

THE UNIVERSITY CORPORATION

**REPORT ON FINANCIAL STATEMENTS
and Supplementary Information**

June 30, 2012 and 2011

(with Independent Auditors' Report Thereon)



THE UNIVERSITY CORPORATION

AUDIT REPORT

June 30, 2012 and 2011

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CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 21, 2012

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, 2012 and 2011, and the related statements of activities and cash flows for the years 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.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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, 2012 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 24-32 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.

NSBNLLP

NSBN LLP

THE UNIVERSITY CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,241,402	\$ 6,075,186
Grants and contracts receivable	4,585,605	4,509,290
Accounts and notes receivable, net of allowance for doubtful accounts of \$43,015 and \$44,180, respectively	410,730	930,579
Current portion of note receivable	2,618	2,323
Current portion of note receivable, related party	1,384,000	1,324,000
Inventory	238,971	224,417
Prepaid expenses and deposits	<u>58,242</u>	<u>71,177</u>
Total current assets	<u>13,921,568</u>	<u>13,136,972</u>
Noncurrent assets:		
Note receivable, net of current portion	65,733	68,849
Note receivable, related party, net of current portion	351,000	5,060,000
Investments	11,322,861	11,326,846
Endowment investments	3,863,793	3,863,793
Capital assets, net	<u>19,454,644</u>	<u>20,261,196</u>
Total noncurrent assets	<u>35,058,031</u>	<u>40,580,684</u>
Total assets	<u>\$ 48,979,599</u>	<u>\$ 53,717,656</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 855,309	\$ 686,263
Current portion of accrued compensated absences	273,079	291,150
Current portion of postretirement benefit payable	90,172	89,700
Other accrued liabilities	1,651,919	1,565,050
Deposits held in custody for others	1,520,119	1,717,355
Deferred revenue	2,303,809	3,210,048
Current portion of long term debt and capital leases	<u>2,128,250</u>	<u>2,011,215</u>
Total current liabilities	<u>8,822,657</u>	<u>9,570,781</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	117,034	124,777
Postretirement benefit payable, net of current portion	2,242,436	3,717,288
Capital lease obligation and related premium, net of current portion	9,139,982	9,262,765
Bonds and mortgages payable, net of current portion	4,848,189	9,619,331
Total noncurrent liabilities	<u>16,347,641</u>	<u>22,724,161</u>
Total liabilities	<u>25,170,298</u>	<u>32,294,942</u>
Net assets:		
Unrestricted	18,050,028	15,552,373
Temporarily restricted	1,895,480	2,006,548
Permanently restricted	<u>3,863,793</u>	<u>3,863,793</u>
Total net assets	<u>23,809,301</u>	<u>21,422,714</u>
Total liabilities and net assets	<u>\$ 48,979,599</u>	<u>\$ 53,717,656</u>

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

THE UNIVERSITY CORPORATION
STATEMENT OF ACTIVITIES
For the Fiscal Years Ended June 30, 2012 and 2011

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Revenue and support					
Auxiliary services:					
Food service sales	\$ 12,880,243	\$ -	\$ -	\$ 12,880,243	\$ 12,028,110
Bookstore sales and commissions	1,433,604	-	-	1,433,604	1,489,541
Real estate rentals	722,894	-	-	722,894	707,482
Total auxiliary services	15,036,741	-	-	15,036,741	14,225,133
Grants and contracts	27,894,365	-	-	27,894,365	23,804,237
Investment income	230,314	125,226	-	355,540	2,314,312
Other revenue	1,275,966	-	-	1,275,966	1,307,130
Net assets released from restrictions	236,294	(236,294)	-	-	-
Total revenue and support	44,673,680	(111,068)	-	44,562,612	41,650,812
EXPENSES					
Auxiliary services:					
Expenses	13,237,503	-	-	13,237,503	12,317,293
Total auxiliary services	13,237,503	-	-	13,237,503	12,317,293
Program services:					
Grants and contracts	25,265,062	-	-	25,265,062	21,597,943
Student grants and scholarships	188,375	-	-	188,375	221,171
University projects	2,321,586	-	-	2,321,586	2,680,795
Total program services	27,775,023	-	-	27,775,023	24,499,909
Supporting services:					
General and administrative	2,384,004	-	-	2,384,004	2,246,898
Total operating expenses	43,396,530	-	-	43,396,530	39,064,100
Operating income (loss)	1,277,150	(111,068)	-	1,166,082	2,586,712
NONOPERATING REVENUE (EXPENSES)					
Pension related changes other than net periodic pension costs	1,474,380	-	-	1,474,380	(530,969)
Bond issuance fees	(253,875)	-	-	(253,875)	-
Net nonoperating revenues (expenses)	1,220,505	-	-	1,220,505	(530,969)
CHANGE IN NET ASSETS	2,497,655	(111,068)	-	2,386,587	2,055,743
NET ASSETS AT BEGINNING OF YEAR	15,552,373	2,006,548	3,863,793	21,422,714	19,366,971
NET ASSETS AT END OF YEAR	\$ 18,050,028	\$ 1,895,480	\$ 3,863,793	\$ 23,809,301	\$ 21,422,714

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

THE UNIVERSITY CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,386,587	\$ 2,055,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,609,280	1,591,017
Amortization expense	39,530	39,530
Loss on disposal of capital assets	-	3,683
Loss on bond extinguishment	253,875	-
Net realized and unrealized losses (gains) on investments and investments held in real estate	72,106	(1,811,436)
Post retirement benefits	(1,474,380)	530,969
Changes in operating assets and liabilities:		
Grants and contracts receivable	(76,315)	(736,352)
Accounts and notes receivable	522,670	984,497
Inventory	(14,554)	(55,566)
Prepaid expenses and deposits	12,935	77,888
Accounts payable	169,046	(104,835)
Accrued liabilities	61,055	146,172
Deposits held in custody for others	(197,236)	(232,526)
Deferred revenue	(906,239)	(74,038)
Net cash provided by operating activities	2,458,360	2,414,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(4,816,420)	(1,655,877)
Issuance of long-term debt and related premium	-	7,014,000
Net cash (used in) provided by financing activities	(4,816,420)	5,358,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(802,728)	(1,236,893)
Issuance of note receivable	-	(7,014,000)
Proceeds from note receivable	4,395,125	955,000
Proceeds from sales of investments and investments held in real estate	2,001,804	2,504,802
Purchase of investments and investments held in real estate	(2,069,925)	(1,593,375)
Net cash provided by (used in) investing activities	3,524,276	(6,384,466)
Net increase in cash and cash equivalents	1,166,216	1,388,403
Cash and cash equivalents at beginning of year	6,075,186	4,686,783
Cash and cash equivalents at end of year	\$ 7,241,402	\$ 6,075,186
Supplemental disclosure of cash flow information:		
Interest paid during the year	\$ 605,981	\$ 664,917

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

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 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, 2012, 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, 2012 and 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 \$238,971 and \$224,417 at June 30, 2012 and 2011, respectively.

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

Repairs and maintenance are charged to expenses as incurred.

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, 2012 and 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 \$618,470 and \$637,938 for the years ended June 30, 2012 and 2011, respectively. Workshop related increases and decreases totaled \$1,051,643 and \$1,121,960 for the years ended June 30, 2012 and 2011, respectively. Agency and workshops are charged a handling fee of approximately 8%. Income for 2012 was \$145,809 and income for 2011 was \$109,017.

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 2008.

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, 2012 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 Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 \$39,946,853 and \$35,836,288 for the years ended June 30, 2012 and 2011, respectively.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 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 \$76,464 in 2012 and \$66,253 in 2011. Licensing activity is included in the University's financial reports.

M. Reclassifications

Certain 2010 financial information has been reclassified to conform to the 2011 presentation. The reclassifications have no impact on the previously reported changes in net assets.

N. Subsequent Events

The organization has evaluated subsequent events through September 21, 2012, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Level 1:		
Equity funds	\$ 4,410,344	\$ 5,291,760
Equity securities	2,147,586	1,995,288
Fixed-income fund	2,000,308	888,042
Other investments	94,183	104,644
Level 3:		
Alternative investments:		
- Public Safety Building	5,800,451	6,143,586
- Hedge fund	733,782	767,319
Total	<u>\$ 15,186,654</u>	<u>\$ 15,190,639</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 - INVESTMENTS: (continued)

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Public Safety Building	Hedge Fund	Total
July 1, 2011	\$ 6,143,586	\$ 767,319	\$ 6,910,905
Total realized/unrealized gains/(losses)	-	(26,105)	(26,105)
Purchase, issuance, and settlements	-	-	-
Administrative, management fees	-	(7,432)	(7,432)
Transfers in/out of Level 3	(343,135)	-	(343,135)
June 30, 2012	<u>\$ 5,800,451</u>	<u>\$ 733,782</u>	<u>\$ 6,534,233</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 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.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 - INVESTMENTS: (continued)

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, 2012 and 2011.

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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gain (losses) on investments	\$ (72,106)	\$ 1,811,436
Interest and dividend income	427,646	502,876
Investment gain (loss)	<u>355,540</u>	<u>2,314,312</u>
Investment fees (included in general and administrative expenses)	<u>(194,921)</u>	<u>(168,232)</u>
Net investment gain (loss)	<u>\$ 160,619</u>	<u>\$ 2,146,080</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, 2012 and 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 25-65% equities, 10-50% fixed income, 0-50% alternative investments – real assets, 0-10% alternative investments – hedge funds, 0-30% cash. The Corporation prohibits investments that jeopardize the non-profit status of the Corporation or unduly jeopardize the safety of principal.

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 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, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 1,813,054	\$ 3,863,793	\$ 5,676,847
Board-designated endowment funds	<u>3,366,769</u>	<u>-</u>	<u>-</u>	<u>3,366,769</u>
Total funds	<u>\$ 3,366,769</u>	<u>\$ 1,813,054</u>	<u>\$ 3,863,793</u>	<u>\$ 9,043,616</u>

Changes in endowment net assets as of June 30, 2012 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	\$ 3,350,102	\$ 2,006,548	\$ 3,863,793	\$ 9,220,443
Investment income	86,792	51,985	100,123	238,900
Net appreciation (depreciation)	(15,335)	(9,185)	(17,691)	(42,211)
Amounts appropriated for expenditure	(137,222)	(236,294)	-	(373,516)
Transfers	<u>82,432</u>	<u>-</u>	<u>(82,432)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,366,769</u>	<u>\$ 1,813,054</u>	<u>\$ 3,863,793</u>	<u>\$ 9,043,616</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 - CAPITAL ASSETS:

Capital assets consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Capital leases	\$ 12,914,389	\$ 12,914,389
Buildings	10,547,955	10,453,900
Building improvements	6,006,062	5,508,346
Real estate properties	1,051,866	1,051,866
Furniture, fixtures, and equipment	4,423,598	4,143,049
Computers and software	1,303,557	1,286,081
Construction in progress	96,376	183,444
Solar observatory	1	1
Total	<u>36,343,804</u>	<u>35,541,076</u>
Less accumulated depreciation	<u>(16,889,160)</u>	<u>(15,279,880)</u>
Net fixed assets	<u>\$ 19,454,644</u>	<u>\$ 20,261,196</u>

Depreciation expense totaled \$1,609,280 and \$1,591,017 for the years ended June 30, 2012 and 2011. 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, 2012 and 2011.

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, 2012, 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, 2012 and 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 years ended June 30, 2012 and 2011.

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, 2012, the Corporation has recorded this commercial paper as bonds payable to the California State University System and notes receivable from California State University Northridge. California State University Northridge made two prepayments totaling \$3,000,000 in the year ending June 30, 2012. These two prepayments were recorded as reductions to bonds payable to the California State University System and notes receivable from California State University Northridge. The prepayments are reflected in the required future principal payments table below. Assumed interest rates range from .29% to 4.00%.

There are program costs connected with this commercial paper loan. Total program costs paid for the year ended June 30, 2012 was \$91,966.

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>
2013	\$ 135,000	\$ 205,000	\$ 18,653	\$ 1,384,000	\$ 1,742,653
2014	140,000	210,000	19,646	351,000	720,646
2015	145,000	225,000	20,691	-	390,691
2016	150,000	235,000	21,778	-	406,778
2017	160,000	245,000	22,951	-	427,951
Thereafter	<u>1,815,000</u>	<u>805,000</u>	<u>67,618</u>	<u>-</u>	<u>2,687,618</u>
Total	<u>\$ 2,545,000</u>	<u>\$ 1,925,000</u>	<u>\$ 171,337</u>	<u>\$ 1,735,000</u>	<u>\$ 6,376,337</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6 - BONDS AND MORTGAGE PAYABLE: (continued)

Bonds mortgages payable, and commercial paper	\$ 6,376,337
Add current portion of bond premium	<u>28,490</u>
	6,404,827
Less current portion, including bond premium of \$28,490 (included in current portion of long-term debt and capital leases on Statement of Financial Position)	<u>(1,771,143)</u>
Bonds, mortgages payable, and commercial paper less current portion	4,633,684
Noncurrent portion of bond premium	<u>214,505</u>
Total non-current bonds mortgages payable, and commercial paper	<u>\$ 4,848,189</u>

Interest expense for all long term debt totaled \$537,971 and \$664,917 for the years ended June 30, 2012 and 2011.

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

Year	CSU SRB College Court	CSU SRB Geronimo's	Condominium Mortgage	VPAC Loan	Total
2013	\$ 251,975	\$ 289,150	\$ 27,117	\$ 1,413,336	\$ 1,981,578
2014	250,775	285,800	27,117	356,505	920,197
2015	249,375	290,325	27,117	-	566,817
2016	247,725	290,475	27,117	-	565,317
2017	250,988	290,025	27,117	-	568,130
Thereafter	<u>2,244,649</u>	<u>858,955</u>	<u>72,580</u>	-	<u>3,176,184</u>
Total	<u>\$ 3,495,487</u>	<u>\$ 2,304,730</u>	<u>\$ 208,165</u>	<u>\$ 1,769,841</u>	<u>\$ 7,778,223</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

On September 14, 2011, the California State University System completed a partial refinancing of the system wide revenue bonds (SRB) connected with the Sierra Center Building capital lease. The face amount of the bonds refinanced was \$2,485,000. Interest rates range from .55% to 5.00%. Bonds with a face value of \$85,000 were defeased as a result of the refinancing (see Note 6).

There is a net bond premium associated with this new bond issuance. The premium of \$338,875 is being amortized over the remaining life of the bonds. The partial amortization amount was \$19,551 for the year ended June 30, 2012 (see Note 6).

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, 2012 and 2011 was \$11,040.

At June 30, 2012 and 2011, the gross amount of plant and equipment and related accumulated amortization recorded under capital leases were as follows:

	2012	2011	
Capital leases	\$ 12,914,389	\$ 12,914,389	
Less accumulated amortization	(6,596,783)	(6,219,835)	
	\$ 6,317,606	\$ 6,694,554	

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:

THE UNIVERSITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 7 - CAPITAL LEASE: (continued)

Year	Capital Lease Payments		
	Sierra Center Building	Matador Bookstore Complex	Total
2013	\$ 411,950	\$ 332,350	\$ 744,300
2014	412,913	330,250	743,163
2015	419,300	327,950	747,250
2016	421,850	329,375	751,225
2017	418,225	324,500	742,725
Thereafter	7,262,800	2,966,000	10,228,800
Total minimum lease payments	9,347,038	4,610,425	13,957,463
Add capital lease premiums	26,067	11,040	37,107
Less amount representing interest (at rates ranging from 2.5% to 5% for Sierra Center and 4% to 5% for Matador Bookstore Complex)	(3,657,038)	(1,285,425)	(4,942,463)
Present value of net minimum capital lease payments	5,716,067	3,336,040	9,052,107
Less current installments of obligations under capital leases including capital lease premiums of \$37,107 (included in current portion of long-term debt and capital leases on Statement of Financial Position)	(171,067)	(186,040)	(357,107)
Obligations under capital leases, excluding current installments	5,545,000	3,150,000	8,695,000
Non current portion of capital lease premium	293,257	151,725	444,982
Total non-current capital lease obligation and related premium \$	\$ 5,838,257	\$ 3,301,725	\$ 9,139,982

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 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 \$566 per month for retiree coverage and up to an additional \$508 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Benefit obligation, end of year	\$ 2,332,608	\$ 3,806,988
Employer contributions	89,700	51,371
Participant contributions	-	-
Benefits paid	<u>(89,700)</u>	<u>(51,371)</u>
Net funded (unfunded) status	<u>\$ (2,332,608)</u>	<u>\$ (3,806,988)</u>
Amounts recognized in the statement of financial position consists of:		
Current liabilities	\$ 90,172	\$ 89,700
Noncurrent liabilities	2,242,436	3,717,288
Total	<u>\$ 2,332,608</u>	<u>\$ 3,806,988</u>

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 - POSTRETIREMENT BENEFITS: (continued)

C. Obligations and Funding Status (continued)

Amounts recognized in the statement of activities consist of:

	<u>2012</u>	<u>2011</u>
Service Cost	\$ 144,277	\$ 246,442
Interest Cost	203,155	174,837
Amortization of Transition Obligation/(Asset)	9,153	9,153
Amortization of Prior Service Cost	100,537	100,537
Amortization of Net (Gain) or Loss	10,479	-
Total	<u>\$ 467,601</u>	<u>\$ 530,969</u>

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

	<u>2012</u>	<u>2011</u>
Additional Prior Service Cost for period	\$ -	\$ -
Change to Net (Gain) or Loss for period	(1,732,112)	-
Amortization of Transition Obligation (Asset)	(9,153)	-
Amortization of Prior Service Cost	(100,537)	-
Amortization of Net Actuarial (Gain) or Loss	(10,479)	-
Total	<u>\$ (1,852,281)</u>	<u>\$ -</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>2012</u>	<u>2011</u>
Benefit obligation:	4.50%	5.40%
Discount rate	N/A	N/A
Expected return on plan assets	N/A	N/A
Rate of compensation increase		
Medical trend:		
Initial	8.00%	10.00%
Ultimate	5.00%	5.00%
Number of years to ultimate	2 years	5 years

THE UNIVERSITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 - POSTRETIREMENT BENEFITS: (continued)

D. Cash Flows

The Corporation expects to contribute \$90,172 to their postretirement health plan in 2013.

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

<u>Year</u>	<u>Postretirement Benefits</u>
2013	\$ 90,172
2014	87,361
2015	91,308
2016	93,687
2017	98,713
2018-2022	626,911

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, 2012 and 2011 totaled \$27,473 and \$24,111. Pension expense for June 30, 2012 and 2011 totaled \$402,191 and \$423,028.

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, 2012 and 2011

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, 2012 included in accounts receivable were \$753,784 due from various departments of the University. These amounts are primarily related to catering services, payroll, rent, and licensing activities.

At June 30, 2011, included in accounts receivable were \$101,917 due from California State University, Northridge Foundation, \$7,228 due from University Student Union, and \$1,207,018 due from various departments of the University. These amounts are primarily related to catering services, payroll, rent, and licensing activities.

Included in accounts payable at June 30, 2012 and 2011 were \$608,418 and \$270,560 due to the University, \$15,050 and \$3,000 due to Associated Students and \$2,308 and \$1,209 due to the University Student Union.

Amounts received from and paid to the University were \$6,858,947 and \$4,076,592, respectively for 2012 and were \$5,547,747 and \$4,451,630, respectively, for 2011. 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 2012, amounts received from other University auxiliary organizations were \$456,818. Amounts received relate to catering services, food service management fees and payroll services. In 2012, the Corporation paid \$153,248 to the University Student Union for commissions earned on food service sales, \$69,618 to the California State University, Northridge Foundation for payroll services and campus hospitality, and \$75,092 to Associated Students for Big Show tickets , boating safety classes, and food service cards.

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 \$134,062 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.

NOTE 12 - LITIGATION:

The Corporation is named as a defendant in a litigation of which the outcome of this litigation is unknown.



CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 21, 2012

**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, 2012, and have issued our report thereon dated September 21, 2012. 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

Management of the Corporation is responsible for establishing and maintaining effective 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.

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

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*.

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, 2012

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 7,241,402
Short-term investments	—
Accounts receivable, net	4,996,335
Leases receivable, current portion	—
Notes receivable, current portion	1,386,618
Pledges receivable, net	—
Prepaid expenses and other assets	297,213
Total current assets	<u>13,921,568</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	416,733
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	3,863,793
Other long-term investments	11,322,861
Capital assets, net	19,454,644
Other assets	—
Total noncurrent assets	<u>35,058,031</u>
Total assets	<u>48,979,599</u>
Liabilities:	
Current liabilities:	
Accounts payable	855,309
Accrued salaries and benefits payable	1,651,919
Accrued compensated absences— current portion	273,079
Deferred revenue	2,303,809
Capitalized lease obligations – current portion	357,107
Long-term debt obligations – current portion	1,771,143
Self-insurance claims liability - current portion	—
Depository accounts	1,520,119
Other liabilities	90,172
Total current liabilities	<u>8,822,657</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	117,034
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	9,139,982
Long-term debt obligations, net of current portion	4,848,189
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	2,242,436
Other liabilities	—
Total noncurrent liabilities	<u>16,347,641</u>
Total liabilities	<u>25,170,298</u>
Net assets:	
Invested in capital assets, net of related debt	3,338,223
Restricted for:	
Nonexpendable – endowments	3,863,793
Expendable:	
Scholarships and fellowships	—
Research	1,895,480
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	14,711,805
Total net assets	<u>\$ 23,809,301</u>

See the accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	24,836,773
State	837,404
Local	1,119,104
Nongovernmental	1,101,084
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	15,036,741
Other operating revenues	1,275,966
Total operating revenues	<u>44,207,072</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	25,265,062
Public service	—
Academic support	—
Student services	—
Institutional support	2,321,586
Operation and maintenance of plant	—
Student grants and scholarships	188,375
Auxiliary enterprise expenses	13,474,256
Depreciation and amortization	1,609,280
Total operating expenses	<u>42,858,559</u>
Operating income	<u>1,348,513</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, net	273,118
Endowment income, net	82,422
Interest expenses	(537,971)
Other nonoperating revenues	1,220,505
Net nonoperating revenues	<u>1,038,074</u>
Income before other additions	<u>2,386,587</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase in net assets	<u>2,386,587</u>
Net assets:	
Net assets at beginning of year	21,422,714
Net assets at end of year	<u>\$ 23,809,301</u>

See the accompanying independent auditors' report.

THE UNIVERSITY CORPORATION
OTHER INFORMATION
(for inclusion in the California State University)

June 30, 2012

1 Restricted cash and cash equivalents at June 30, 2012:
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, 2012:

	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 (LAIIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
US Bank SWIFT pool	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	2,669,800	1,931,896	4,601,696	4,601,696
Debt securities	-	-	-	2,147,586	-	2,147,586	2,147,586
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	6,000	-	6,000	6,000
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	699,024	1,931,897	2,630,921	2,630,921
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments:	-	-	-	5,800,451	-	5,800,451	5,800,451
Public Safety Building	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	-	-	-	11,322,861	3,863,793	15,186,654	15,186,654
Less endowment investments (enter as negative number)	-	-	-	-	(3,863,793)	(3,863,793)	(3,863,793)
Total investments	-	-	-	11,322,861	-	11,322,861	11,322,861

See the accompanying independent auditors' report.

THE UNIVERSITY CORPORATION

OTHER INFORMATION

(for inclusion in the California State University)

June 30, 2012

2.2	Investments held by the University under contractual agreements at June 30, 2012: Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2012 :	\$	Amount
2.3	Restricted current investments at June 30, 2012 related to:		
	Add description	\$	Amount
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Total restricted current investments at June 30, 2012	\$	Amount
2.4	Restricted noncurrent investments at June 30, 2012 related to:		
	Endowment investment	\$	3,863,793
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Add description		
	Total restricted noncurrent investments at June 30, 2012	\$	3,863,793

THE UNIVERSITY CORPORATION
OTHER INFORMATION
(for inclusion in the California State University)

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3.1 Composition of capital assets at June 30, 2012:

	Balance June 30, 2011	Prior period Adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 1,051,866	-	-	1,051,866	-	-	-	1,051,866
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	183,444	-	-	183,444	595,064	-	(682,131)	96,377
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	1,235,310	-	-	1,235,310	595,064	-	(682,131)	1,148,243
Depreciable/amortizable capital assets:								
Buildings and building improvements	28,876,636	-	-	28,876,636	-	-	591,770	29,468,406
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	5,429,130	-	-	5,429,130	207,664	-	90,361	5,727,155
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	34,305,766	-	-	34,305,766	207,664	-	682,131	35,195,561
Total capital assets	35,541,076	-	-	35,541,076	802,728	-	-	36,343,804
Less accumulated depreciation/amortization:								
Buildings and building improvements	(10,868,717)	-	-	(10,868,717)	(1,212,239)	-	-	(12,080,956)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(4,411,163)	-	-	(4,411,163)	(397,041)	-	-	(4,808,204)
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	(15,279,880)	-	-	(15,279,880)	(1,609,280)	-	-	(16,889,160)
Total capital assets, net	\$ 20,261,196	-	-	20,261,196	(806,552)	-	-	19,454,644

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2012:

Depreciation and amortization expense related to capital assets	\$ 1,609,280
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 1,609,280

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4 Long-term liabilities activity schedule:

	Balance June 30, 2011	Prior period adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Balance June 30, 2012	Current portion	Long-term portion
Accrued compensated absences	\$ 415,927	—	—	415,927	387,166	(412,980)	390,113	273,079	117,034
Capitalized lease obligations:									
Gross balance	9,405,000	—	—	9,405,000	-	(390,000)	9,015,000	320,000	8,695,000
Unamortized premium / (discount) on capitalized lease obligations	173,805	—	—	173,805	338,875	(10,591)	482,089	37,107	444,982
Total capitalized lease obligations	9,578,805	—	—	9,578,805	338,875	(420,591)	9,497,089	357,107	9,139,982
Long-term debt obligations:									
Revenue Bonds	4,795,000	—	—	4,795,000	-	(325,000)	4,470,000	340,000	4,130,000
Other bonds (non-Revenue Bonds)	—	—	—	0	-	-	0	—	—
Commercial Paper	6,059,000	—	—	6,059,000	-	(4,324,000)	1,735,000	1,384,000	351,000
Other:									
Mortgago	189,022	—	—	189,022	-	(17,685)	171,337	18,653	152,684
Add description	—	—	—	0	-	-	0	—	—
Add description	—	—	—	0	-	-	0	—	—
Add description	—	—	—	0	-	-	0	—	—
Add description	—	—	—	0	-	-	0	—	—
Add description	—	—	—	0	-	-	0	—	—
Total long-term debt obligations	11,043,022	—	—	11,043,022	-	(4,666,685)	6,376,337	1,742,653	4,633,684
Unamortized bond premium / (discount)	271,484	—	—	271,484	-	(28,489)	242,995	28,490	214,505
Unamortized loss on refunding	—	—	—	0	-	-	0	—	—
Total long-term debt obligations, net	11,314,506	—	—	11,314,506	—	(4,695,174)	6,619,332	1,771,143	4,848,189
Total long-term liabilities	\$ 21,309,238	—	—	21,309,238	726,041	(5,528,745)	16,506,534	2,401,329	14,105,205

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2013	320,000	424,300	744,300
2014	330,000	413,163	743,163
2015	345,000	402,250	747,250
2016	365,000	386,225	751,225
2017	375,000	367,725	742,725
2018 - 2022	2,210,000	1,542,563	3,752,563
2023 - 2027	2,510,000	932,375	3,442,375
2028 - 2032	1,735,000	431,988	2,166,988
2033 - 2037	825,000	41,874	866,874
2038 - 2042	-	-	-
2043 - 2047	-	-	-
2048 - 2052	-	-	-
2053 - 2057	-	-	-
2058 - 2062	-	-	-
Total minimum lease payments			13,957,463
Less amounts representing interest			(4,942,463)
Present value of future minimum lease payments			9,015,000
Less: current portion			(320,000)
Capitalized lease obligation, net of current portion			\$ 8,695,000

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6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
	Year ending June 30:								
2013	\$ 340,000	201,125	541,125	1,402,653	37,800	1,440,453	1,742,653	238,925	1,981,578
2014	350,000	186,575	536,575	370,646	12,976	383,622	720,646	199,551	920,197
2015	370,000	169,700	539,700	20,691	6,426	27,117	390,691	176,126	566,817
2016	385,000	153,200	538,200	21,778	5,339	27,117	406,778	158,539	565,317
2017	405,000	136,013	541,013	22,951	4,166	27,117	427,951	140,179	568,130
2018 - 2022	1,715,000	391,880	2,106,880	67,618	4,962	72,580	1,782,618	396,842	2,179,460
2023 - 2027	905,000	91,724	996,724	-	-	-	905,000	91,724	996,724
2028 - 2032	-	-	-	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-	-	-	-
Total	\$ 4,470,000	1,330,217	5,800,217	1,906,337	71,669	1,978,006	6,376,337	1,401,886	7,778,223

7 Calculation of net assets

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries

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

Capital assets, net of accumulated depreciation	\$	—	19,454,644	19,454,644
Capitalized lease obligations - current portion		—	(357,107)	(357,107)
Capitalized lease obligations, net of current portion		—	(9,139,982)	(9,139,982)
Long-term debt obligations - current portion		—	(1,771,143)	(1,771,143)
Long-term debt obligations, net of current portion		—	(4,848,189)	(4,848,189)
Portion of outstanding debt that is unspent at year-end		—	—	—
Other adjustments: (please list)		—	—	—
Add description		—	—	—
Add description		—	—	—
Add description		—	—	—
Add description		—	—	—
Add description		—	—	—
Net assets - invested in capital assets, net of related debt	\$	—	3,338,223	3,338,223

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		—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	\$	—	3,863,793	3,863,793

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8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,983,260
Payments to University for other than salaries of University personnel	2,093,332
Payments received from University for services, space, and programs	6,858,947
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)	(536,229)
Other amounts (payable to) University (enter as negative number)	(72,189)
Accounts receivable from University	753,784
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ (1,395,533)
Contributions during the year	<u>(79,319)</u>
Increase (decrease) in net OPEB obligation (NOO)	(1,474,852)
NOO - beginning of year	<u>3,717,288</u>
NOO - end of year	<u>\$ 2,242,436</u>

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	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u>—</u>

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, 2011, as previously reported	\$	21,422,714
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, 2011, as restated	\$	<u>21,422,714</u>

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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)	5	—
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: 1C (breakdown of adjusting journal entry)	—	—

See the accompanying independent auditors' report.