



**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Financial Statements  
and Supplementary Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

# CALIFORNIA STATE UNIVERSITY INSTITUTE

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statements of Net Assets – June 30, 2011 and 2010	2
Statements of Revenues, Expenses, and Changes in Net Assets – Years ended June 30, 2011 and 2010	3
Statements of Cash Flows – Years ended June 30, 2011 and 2010	4
Notes to Financial Statements	5
<b>Supplementary Schedules</b>	
Schedule 1 – Schedule of Net Assets – June 30, 2011	14
Schedule 2 – Schedule of Revenues, Expenses, and Changes in Net Assets – Year ended June 30, 2011	15
Schedule 3 – Other Information – June 30, 2011	16



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## Independent Auditors' Report

The Board of Directors  
California State University Institute:

We have audited the accompanying financial statements of the California State University Institute (the Institute), a nonprofit organization and auxiliary of the California State University, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Institute'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 California State University Institute as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Institute has not presented the management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not be part of, the financial statements.

**KPMG LLP**

September 30, 2011

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Statements of Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 537	530
Accounts receivable	35,828	—
Investments	3,824,384	3,810,759
Revenue Bond Anticipation Notes receivable, current portion	63,619,068	451,000
Interest receivable	188,284	171,132
Capital financing receivable, current portion	12,912,000	12,838,000
Prepaid expenses	<u>15,350</u>	<u>15,350</u>
Total current assets	<u>80,595,451</u>	<u>17,286,771</u>
Revenue Bond Anticipation Notes receivable, less current portion	21,760,000	17,594,000
Capital financing receivable, less current portion	<u>37,624,000</u>	<u>49,065,000</u>
Total noncurrent assets	<u>59,384,000</u>	<u>66,659,000</u>
Total assets	<u>139,979,451</u>	<u>83,945,771</u>
Liabilities:		
Accounts payable	220,125	271,011
Accounts payable to California State University	—	5,656
Interest payable	47,622	19,316
Commercial paper payable – current portion	<u>76,548,000</u>	<u>13,302,000</u>
Total current liabilities	<u>76,815,747</u>	<u>13,597,983</u>
Commercial paper payable, net of current portion	<u>58,851,000</u>	<u>66,126,000</u>
Total noncurrent liabilities	<u>58,851,000</u>	<u>66,126,000</u>
Total liabilities	<u>135,666,747</u>	<u>79,723,983</u>
Net assets – unrestricted	\$ <u>4,312,704</u>	<u>4,221,788</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years ended June 30, 2011 and 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Operating revenues:		
Program support	\$ 1,373,407	1,506,967
Interest income	2,007,684	2,145,268
Total operating revenues	<u>3,381,091</u>	<u>3,652,235</u>
Operating expenses:		
Program costs	3,048,521	2,180,892
Interest on debt	329,517	543,076
Total operating expenses	<u>3,378,038</u>	<u>2,723,968</u>
Operating income	3,053	928,267
Nonoperating revenue – gains on investments, net	122,863	69,355
Nonoperating expenses – contributions	<u>(35,000)</u>	<u>(35,000)</u>
Increase in net assets	90,916	962,622
Net assets at beginning of year	<u>4,221,788</u>	<u>3,259,166</u>
Net assets at end of year	<u><u>\$ 4,312,704</u></u>	<u><u>4,221,788</u></u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Program support	\$ 1,338,604	1,557,537
Expenditures and other deductions	(3,105,061)	(2,050,756)
Interest received on notes	1,989,787	1,786,539
Interest paid on commercial paper	<u>(301,211)</u>	<u>(370,304)</u>
Net cash provided by (used in) operating activities	<u>(77,881)</u>	<u>923,016</u>
Cash flows from noncapital and related financing activity:		
Contributions	<u>(35,000)</u>	<u>(35,000)</u>
Net cash used in noncapital and related financing activity	<u>(35,000)</u>	<u>(35,000)</u>
Cash flows from capital and related financing activities:		
Proceeds from commercial paper	478,131,000	907,837,000
Payment of commercial paper	<u>(449,935,000)</u>	<u>(938,556,000)</u>
Net cash provided by (used in) capital and related financing activities	<u>28,196,000</u>	<u>(30,719,000)</u>
Cash flows from investing activities:		
Invested in Revenue Bond Anticipation Notes	(40,961,560)	(69,752,511)
Proceeds from Revenue Bond Anticipation Notes	1,402,492	93,099,640
Invested in capital financing arrangements	(1,680,255)	(7,681,790)
Proceeds from capital financing arrangements	13,048,000	14,795,000
Investment income	244,450	81,034
Purchases of investments	(19,087,915)	(8,696,858)
Sales of investments	<u>18,951,676</u>	<u>5,254,416</u>
Net cash provided by (used in) investing activities	<u>(28,083,112)</u>	<u>27,098,931</u>
Net increase (decrease) in cash and cash equivalents	7	(2,732,053)
Cash and cash equivalents at beginning of year	<u>530</u>	<u>2,732,583</u>
Cash and cash equivalents at end of year	<u>\$ 537</u>	<u>530</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,053	928,267
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Increase in accrued interest receivable	(17,897)	(157,480)
Increase (decrease) in accounts receivable	(34,803)	50,570
Increase in prepaid expenses	—	(15,350)
Increase (decrease) in accounts payable	(56,540)	145,487
Increase (decrease) in interest payable	<u>28,306</u>	<u>(28,478)</u>
Net cash provided by (used in) operating activities	<u>\$ (77,881)</u>	<u>923,016</u>
Supplemental disclosures of noncash capital and related financing activities:		
Lease Revenue Bonds/Receivable with the Trustees	\$ —	4,025,000
Commercial paper proceeds directly wired to the campus by the bank	27,775,000	—

See accompanying notes to financial statements.

# CALIFORNIA STATE UNIVERSITY INSTITUTE

## Notes to Financial Statements

June 30, 2011 and 2010

### (1) Organization

California State University Institute (the Institute) is a nonprofit California corporation that is an auxiliary organization of the California State University (CSU). The Institute is a discretely presented component unit of CSU. The Institute's primary purpose is to provide financing, in the form of commercial paper, to fund projects (nonstate-funded) to be undertaken at the various CSU campuses. The Institute also provides investment services to the CSU.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Presentation*

The accompanying financial statements for the Institute have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### (b) *Election of Applicable FASB Statements*

The Institute has elected to follow private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Institute also has the option of following subsequent private-sector guidance subject to the same limitation. The Institute has elected not to follow subsequent private-sector guidance.

#### (c) *Net Assets*

The Institute's net assets are classified as unrestricted. Unrestricted net assets may be designated for use by the Institute. The Institute has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

#### (d) *Cash and Cash Equivalents*

The Institute considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. The Institute considers amounts included in the Morgan Stanley Smith Barney Equities portfolio and California State University Systemwide Investment Fund to be investments.

#### (e) *Investments*

The Institute records investments at fair values. Unrealized and realized gains and losses on investments are reported in the statements of revenues, expenses, and changes in net assets. The fair value of investments is determined by market quotes.

#### (f) *Revenues*

Program support revenue and interest income is charged to a participating campus and is recognized during the period earned. The rates charged to campuses for short-term campus construction project financings are equal to the rates charged on the Institute's commercial paper. The rates charged to

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

participating members for capital financings are higher than the rates charged on the Institute's commercial paper. Investment income is recognized during the period earned.

**(g) Classification of Revenues and Expenses**

The Institute considers operating revenues and expenses in the statements of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Institute's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – of Public Colleges and Universities*. These nonoperating activities primarily include the Institute's net investment gains and contributions to CSU Foundation.

**(h) Income Taxes**

The Institute is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Institute is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

**(i) Use of Estimates**

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) Cash and Cash Equivalents and Investments**

The Institute's cash and cash equivalents and investments as of June 30, 2011 and 2010 are classified in the accompanying financial statements as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 537	530
Investments	3,824,384	3,810,759
Total cash, cash equivalents, and investments	<u>\$ 3,824,921</u>	<u>3,811,289</u>

**(a) Cash and Cash Equivalents**

At June 30, 2011 and 2010, cash and cash equivalents consisted of demand deposits and money market funds held at a financial institution and are fully insured or collateralized as required by state



# CALIFORNIA STATE UNIVERSITY INSTITUTE

## Notes to Financial Statements

June 30, 2011 and 2010

law. This Institute's cash of \$537 and \$530 had a corresponding bank balance of \$537 and \$530 at June 30, 2011 and 2010, respectively.

### **Custodial Credit Risk for Deposits**

Custodial credit risk for deposits is the risk that the Institute will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the Institute's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

### **(b) Investments**

At June 30, 2011, the Institute's investment portfolio consisted of investments held in California State University Systemwide Investment Funds. At June 30, 2010, the Institute's investment portfolio consisted of investments held in the Institute's Morgan Stanley Smith Barney Equities portfolio and California State University Systemwide Investment Funds. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

### **Investment Policy**

State law and regulations require that surplus monies of the Institute must be invested. The primary objective of the Institute's investment policy is to achieve the maximum rate of return while safeguarding principal and meeting the liquidity needs of the Institute. In general, the Institute's investment policy permits investments in money market securities, fixed income securities consistent with CSU's investment policy.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. One of the ways that the CSU manages its exposure to interest rate risk is by purchasing a combination of short-term and mid-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The CSU identifies and manages the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The weighted average maturity of the Institute's allocated share of the California State University Investment Funds for each investment type and Morgan Stanley Smith Barney Equities portfolio as of June 30, 2011 and 2010 is presented in the table below. The Institute's policy related to interest rate risk is the same as the CSU's, which contains guidelines related to interest rate risk.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This may be measured by the assignment of a rating by a nationally recognized statistical rating organization. The Institute's policy related to credit risk is the same as the CSU's, which contains guidelines related to credit risk.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Institute's allocated share of the California State University Investment Funds for each investment type as of June 30, 2011:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end				
			AAA	Aa	A	BBB	Not rated
June 30, 2011:							
Money market mutual fund	\$ 6,699	—	\$ 6,699	—	—	—	—
Repurchase agreements	9,097	—	—	—	9,097	—	—
Certificates of deposit	534,016	0.41	—	35,772	347,823	—	150,421
Commercial paper	285,594	0.08	—	—	285,594	—	—
U.S. agencies	1,194,638	1.20	821,457	—	373,181	—	—
Corporate and fixed income securities	1,261,779	1.70	475,074	328,585	455,974	2,146	—
Mortgage-backed securities	20,488	7.55	17,325	3,163	—	—	—
Total	3,312,311		\$ 1,320,555	367,520	1,471,669	2,146	150,421
Not subject to ratings:							
U.S. Treasury securities	512,073	1.45					
Total investments	\$ 3,824,384						

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Institute's allocated share of the California State University Investment Funds for each investment type and Morgan Stanley Smith Barney Equities portfolio as of June 30, 2010:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end				
			AAA	Aa	A	BBB	Not rated
June 30, 2010:							
Money market mutual fund	\$ 15,693	—	\$ 15,693	—	—	—	—
Equity securities	437,284	—	—	—	—	—	437,284
Repurchase agreements	446,403	—	—	—	446,403	—	—
Certificates of deposit	281,908	0.05	—	—	281,908	—	—
Commercial paper	513,015	0.07	—	—	513,015	—	—
U.S. agencies	1,532,542	0.16	169,645	—	1,313,986	—	48,911
Corporate and fixed income securities	538,838	1.09	412,608	65,989	45,912	14,329	—
Mortgage-backed securities	40,445	8.74	36,378	4,067	—	—	—
<b>Total</b>	<b>3,806,128</b>		<b>\$ 634,324</b>	<b>70,056</b>	<b>2,601,224</b>	<b>14,329</b>	<b>486,195</b>
Not subject to ratings:							
U.S. Treasury securities	4,631	0.13	—	—	—	—	—
<b>Total investments</b>	<b>\$ 3,810,759</b>						

**Concentration of Credit Risk**

The Institute's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CSU's investment policy as adopted by the Institute. As of June 30, 2011, the following allocated share of the California State University Investment Funds for each investment type (other than Investments in U.S. government, mutual funds, and external investment pools) represented 5% or more of the Institute's investment portfolio: Federal Home Loan Bank Office of Finance totaling \$446,791, or 11.68%; Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$445,613, or 11.65%, and Federal National Mortgage Association (Fannie Mae) totaling \$248,341, or 6.49%. As of June 30, 2010, the following allocated share of the California State University Investment Funds for each investment type and Morgan Stanley Smith Barney Equities portfolio (other than Investments in U.S. government, mutual funds, and external investment pools) represented 5.00% or more of the Institute's investment portfolio: Freddie Mac totaling \$535,141, or 14.04%; Federal Home Loan Bank System totaling \$500,206, or 13.13%; and Fannie Mae totaling \$461,719, or 12.12%.

**(4) Revenue Bond Anticipation Notes Receivable**

Revenue Bond Anticipation Notes (BANs) are issued by the CSU to provide short-term financing to CSU campuses for construction projects. The BANs are purchased by the Institute with proceeds from the Institute's issuance of commercial paper. The BANs act as collateral for the Institute's commercial paper and provide for terms consistent with the commercial paper (note 6).

At June 30, 2011 and 2010, the Institute held \$85 million and \$18 million, respectively, in BANs in relation to various campuses' commercial paper issuances. Interest on the BAN is equal to the interest on the commercial paper with maximum and minimum weighted average interest rates for the years ended

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

June 30, 2011 and 2010 were 0.32% and 0.24%, and 0.34% and 0.23%, respectively. As of June 30, 2011 and 2010, BANs receivable consisted of the following:

	<u>2011</u>	<u>2010</u>
CSU Sacramento UEI	\$ 3,447,000	3,756,000
CSU Fullerton ASC (housing)	14,133,000	14,289,000
CSU Northridge (TUC)	6,059,000	—
San Jose State	23,389,000	—
CSU Sacramento (UEI) Folsom	27,758,068	—
San Francisco State	3,738,000	—
CSU San Marcos	6,855,000	—
	<u>\$ 85,379,068</u>	<u>18,045,000</u>

BAN payments are due to the Institute as follows:

<u>Year</u>	<u>CSU Sacramento (UEI)</u>	<u>CSU Fullerton ASC (housing)</u>	<u>CSU Northridge (TUC)</u>	<u>San Jose State</u>	<u>CSU Sacramento (UEI) Folsom</u>	<u>San Francisco State</u>	<u>CSU San Marcos</u>	<u>Total</u>
2012	\$ 325,000	230,000	1,324,000	23,389,000	27,758,068	3,738,000	6,855,000	63,619,068
2013	337,000	315,000	1,384,000	—	—	—	—	2,036,000
2014	352,000	340,000	1,448,000	—	—	—	—	2,140,000
2015	366,000	355,000	1,514,000	—	—	—	—	2,235,000
2016	381,000	370,000	389,000	—	—	—	—	1,140,000
2017 – 2020	1,686,000	12,523,000	—	—	—	—	—	14,209,000
	<u>\$ 3,447,000</u>	<u>14,133,000</u>	<u>6,059,000</u>	<u>23,389,000</u>	<u>27,758,068</u>	<u>3,738,000</u>	<u>6,855,000</u>	<u>85,379,068</u>

The carrying amount of these notes approximates its fair value as of June 30, 2011 and 2010. The fair values were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

**(5) Capital Financing Receivable**

The CSU and the Institute created a program to finance certain capital needs of CSU campuses and auxiliaries, whereby the CSU enters into capital financing agreements with the Institute. The capital financing receivables are used to fund computer software upgrades for several campuses and to fund a wide range of software, hardware, and other equipment needs. The capital financing acts as collateral for the Institute's issuance of commercial paper, proceeds from which are used to provide resources for the financings. The capital financing receivables require the CSU campuses to make quarterly installment payments to the Institute over periods up to eight years, a portion of which is used to repay principal and interest on the commercial paper (note 6). The interest rate is based on a tax-exempt rate, which is adjustable annually. Prior to the start of the new fiscal year, the Institute resets the interest rate based on the municipal bond index (BMA) plus certain margin for the market rate increase and program costs. The interest rate on the capital financing receivable is 3.20% and 2.60% as of June 30, 2011 and 2010, respectively.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

At June 30, 2011 and 2010, the Institute held \$50.5 million and \$61.9 million, respectively, in capital financing receivables in relation to various commercial paper issuances. These commercial paper issuances for the capital financing projects had maximum and minimum weighted average interest rates of 0.32% and 0.24%, and 0.34% and 0.23% for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, capital financing receivables consisted of the following:

	<u>2011</u>	<u>2010</u>
CSU Bakersfield	\$ 5,117,000	5,499,000
CSU Dominguez Hills	6,689,000	8,770,000
CSU Fresno	88,000	155,000
CSU Fullerton	9,007,000	11,867,000
Humboldt State	11,130,000	13,047,000
CSU Monterey Bay	3,362,000	4,079,000
CSU San Bernardino	5,784,000	7,173,000
CSU San Francisco	1,525,000	2,146,000
San Jose State	1,115,000	1,264,000
CSU San Marcos	4,082,000	4,576,000
CSU Stanislaus	2,637,000	3,327,000
	<u>\$ 50,536,000</u>	<u>61,903,000</u>

Future scheduled capital financing receivables as of June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending:			
2012	\$ 12,912,000	1,600,712	14,512,712
2013	12,106,000	1,456,930	13,562,930
2014	11,014,000	962,341	11,976,341
2015	8,762,000	487,007	9,249,007
2016	4,049,000	179,215	4,228,215
2017 – 2018	1,693,000	44,135	1,737,135
Total	<u>\$ 50,536,000</u>	<u>4,730,340</u>	<u>55,266,340</u>

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

**(6) Commercial Paper**

The Institute has a commercial paper program, which provides for secured borrowings up to an authorized aggregate of \$250 million in the form of Series A Tax Exempt and Series B Taxable Notes (Notes) issued in denominations of \$1,000 principal amounts each or any integral multiple thereof. The commercial paper is secured by BANs and other capital financing agreements issued by the California State University (notes 4 and 5) and by Letters of Credit of up to \$200 million, issued to the Institute by State Street Bank and Trust Company and JP Morgan Chase Bank. As of June 30, 2011 and 2010, commercial paper with a face amount of \$135,399,000 and \$79,428,000, respectively, was issued and outstanding. The borrowings have variable maturity dates not to exceed 270 days with rollover provisions at maturity and bear interest at tax-exempt or, in the case of taxable commercial paper, taxable commercial paper interest rates as calculated by the commercial paper dealers as of each maturity date. The CSU has the ability to, and intends to, extend certain BANs to periods longer than one year; accordingly, the related outstanding amount of commercial paper related to these BANs at year-end has been classified as a long-term obligation. The maximum and minimum weighted average interest rates at June 30, 2011 and 2010 were 0.32% and 0.24%, and 0.34% and 0.23%, respectively.

The carrying value of the Institute's commercial paper is as follows:

	<u>2011</u>	<u>2010</u>
Commercial paper payable, current portion	\$ 76,548,000	13,302,000
Commercial paper payable, net of current portion	<u>58,851,000</u>	<u>66,126,000</u>
Total commercial paper balance at June 30	<u>\$ 135,399,000</u>	<u>79,428,000</u>

The change in outstanding debt during fiscal years 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Commercial paper beginning balance	\$ 79,428,000	110,147,000
Commercial paper issued – principal	505,906,000	907,837,000
Commercial paper issued – interest	301,212	370,304
Commercial paper notes and interest paid	<u>(450,236,212)</u>	<u>(938,926,304)</u>
Commercial paper balance at June 30	<u>\$ 135,399,000</u>	<u>79,428,000</u>

The carrying amount of commercial paper approximates its fair value as of June 30, 2011 and 2010. The fair values of commercial paper were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

**(7) Related Party**

The Institute provides funding to the CSU Chancellor's Office (CO) for administrative services. In addition, the Institute provides an annual contribution to CSU Foundation, a recognized auxiliary organization of the CSU. The combination of these activities totaled \$128,100 and \$95,379 in fiscal 2011 and 2010, respectively.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**

Notes to Financial Statements

June 30, 2011 and 2010

**(8) Subsequent Event**

On July 7, 2011, the Institute issued \$9,015,000 in commercial paper to finance the Chico Parking Structure 2 Project. The commercial paper is collateralized by BANs on terms consistent with the commercial paper and bears interest at the same rate as is paid on the related commercial paper.

In September 2011, the CSU issued Systemwide Revenue Bonds Series 2011A in the amount of \$430 million for refunding existing bonds and commercial paper redemption. Through this debt issued, the Institute's related BANs receivables and commercial paper payable for the amount of \$71 million will be paid off.

## CALIFORNIA STATE UNIVERSITY INSTITUTE

## Schedule of Net Assets

June 30, 2011

(For inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 537
Short-term investments	3,824,384
Accounts receivable	76,755,180
Prepaid expenses	15,350
Total current assets	<u>80,595,451</u>
Noncurrent assets:	
Accounts receivable, net of current portion	<u>59,384,000</u>
Total noncurrent assets	<u>59,384,000</u>
Total assets	<u>139,979,451</u>
Liabilities:	
Current liabilities:	
Accounts payable	220,125
Long-term debt obligations, current portion	76,548,000
Other liabilities	47,622
Total current liabilities	<u>76,815,747</u>
Noncurrent liabilities:	
Long-term debt obligations, net of current portion	<u>58,851,000</u>
Total liabilities	<u>135,666,747</u>
Net assets – unrestricted	<u>\$ 4,312,704</u>

See accompanying independent auditors' report.



## CALIFORNIA STATE UNIVERSITY INSTITUTE

## Schedule of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2011

(For inclusion in the California State University)

Revenues:		
Operating revenues:		
Other operating revenues		\$ <u>1,373,407</u>
Expenses:		
Operating expenses:		
Auxiliary enterprise		<u>3,048,521</u>
Operating loss		<u>(1,675,114)</u>
Nonoperating revenues (expenses):		
Investment income, net		2,130,547
Interest expense		(329,517)
Other nonoperating expenses		<u>(35,000)</u>
Net nonoperating revenues		<u>1,766,030</u>
Increase in net assets		90,916
Net assets:		
Net assets at beginning of year		<u>4,221,788</u>
Net assets at end of year		\$ <u><u>4,312,704</u></u>

See accompanying independent auditors' report.

## CALIFORNIA STATE UNIVERSITY INSTITUTE

Other Information

June 30, 2011

(For inclusion in the California State University)

Composition of investments at June 31, 2011:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
US Bank SWIFT pool	\$ 3,824,384	—	3,824,384
	<u>\$ 3,824,384</u>	<u>—</u>	<u>3,824,384</u>

Long-term liabilities activity schedule:

	<u>Balance, June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2011</u>	<u>Current portion</u>	<u>Long-term portion</u>
Long-term debt obligations:						
Commercial paper	\$ 79,428,000	505,906,000	(449,935,000)	135,399,000	76,548,000	58,851,000
Total long-term liabilities	<u>\$ 79,428,000</u>	<u>505,906,000</u>	<u>(449,935,000)</u>	<u>135,399,000</u>	<u>76,548,000</u>	<u>58,851,000</u>

Long-term debt obligation schedule:

	<u>Revenue Bonds</u>		<u>All other long-term debt obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2012	\$ —	—	76,548,000	—	76,548,000	—
2013 – 2020	—	—	58,851,000	—	58,851,000	—
Total	<u>\$ —</u>	<u>—</u>	<u>135,399,000</u>	<u>—</u>	<u>135,399,000</u>	<u>—</u>

Transactions with related entities:

Payments to CSU Office of the Chancellor  
for salaries of CSU personnel working on contracts,  
grants, and other programs

\$ 93,100

See accompanying independent auditors' report.