-</u>	<u>12,317,293</u>	<u>12,073,126</u>
Program services:					
Grants and contracts	21,597,943	-	-	21,597,943	17,506,898
Student grants and scholarships	221,171	-	-	221,171	169,614
University projects	2,680,795	-	-	2,680,795	5,792,229
Total program services	<u>24,499,909</u>	<u>-</u>	<u>-</u>	<u>24,499,909</u>	<u>23,468,741</u>
Supporting services:					
General and administrative	2,246,898	-	-	2,246,898	2,037,666
Total operating expenses	<u>39,064,100</u>	<u>-</u>	<u>-</u>	<u>39,064,100</u>	<u>37,579,533</u>
Operating income (loss)	<u>2,019,751</u>	<u>566,961</u>	<u>-</u>	<u>2,586,712</u>	<u>(1,412,511)</u>
NONOPERATING REVENUE (EXPENSES)					
Pension related changes other than net periodic pension costs	(530,969)	-	-	(530,969)	475,115
Bond issuance fees	-	-	-	-	(73,953)
Net nonoperating revenues (expenses)	<u>(530,969)</u>	<u>-</u>	<u>-</u>	<u>(530,969)</u>	<u>401,162</u>
CHANGE IN NET ASSETS	1,488,782	566,961	-	2,055,743	(1,011,349)
NET ASSETS AT BEGINNING OF YEAR	<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>
NET ASSETS AT END OF YEAR	<u>\$ 15,552,373</u>	<u>\$ 2,006,548</u>	<u>\$ 3,863,793</u>	<u>\$ 21,422,714</u>	<u>\$ 19,366,971</u>

See accompanying auditors' report.
The notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,055,743	\$ (1,011,349)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,591,017	1,615,068
Amortization expense	39,530	22,420
Loss on disposal of capital assets	3,683	3,904
Realized and unrealized (gains) losses on investments and investments held in real estate, net	(1,811,436)	(2,181,046)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(736,352)	510,949
Accounts and notes receivable	984,497	(950,345)
Inventory	(55,566)	(1,549)
Prepaid expenses and deposits	77,888	6,558
Accounts payable	(104,835)	(773,316)
Accrued liabilities	677,141	30,001
Deposits held in custody for others	(232,526)	(6,537,764)
Deferred revenue	(74,038)	973,976
Net cash provided (used) by operating activities	<u>2,414,746</u>	<u>(8,292,493)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on long-term debt	(1,655,877)	(465,807)
Issuance of long-term debt and related premium	7,014,000	2,528,620
Net cash provided (used) by financing activities	<u>5,358,123</u>	<u>2,062,813</u>
CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES		
Purchase of capital assets	(1,236,893)	(3,157,483)
Issuance of note receivable	(7,014,000)	-
Payments from note receivable	955,000	178,152
Proceeds from sales of investments and investments held in real estate	2,504,802	7,537,704
Purchase of investments and investments held in real estate	(1,593,375)	(223,218)
Net cash provided (used) by investing activities	<u>(6,384,466)</u>	<u>4,335,155</u>
Net increase (decrease) in cash and cash equivalents	1,388,403	(1,894,525)
Cash and cash equivalents at beginning of year	<u>4,686,783</u>	<u>6,581,308</u>
Cash and cash equivalents at end of year	<u>\$ 6,075,186</u>	<u>\$ 4,686,783</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 664,917</u>	<u>\$ 625,848</u>

See accompanying auditors' report.
The notes are an integral part of these financial statements.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011, 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, commercial paper, U.S. Government and California State Government guaranteed securities, as well as U.S. Treasury Bills. 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, 2011

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 and a small gift shop, are stated at the lower of cost (first-in, first-out) or market. Inventory balances were \$224,417 and \$168,851 at June 30, 2011 and 2010.

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

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.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

G. Deposits Held in Custody for Others (continued)

Total increases and decreases related to agency funds were \$637,938 and \$6,101,638 for the years ended June 30, 2011 and 2010. Workshop related increases and decreases totaled \$1,121,960 and \$995,280 for the years ended June 30, 2011 and 2010. Agency and workshops are charged a handling fee of approximately 8%. Income for 2011 was \$109,017 and income for 2010 was \$134,528.

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, 2011 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.

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 \$35,836,288 and \$34,103,344 for the years ended June 30, 2011 and 2010.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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 \$66,253 in 2011 and \$44,803 in 2010. Licensing activity is included in the University's financial reports.

M. Subsequent Events

The organization has evaluated subsequent events through September 21, 2011, which is the date these financial statements were available to be issued.

NOTE 3 - INVESTMENTS:

Investments and endowment investments consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Level 1:		
Equity funds	\$ 5,291,760	\$ 5,596,356
Equity securities	1,995,288	1,539,025
Fixed-income fund	888,042	86,862
Other investments	104,644	159,599
Level 3:		
Alternative investments:		
- Public Safety Building	6,143,586	6,372,139
- Hedge fund	767,319	536,649
Total	<u>\$ 15,190,639</u>	<u>\$ 14,290,630</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - INVESTMENTS: (continued)

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Public Safety Building	Hedge Fund	Total
July 1, 2010	6,372,139	536,649	6,908,788
Total realized/unrealized gains/(losses)	-	36,395	36,395
Purchase, issuance, and settlements	-	-	-
Administrative, management fees	-	(5,725)	(5,725)
Transfers in/out of Level 3	(228,553)	200,000	(28,553)
June 30, 2011	6,143,586	767,319	6,910,905

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 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.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - INVESTMENTS: (continued)

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. This investment is a joint venture with the parking authority of the University. The Corporation share of this investment is two thirds. The fair value of the investment was estimated using recent observable transaction information for a public safety building built in 2008-09 on another California State University 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. During the fiscal year 2010-11, the Corporation and the administration of California State University, Northridge (University) reached an agreement that the University will repay this investment by June 30, 2025. The payments to the Corporation will provide a reasonable return on the investment of approximately 5%. Upon full recovery of this investment, ownership of the public safety building will be transferred to the University.

There have been no changes in the methodologies used at June 30, 2011 and 2010.

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.

Net investment income for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Net realized and unrealized gain (losses) on investments	\$ 1,811,436	\$ 2,181,046
Interest and dividend income	<u>502,876</u>	<u>812,161</u>
Investment gain (loss)	2,314,312	2,993,207
Investment fees (included in general and administrative expenses)	<u>(168,232)</u>	<u>(219,265)</u>
Net investment gain (loss)	\$ <u><u>2,146,080</u></u>	\$ <u><u>2,773,942</u></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 UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - ENDOWMENT: (continued)

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:

- (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 40-50% equities, 45-55% alternative investments – real assets/fixed income, 0-5% alternative investments – hedge funds, 0-5% cash. The Corporation prohibits investments that jeopardize the non-profit status of the Corporation.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - ENDOWMENT: (continued)

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.

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 2,006,548	\$ 3,863,793	\$ 5,870,341
Board-designated endowment funds	<u>3,350,102</u>	<u>-</u>	<u>-</u>	<u>3,350,102</u>
Total funds	<u>\$ 3,350,102</u>	<u>\$ 2,006,548</u>	<u>\$ 3,863,793</u>	<u>\$ 9,220,443</u>

Changes in endowment net assets as of June 30, 2011 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	\$ 3,118,250	\$ 1,439,587	\$ 3,863,793	\$ 8,421,630
Investment income	98,387	167,309	-	265,696
Net appreciation (depreciation)	391,138	664,944	-	1,056,082
Amounts appropriated for expenditure	(157,673)	(265,292)	-	(422,965)
Transfers	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Endowment net assets, end of year	<u>\$ 3,350,102</u>	<u>\$ 2,006,548</u>	<u>\$ 3,863,793</u>	<u>\$ 9,220,443</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 - CAPITAL ASSETS:

Capital assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Capital leases	\$ 12,914,389	\$ 12,914,389
Buildings	10,453,900	9,944,390
Building improvements	5,508,346	5,475,674
Real estate properties	1,051,866	712,716
Furniture, fixtures, and equipment	4,143,049	4,070,092
Computers and software	1,286,081	1,165,880
Construction in progress	183,444	21,041
Solar observatory	<u>1</u>	<u>1</u>
Total	<u>35,541,076</u>	<u>34,304,183</u>
Less accumulated depreciation	<u>(15,279,880)</u>	<u>(13,685,180)</u>
Net fixed assets	<u>\$ 20,261,196</u>	<u>\$ 20,619,003</u>

Depreciation expense totaled \$1,591,017 and \$1,615,068 for the years ended June 30, 2011 and 2010. 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 MORTGAGE 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, 2011 and 2010.

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, 2011, 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.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - BONDS AND MORTGAGE PAYABLE: (continued)

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 \$22,812 for the year ended June 30, 2011 and \$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.

Commercial paper loan

On August 1, 2010, the California State University System issued \$7,014,000 in tax exempt commercial paper to fund a portion of the construction costs for the new Valley Performing Arts Center located at California State University Northridge. Funds for the repayment of this loan will come from California State University Northridge. At June 30, 2011, the Corporation has recorded this commercial paper as bonds payable to the California State University System and notes receivable from California State University Northridge. Annual principal payments are required as indicated in the table that follows. Assumed interest rates range from .29% to 4.00%. The commercial paper has a five year repayment period ending in 2016.

There are program costs connected with this commercial paper loan. Total program costs paid for the year ended June 30, 2011 were \$124,077.

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

<u>Year</u>	<u>CSU SRB College Court</u>	<u>CSU SRB Geronimo's</u>	<u>Condominium Mortgage</u>	<u>VPAC Loan</u>	<u>Total</u>
2012	\$ 125,000	\$ 200,000	\$ 17,686	\$ 1,324,000	\$ 1,666,686
2013	135,000	205,000	18,653	1,384,000	1,742,653
2014	140,000	210,000	19,646	1,448,000	1,817,646
2015	145,000	225,000	20,691	1,514,000	1,904,691
2016	150,000	235,000	21,778	389,000	795,778
Thereafter	<u>1,975,000</u>	<u>1,050,000</u>	<u>90,568</u>	-	<u>3,115,568</u>
Total	<u>\$ 2,670,000</u>	<u>\$ 2,125,000</u>	<u>\$ 189,022</u>	<u>\$ 6,059,000</u>	<u>\$ 11,043,022</u>

Less current portion (included in current portion of long-term debt and capital leases on Statement of Financial Position)	<u>(1,666,685)</u>
Bonds, mortgages payable, and commercial paper less current portion	9,376,337
Noncurrent portion of bond premium	<u>242,994</u>
Total long-term bonds and mortgages payable	<u>\$ 9,619,331</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - BONDS AND MORTGAGE PAYABLE: (continued)

Interest expense for all long term debt totaled \$664,917 and \$625,848 for the years ended June 30, 2011 and 2010.

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

<u>Year</u>	<u>CSU SRB College Court</u>	<u>CSU SRB Geronimo's</u>	<u>Condominium Mortgage</u>	<u>VPAC Loan</u>	<u>Total</u>
2012	\$ 247,175	\$ 290,400	\$ 27,117	\$ 1,373,822	\$ 1,938,514
2013	251,975	289,150	27,117	1,476,030	2,044,272
2014	250,775	285,800	27,117	1,560,541	2,124,233
2015	249,375	290,325	27,117	1,567,652	2,134,469
2016	247,725	290,475	27,117	392,922	958,239
Thereafter	<u>2,495,638</u>	<u>1,148,980</u>	<u>99,696</u>	<u>-</u>	<u>3,744,314</u>
Total	<u>\$ 3,742,663</u>	<u>\$ 2,595,130</u>	<u>\$ 235,281</u>	<u>\$ 6,370,967</u>	<u>\$ 12,944,041</u>

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, 2011 and 2010 was \$11,040.

At June 30, 2011 and 2010, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases were as follows:

	<u>2011</u>	<u>2010</u>
Capital leases	\$ 12,914,389	\$ 12,914,389
Less accumulated amortization	<u>(6,219,835)</u>	<u>(5,842,887)</u>
	<u>\$ 6,694,554</u>	<u>\$ 7,071,502</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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>
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
2016	433,663	329,375	763,038
Thereafter	<u>7,805,218</u>	<u>3,290,500</u>	<u>11,095,718</u>
Total minimum lease payments	9,969,791	4,939,575	14,909,366
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>(4,054,791)</u>	<u>(1,449,575)</u>	<u>(5,504,366)</u>
Present value of net minimum capital lease payments	5,915,000	3,490,000	9,405,000
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>(140,000)</u>	<u>(165,000)</u>	<u>(305,000)</u>
Obligations under capital leases, excluding current installments	5,775,000	3,325,000	9,100,000
Non current portion of capital lease premium	<u>-</u>	<u>162,765</u>	<u>162,765</u>
Total long-term capital lease obligation and related premium	<u>\$ 5,775,000</u>	<u>\$ 3,487,765</u>	<u>\$ 9,262,765</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$542 per month for retiree coverage and up to an additional \$488 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Benefit obligation, end of year	\$ 3,806,988	\$ 3,276,019
Employer contributions	51,371	50,411
Participant contributions	-	-
Benefits paid	<u>(51,371)</u>	<u>(50,411)</u>
Net funded (unfunded) status	<u>\$ (3,806,988)</u>	<u>\$ (3,276,019)</u>

Amounts recognized in the statement of financial position consists of:

Current liabilities	\$ 89,700	\$ 76,600
Noncurrent liabilities	<u>3,717,288</u>	<u>3,199,419</u>
Total	<u>\$ 3,806,988</u>	<u>\$ 3,276,019</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 - POSTRETIREMENT BENEFITS: (continued)

C. Obligations and Funding Status (continued)

Amounts recognized in the statement of activities consist of:

	<u>2011</u>	<u>2010</u>
Service Cost	\$ 246,442	\$ 325,681
Interest Cost	174,837	186,914
Amortization of Transition Obligation/(Asset)	9,153	9,153
Amortization of Prior Service Cost	100,537	100,537
Amortization of Net (Gain) or Loss	-	29,369
Total	<u>\$ 530,969</u>	<u>\$ 651,654</u>

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

	<u>2011</u>	<u>2010</u>
Additional Prior Service Cost for period	\$ -	\$ -
Change to Net (Gain) or Loss for period	-	(336,056)
Amortization of Transition Obligation (Asset)	-	(9,153)
Amortization of Prior Service Cost	-	(100,537)
Amortization of Net Actuarial (Gain) or Loss	-	(29,369)
Total	<u>\$ -</u>	<u>\$ (475,115)</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>2011</u>	<u>2010</u>
Benefit obligation:	5.40%	6.00%
Discount rate	N/A	N/A
Expected return on plan assets	N/A	N/A
Rate of compensation increase		
Medical trend:		
Initial	10.00%	10.00%
Ultimate	5.00%	5.00%
Number of years to ultimate	5 years	5 years

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 - POSTRETIREMENT BENEFITS: (continued)

D. Cash Flows

The Corporation expects to contribute \$89,700 to their postretirement health plan in 2012.

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

<u>Year</u>	<u>Postretirement Benefits</u>
2012	\$ 89,700
2013	98,800
2014	115,000
2015	133,500
2016	154,900
2017-2020	958,600

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, 2011 and 2010 totaled \$24,111 and \$23,997. Pension expense for June 30, 2011 and 2010 totaled \$423,028 and \$414,344.

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.

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.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)

At June 30, 2011 included in accounts receivable were \$101,917 due from California State University, Northridge Foundation, \$7,228 due from the University Student Union and \$1,207,018 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, 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.

Included in notes receivable at June 30, 2011 was \$325,000 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. \$23,326 of interest was received during fiscal year 2011.

Included in accounts payable at June 30, 2011 and 2010 were \$270,560 and \$105,392 due to the University, \$3,000 and \$10,048 due to Associated Students and \$1,209 and \$0 due to the University Student Union.

Amounts received from and paid to the University were \$5,547,747 and \$4,451,630, respectively for 2011 and were \$4,089,354 and \$3,631,495, respectively, for 2010. 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 2011, amounts received from other University auxiliary organizations were \$546,414. Amounts received relate to catering services, food service management fees and payroll services. In 2011, the Corporation paid \$131,438 to the University Student Union for commissions earned on food service sales, \$76,189 to the California State University, Northridge Foundation, and \$66,813 to Associated Students.

In 2010, amounts received from other University auxiliary organizations were \$325,862. Amounts received relate to catering services, food service management fees and payroll services. 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.



CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 21, 2011

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

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

We have audited the financial statements of The University Corporation, California State University, Northridge (a California State University Auxiliary Organization) (the Corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 21, 2011. 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 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 entity's financial statements that will not be prevented, detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 (CONT.)

Compliance and Other Matters (continued)

This report is intended solely for the information and use of management, the audit committee, the Board of Directors, others within the entity, 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.

NSBN LLP

NSBN LLP

THE UNIVERSITY CORPORATION

SCHEDULE OF NET ASSETS
June 30, 2011

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,075,186
Short-term investments	—
Accounts receivable, net	5,439,869
Leases receivable, current portion	—
Notes receivable, current portion	1,326,323
Pledges receivable, net	—
Prepaid expenses and other assets	295,594
Total current assets	<u>13,136,972</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	5,128,849
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	3,863,793
Other long-term investments	11,326,846
Capital assets, net	20,261,196
Other assets	—
Total noncurrent assets	<u>40,580,684</u>
Total assets	<u>53,717,656</u>
Liabilities:	
Current liabilities:	
Accounts payable	686,263
Accrued salaries and benefits payable	1,565,050
Accrued compensated absences— current portion	291,150
Deferred revenue	3,210,048
Capitalized lease obligations – current portion	316,040
Long-term debt obligations – current portion	1,695,175
Self-insurance claims liability - current portion	—
Depository accounts	1,717,355
Other liabilities	89,700
Total current liabilities	<u>9,570,781</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	124,777
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	9,262,765
Long-term debt obligations, net of current portion	9,619,331
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	3,717,288
Other liabilities	—
Total noncurrent liabilities	<u>22,724,161</u>
Total liabilities	<u>32,294,942</u>
Net assets:	
Invested in capital assets, net of related debt	(632,114)
Restricted for:	
Nonexpendable – endowments	3,863,793
Expendable:	
Scholarships and fellowships	—
Research	2,006,548
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	<u>16,184,487</u>
Total net assets	<u>\$ 21,422,714</u>

THE UNIVERSITY CORPORATION

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2011

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$ _____)	\$	—
Grants and contracts, noncapital:		
Federal		19,768,671
State		1,685,038
Local		1,785,925
Nongovernmental		564,603
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)		14,225,133
Other operating revenues		1,307,130
Total operating revenues		<u>39,336,500</u>
Expenses:		
Operating expenses:		
Instruction		—
Research		21,597,943
Public service		—
Academic support		—
Student services		—
Institutional support		2,680,795
Operation and maintenance of plant		—
Student grants and scholarships		221,171
Auxiliary enterprise expenses		12,308,257
Depreciation and amortization		1,591,017
Total operating expenses		<u>38,399,183</u>
Operating income (loss)		<u>937,317</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		1,707,932
Endowment income (loss), net		606,380
Interest Expenses		(664,917)
Other nonoperating revenues (expenses)		(530,969)
Net nonoperating revenues (expenses)		<u>1,118,426</u>
Income (loss) before other additions		<u>2,055,743</u>
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net assets		<u>2,055,743</u>
Net assets:		
Net assets at beginning of year, as previously reported		19,366,971
Restatements		—
Net assets at beginning of year, as restated		<u>19,366,971</u>
Net assets at end of year	\$	<u><u>21,422,714</u></u>

THE UNIVERSITY CORPORATION

OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2011

1 Restricted cash and cash equivalents at June 30, 2011:
 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, 2011:

	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)	-	-	-	-	-	-	-
Washington Short Term Fund	-	-	-	-	-	-	-
Washington Medium Term Fund	-	-	-	-	-	-	-
Washington Equity Fund	-	-	-	-	-	-	-
US Bank SMIF pool	-	-	-	2,409,376	1,931,896	4,341,272	4,341,272
Common Fund - Short Term Funds	-	-	-	1,995,288	-	1,995,288	1,995,288
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	6,000	-	6,000	6,000
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMAs)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of Deposit	-	-	-	772,596	1,931,897	2,704,493	2,704,493
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments:	-	-	-	6,143,586	-	6,143,586	6,143,586
Public Safety Building	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	-	-	-	11,326,846	3,863,793	15,190,639	15,190,639
Less endowment investments (enter as negative number)	-	-	-	-	(3,863,793)	(3,863,793)	(3,863,793)
Total investments	-	-	-	11,326,846	-	11,326,846	11,326,846

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2.2 Investments held by the University under contractual agreements at June 30, 2011:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2011:

	Amount
2.3 Restricted current investments at June 30, 2011 related to:	
Add description	\$
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2011	\$

2.4 Restricted noncurrent investments at June 30, 2011 related to:

	Amount
Endowment investment	\$
Add description	3,863,793
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2011	\$

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3.1 Composition of capital assets at June 30, 2011:

	Balance June 30, 2010	Prior period Adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2011
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	712,716	-	-	712,716	339,150	-	-	1,051,866
Works of art and historical treasures	-	-	-	-	268,553	-	(106,150)	183,444
Construction work in progress (CWIP)	21,041	-	-	21,041	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	(106,150)	-
Total nondepreciable/nonamortizable capital assets	733,757	-	-	733,757	607,703	-	-	1,235,310
Depreciable/amortizable capital assets:								
Buildings and building improvements	28,334,453	-	-	28,334,453	514,679	-	27,504	28,876,636
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	5,235,973	-	-	5,235,973	114,511	-	78,646	5,429,130
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	33,570,426	-	-	33,570,426	629,190	-	106,150	34,305,766
Total capital assets	34,304,183	-	-	34,304,183	1,236,893	-	-	35,541,076
Less accumulated depreciation/amortization:								
Buildings and building improvements	(9,688,320)	-	-	(9,688,320)	(1,176,714)	(3,683)	-	(10,868,717)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	(3,996,860)	-	-	(3,996,860)	(414,303)	-	-	(4,411,163)
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(13,685,180)	-	-	(13,685,180)	(1,591,017)	(3,683)	-	(15,279,880)
Total capital assets, net	20,619,003	-	-	20,619,003	(354,124)	(3,683)	-	20,261,196

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2011:

Depreciation and amortization expense related to capital assets	\$ 1,591,017
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 1,591,017

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4 Long-term liabilities activity schedule:

	Balance June 30, 2010	Prior period adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Balance June 30, 2011	Current portion	Long-term portion
\$	336,743	—	—	336,743	392,354	(314,170)	415,927	291,150	124,777
Accrued compensated absences	9,700,000	—	—	9,700,000	—	(295,000)	9,405,000	305,000	9,100,000
Capitalized lease obligations:	184,845	—	—	184,845	—	(11,040)	173,805	11,040	162,765
Gross balance	9,884,845	—	—	9,884,845	—	(306,040)	9,578,805	316,040	9,262,765
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	9,884,845	—	—	9,884,845	—	(306,040)	9,578,805	316,040	9,262,765
Long-term debt obligations:	5,105,000	—	—	5,105,000	—	(310,000)	4,795,000	325,000	4,470,000
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other Bonds (non-Revenue Bonds)	—	—	—	—	7,014,000	(955,000)	6,059,000	1,324,000	4,735,000
Commercial Paper	—	—	—	—	—	—	—	—	—
Other:	205,839	—	—	205,839	—	(16,817)	189,022	17,686	171,336
Mortgage	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	5,310,839	—	—	5,310,839	7,014,000	(1,281,817)	11,043,022	1,666,686	9,376,336
Unamortized bond premium / (discount)	299,974	—	—	299,974	—	(28,490)	271,484	28,490	242,994
Unamortized loss on refunding	5,610,813	—	—	5,610,813	7,014,000	(1,310,307)	11,314,506	1,695,176	9,619,330
Total long-term debt obligations, net	15,832,401	—	—	15,832,401	7,407,354	(1,930,517)	21,309,238	2,302,366	19,006,872
Total long-term liabilities									

5 Future minimum lease payments - capital lease obligations:

Year ending, June 30:	Principal	Interest	Principal and Interest
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	365,000	398,038	763,038
2017 - 2021	2,140,000	1,684,594	3,824,594
2022 - 2026	2,735,000	1,067,537	3,802,537
2027 - 2031	1,650,000	515,838	2,165,838
2032 - 2036	1,210,000	92,749	1,302,749
2037 - 2041	—	—	—
2042 - 2046	—	—	—
2047 - 2051	—	—	—
2052 - 2056	—	—	—
2057 - 2061	—	—	—
Total minimum lease payments			14,909,366
Less amounts representing interest			(5,504,366)
Present value of future minimum lease payments			9,405,000
Less: current portion			(305,000)
Capitalized lease obligation, net of current portion			\$ 9,100,000

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6 Long-term debt obligation schedule

	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2012	\$ 325,000	212,575	1,341,686	59,254	1,666,686	271,829
2013	340,000	201,125	1,402,653	100,494	1,742,653	301,619
2014	350,000	186,575	1,467,646	120,012	1,817,646	306,587
2015	370,000	169,700	1,534,691	60,078	1,904,691	229,778
2016	385,000	153,200	410,778	9,261	795,778	162,461
2017 - 2021	1,920,000	478,743	90,568	9,128	2,010,568	487,871
2022 - 2026	1,105,000	140,875	-	-	1,105,000	140,875
2027 - 2031	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-
Total	\$ 4,795,000	1,542,793	6,248,022	358,227	11,043,022	1,901,020

7 Calculation of net assets

	Auxiliary Organizations		Total
	GA&B	FAS&B	
Net assets - invested in capital assets, net of related debt			
Capital assets, net of accumulated depreciation		20,261,196	20,261,196
Capitalized lease obligations - current portion		(316,040)	(316,040)
Capitalized lease obligations, net of current portion		(9,262,765)	(9,262,765)
Long-term debt obligations - current portion		(1,695,175)	(1,695,175)
Long-term debt obligations, net of current portion		(9,619,330)	(9,619,330)
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		(632,114)	(632,114)

7.1 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total
	GA&B	FAS&B	
Net assets - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments		3,863,793	3,863,793
Endowment investments		-	-
Other adjustments: (please list)		-	-
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

7.2 Calculation of net assets - Restricted for nonexpendable - endowments

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	Amount
	\$ 2,045,728
	2,405,902
	5,547,747

	(193,438)
	(77,122)
	1,207,018

8 Transactions with Related Entities

Payments to University for salaries of University personnel working on contracts, grants, and other programs

Payments to University for other than salaries of University personnel

Payments received from University for services, space, and programs

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)

Other amounts (payable to) University (enter as negative number)

Accounts receivable from University

Other amounts receivable from University

Annual required contribution (ARC)	\$ 569,240
Contributions during the year	(31,371)
Increase (decrease) in net OPEB obligation (NOO)	517,869
NOO - beginning of year	3,199,419
NOO - end of year	\$ 3,717,288

9 Other Postemployment Benefits Obligation (OPEB)

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
		Dr. (Cr.)
Prior period adjustments:		\$ 19,366,971
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, 2010, as restated		\$ 19,366,971

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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)	-	-