

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

June 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Campus – University Park
Development Corporation

We have audited the accompanying statements of financial position of the North Campus – University Park Development Corporation (the Corporation) as of June 30, 2007 and 2006, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 Corporation as of June 30, 2007 and 2006, 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.

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 10-14 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 supplementary 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.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

August 27, 2007

**NORTH CAMPUS - UNIVERSITY PARK
DEVELOPMENT CORPORATION**

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current assets		
Cash and cash equivalents	\$ 295,612	\$ 499,807
Short-term investments (Note 3)	<u>1,484,061</u>	<u>1,597,460</u>
Total cash and cash equivalents	<u>1,779,673</u>	<u>2,097,267</u>
Noncurrent assets		
Construction in progress (Note 4)	<u>1,307,722</u>	<u>684,488</u>
Total noncurrent assets	<u>1,307,722</u>	<u>684,488</u>
 TOTAL ASSETS	 <u><u>\$3,087,395</u></u>	 <u><u>\$2,781,755</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 94,348	\$ 124,829
Deferred revenue	<u>26,113</u>	<u>26,113</u>
Total liabilities	<u>120,461</u>	<u>150,942</u>
 NET ASSETS		
Unrestricted	<u>2,966,934</u>	<u>2,630,813</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$3,087,395</u></u>	 <u><u>\$2,781,755</u></u>

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

**NORTH CAMPUS - UNIVERSITY PARK
DEVELOPMENT CORPORATION**

**STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
REVENUES		
Lease revenue (Note 5)	\$ 313,356	\$ 313,356
Other operating revenue	68,275	79,630
Investment income, net (Note 3)	<u>271,388</u>	<u>190,731</u>
Total revenue	<u>653,019</u>	<u>583,717</u>
EXPENSES		
Program services:		
University projects	175,000	175,000
Operating expenses	136,290	97,279
Planning and development activities	<u>-</u>	<u>2,922</u>
Total program services	<u>311,290</u>	<u>275,201</u>
Supporting services:		
General and administrative	<u>5,608</u>	<u>4,909</u>
Total expenses	<u>316,898</u>	<u>280,110</u>
CHANGE IN UNRESTRICTED NET ASSETS	336,121	303,607
NET ASSETS AT BEGINNING OF YEAR	<u>2,630,813</u>	<u>2,327,206</u>
NET ASSETS AT END OF YEAR	<u><u>\$2,966,934</u></u>	<u><u>\$2,630,813</u></u>

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

**NORTH CAMPUS - UNIVERSITY PARK
DEVELOPMENT CORPORATION**

**STATEMENTS OF CASH FLOWS
For the Years ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 336,121	\$ 303,607
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(249,599)	(163,179)
Changes in operating liabilities:		
Accounts payable	<u>(30,481)</u>	<u>87,604</u>
Net cash provided by operating activities	<u>56,041</u>	<u>228,032</u>
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES		
Additions to construction in progress	(623,234)	(607,164)
Purchases of investments	(12,002)	(45,060)
Sale of investments	<u>375,000</u>	<u>295,072</u>
Net cash used in capital and investing activities	<u>(260,236)</u>	<u>(357,152)</u>
NET DECREASE IN CASH	(204,195)	(129,120)
CASH AT BEGINNING OF YEAR	<u>499,807</u>	<u>628,927</u>
CASH AT END OF YEAR	<u><u>\$ 295,612</u></u>	<u><u>\$ 499,807</u></u>

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

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 1 – ORGANIZATION:

In 1987, California State University, Northridge (the University) embarked on the North Campus - University Park Development Project (the Project). Capital totaling \$4.6 million to form and begin the Project was contributed by Watt Industries.

The 65 acres of University-owned land (North Campus) on which the Project is being developed are leased from the University. The Corporation has set goals in the development of North Campus, including establishing strong academic ties and academic facilities spanning a broad range of the University's colleges and departments, and ensuring a steady, predictable, and safe source of revenue with no financial risk to the University. During 1999, the Corporation entered into a 40-year ground sublease with Medtronic MiniMed, Inc. for the development of 19 acres for a corporate headquarters complex. In fiscal year 2003-2004, the ground sublease was amended effective October 31, 2003 to include an additional 5 acres for a total of 24 acres.

The second development is a faculty/staff housing project consisting of approximately 400 units. These units will be built in four phases on approximately 32 acres. The first phase will have 159 units and is scheduled to begin construction in the Fall of 2008.

The Corporation became an auxiliary organization of the California State University system in 1988.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The Corporation's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

B. Cash and Cash Equivalents

The Corporation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

See the accompanying independent auditor's report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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

C. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. Fair value is determined based on quoted market prices. Realized and unrealized gains or losses on investments are included in the accompanying statements of activities as investment income.

D. Net Assets

Since the Corporation has not received any funds which have been restricted by donors or grantors for specific operating purposes, all net assets are unrestricted and available for general operations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Corporation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

E. Other Operating Revenue

While in the process of developing a plan for North Campus, a portion of the land which contains a paved parking lot is being rented to various vendors for trade shows and is included in other operating revenue. Expenses incurred by the Corporation to rent these facilities, as well as to maintain the lease facilities (see Note 5), include salaries for maintenance and safety personnel and cost of utilities and are included in operating expenses.

F. Planning and Development Activities

Planning and development activities include the cost of feasibility studies, attorney fees, and audit fees.

G. Salaries and Fringe Benefits

The Corporation utilizes employees of The University Corporation and the University to perform its functions. These costs are billed to the Corporation by The University Corporation and the University. The Corporation subsequently reimburses both entities for the salary and related fringe benefits. As such, the Corporation has no employees or benefit plans of its own.

See the accompanying independent auditor's report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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

H. 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.

I. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California taxes under corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NOTE 3 – INVESTMENTS:

Investments are stated at fair value and consist of fixed income and equity funds as follows:

	<u>2007</u>	<u>2006</u>
Debt equity securities	\$998,303	\$1,052,123
Fixed income securities	<u>485,758</u>	<u>545,337</u>
	<u>\$1,484,061</u>	<u>\$1,597,460</u>

See the accompanying independent auditor's report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 3 – INVESTMENTS: (continued)

Investment return is as follows:

	<u>2007</u>	<u>2006</u>
Net realized and unrealized gains	\$ 249,599	\$ 163,179
Interest and dividend income	27,459	33,531
Investment fees	<u>(5,670)</u>	<u>(5,979)</u>
	<u>\$ 271,388</u>	<u>\$ 190,731</u>

NOTE 4 – CONSTRUCTION IN PROGRESS:

The Corporation began incurring pre-construction expenses related to the Faculty/Staff Housing Project in June 2005. This project consists of approximately 400 units to be built in four phases. The first phase is scheduled to begin construction in the Fall of 2008. All expenses related to this project have been paid out of reserves and recorded in this account.

NOTE 5 – LEASES:

During 1999, the Corporation entered into a 40-year ground sublease with Medtronic MiniMed, Inc. for the development of 19 acres of land owned by the California State University (CSU) and leased at no cost to the Corporation. In 2004, the ground sublease was amended effective October 31, 2003 to include an additional 5 acres for a total of 24 acres. At June 30, 2007, future minimum lease payments to be received are as follows:

<u>Year ending</u> <u>June 30:</u>	
2008	\$ 313,356
2009	313,356
2010	360,764
2011	449,032
2012	449,032
Thereafter	<u>12,879,486</u>
Total	<u>\$14,765,026</u>

See the accompanying independent auditor's report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 6 – RELATED PARTY TRANSACTIONS:

Amounts paid to the University for support of University projects totaled \$175,000. Reimbursement paid to the University for salaries and utilities totaled \$38,110 for 2007 and \$66,906 for 2006. Amounts due to the University totaled \$13,170 at June 30, 2007 and \$3,112 at June 30, 2006.

The University Corporation salaries allocated to the operation of the Corporation totaled \$39,143 for 2007 and \$20,666 for 2006. Amounts due to the University Corporation totaled \$9,310 at June 30, 2007 and \$3,650 at June 30, 2006.

See the accompanying independent auditor's report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

**STATEMENT OF NET ASSETS
June 30, 2007
(for inclusion in the California State University)**

Assets:

Current assets:

Cash and cash equivalents	\$ 295,612
Short-term investments	1,484,061
Accounts receivable, net	—
Leases receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	—
Total current assets	<u>1,779,673</u>

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	1,307,722
Capital assets, net	—
Other assets	—
Total noncurrent assets	<u>1,307,722</u>
Total assets	<u>3,087,395</u>

Liabilities:

Current liabilities:

Accounts payable	73,644
Accrued salaries and benefits payable	20,704
Accrued compensated absences— current portion	—
Deferred revenue	26,113
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Other liabilities	—
Total current liabilities	<u>120,461</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other liabilities	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>120,461</u>

Net assets:

Invested in capital assets, net of related debt	1,307,722
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	1,659,212
Total net assets	<u>\$ 2,966,934</u>

See the accompanying independent auditors' report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS**

**For the Year Ended June 30, 2007
(for inclusion in the California State University)**

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ _____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)	381,631
Other operating revenues	—
Total operating revenues	<u>381,631</u>

Expenses:

Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	175,000
Operation and maintenance of plant	9,909
Student grants and scholarships	—
Auxiliary enterprise expenses	131,989
Depreciation and amortization	—
Total operating expenses	<u>316,898</u>
Operating income (loss)	<u>64,733</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	—
Gifts, noncapital	—
Investment income, net	271,388
Endowment income	—
Interest on capital-related debt	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	<u>271,388</u>
Income (loss) before other additions	<u>336,121</u>

State appropriations, capital

Grants and gifts, capital

Additions to permanent endowments

336,121

Net assets:

Net assets at beginning of year, as previously reported	2,630,813
Restatements	—
Net assets at end of year, as restated	<u>\$ 2,966,934</u>

See the accompanying independent auditors' report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

OTHER INFORMATION

June 30, 2007
(for inclusion in the California State University)

3 Composition of capital assets at June 30, 2007:

	Balance June 30, 2006	Prior period Adjustments	Reclassifications	Balance 30-Jun-06 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2007
Nondepreciable capital assets:								
Land and land improvements	—	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	684,488	—	—	684,488	623,234	—	—	1,307,722
Total nondepreciable capital assets	684,488	—	—	684,488	623,234	—	—	1,307,722
Depreciable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	—	—	—	—	—	—	—	—
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	—	—	—	—	—	—	—	—
Total cost	684,488	—	—	684,488	623,234	—	—	1,307,722
Less accumulated depreciation:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	—	—	—	—	—	—	—	—
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	—	—	—	—	—	—	—	—
Net capital assets	\$ 684,488	—	—	684,488	623,234	—	—	1,307,722

See the accompanying independent auditors' report.

**NORTH CAMPUS – UNIVERSITY PARK
DEVELOPMENT CORPORATION**

OTHER INFORMATION

June 30, 2007

(for inclusion in the California State University)

4 Long-term liabilities activity schedule - not applicable

5 Future minimum lease payments - not applicable

6 Long-term debt obligation schedule - not applicable

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

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$ —	1,307,722	1,307,722
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	1,307,722	1,307,722

8 The nature and amount of the prior period adjustment(s) recorded to beginning net assets - not applicable

See the accompanying independent auditors' report.