

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

FINANCIAL AUDIT

For the year ended June 30, 2005  
(with comparative totals for 2004)

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

TABLE OF CONTENTS

	Page
UNIVERSITY PARK OFFICIALS	3
FINANCIAL STATEMENT REPORT	
SUMMARY	4
INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	13
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	14
STATEMENT OF CASH FLOWS	15
NOTES TO BASIC FINANCIAL STATEMENTS	17
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	*

\* Note: This report has been issued under separate cover.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

UNIVERSITY PARK OFFICIALS

June 30, 2005

The University Park Board of Directors:

Mr. William K. Anderson  
Dr. M. Robert Carver  
Mrs. Sharon Hahs  
Mr. Robert E. McClellan Jr.  
Mr. Steve McRae  
Mr. Bart Solon  
Dr. James Walker  
Mr. Robert Wetzel  
Mr. Ronald D. Winney  
Dr. John Haller, representative of Dr. James Walker

Members added during the year:

Ms. Sally G. Metz  
Dr. Vaughn Vandegrift, Chancellor

Members retired during the year:

Mrs. Sherri Brown  
Dr. David J. Werner

Southern Illinois University personnel who provide significant administrative support to the University Park include:

Executive Director	Mr. Brian Donnelly
Operations Manager	Ms. Janet Haroian
Administrative Secretary	Ms. Cheryl Madson

University Park offices are located at:

University Park  
Southern Illinois University at Edwardsville, Inc.  
One North Research Drive  
Edwardsville, IL 62025-3604

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

FINANCIAL STATEMENT REPORT SUMMARY

June 30, 2005

The audit of the accompanying basic financial statements of University Park, Southern Illinois University at Edwardsville, Inc. was performed by Kerber, Eck & Braeckel LLP.

Based on their audit, the auditors expressed an unqualified opinion on University Park's basic financial statements.



Kerber, Eck & Braeckel LLP

CPAs and  
Management Consultants

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1 West Old State Capitol Plaza  
Springfield, IL 62701-1268  
ph 217.789.0960  
fax 217.789.2822  
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## Independent Auditors' Report

Honorable William G. Holland  
Auditor General, State of Illinois  
and  
Board of Directors  
University Park  
Southern Illinois University at Edwardsville, Inc.

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of University Park, Southern Illinois University at Edwardsville, Inc. (University Park), a component unit of Southern Illinois University, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of University Park management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from University Park's 2004 financial statements and, in our report dated September 29, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Park, Southern Illinois University at Edwardsville, Inc. as of June 30, 2005, and the changes in its financial position and its cash flows for the year

then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005, on our consideration of University Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kerker, Eck & Brauchel LLP*

Springfield, Illinois  
September 28, 2005

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2005

**Introduction**

Following this discussion and analysis are the financial statements for University Park, Southern Illinois University at Edwardsville, Inc. (University Park). Significant changes have been made to the financial statement format in recent years due to the implementation of guidelines issued by the Governmental Accounting Standards Board (GASB). Similar to last year, the current year financial statements provide comparative data for last year and the current year under the new format. GASB Statements implemented in Fiscal Year 2002 included:

- GASB Statement No. 35     *Basic Financial Statements - and Management's Discussion and Analysis -For Public Colleges and Universities*
- GASB Statement No. 37     *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*
- GASB Statement No. 38     *Certain Financial Statement Note Disclosures*

During fiscal year 2005, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, was implemented.

This discussion and analysis will identify the financial statements and their relationship to each other and outline any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position of University Park.

**Financial Statements**

The three financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements present the financial position and activity in a "business-type activities" format. This format is intended to provide the financial statement user with a better indication of the resources available to the organization and the existing commitments against those resources. The financial statements include prior year data and an analysis of any significant variations between the two years. University Park's overall financial position and operation for the past two years are summarized as follows based on the information included in the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets (See pages 13 - 14):

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the fiscal year ended June 30, 2005

**Financial Statements - Continued**

	June 30	
	2005	2004
Current and other assets	\$ 1,803,912	\$ 246,134
Capital assets	624,533	524,518
Total assets	2,428,445	770,652
Current liabilities	145,184	114,187
Noncurrent liabilities	474,349	486,258
Total liabilities	619,533	600,445
Invested in capital assets, net of related debt	243,194	130,711
Restricted	1,488,950	-
Unrestricted	76,768	39,496
Total net assets	\$ 1,808,912	\$ 170,207

All assets (resources) are listed in order of their liquidity, and all liabilities (commitments) are listed in order of their term length. The net assets are presented in a manner that indicates the level of restriction, if any, placed on the net assets. As of June 30, 2005, University Park reports \$ 1,808,912 in net assets, of which \$ 1,488,950 is considered restricted. Other changes are explained on the following page.



State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the fiscal year ended June 30, 2005

**Financial Statements - Continued**

**Cash:** During fiscal year 2005, University Park experienced an increase in cash in the amount of \$ 920,162. This increase is primarily attributed to the receipt of \$ 850,829 in grant revenue and \$ 3,444 of interest earned on these deposits, of which none has been expended.

**Grant Receivable:** During the year, University Park was awarded a \$ 1,488,950 grant from the Illinois Department of Commerce and Economic Opportunity (DCEO) for the construction of a building in the Park, of which \$ 638,121 is receivable as of June 30, 2005.

**Capital Assets:** During the year, University Park capitalized \$ 115,982 in construction in progress of a building located in the park. The construction in progress is not being depreciated at this time, but will be depreciated over 30 years using the straight-line method of depreciation when placed in service.

**Notes Payable:** During the fiscal year ended June 30, 2004, University Park purchased a building located in the park of which \$ 400,000 was financed via bank loan at 4.85% interest over 36 months, maturing December 31, 2007, with a balloon payment due upon maturity of approximately \$ 364,349. During the fiscal year 2005, \$ 12,468 of principal was satisfied. The balance of the note is \$ 381,339 of which \$ 13,075 is included in current liabilities on the Statement of Net Assets.

**Grant:** The Park also received a \$ 100,000 pass through grant from DCEO for the design of the building. The Park has recognized the full amount of the grant as revenue in fiscal year 2005.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the fiscal year ended June 30, 2005

**Financial Statements - Continued**

	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues		
Budget allocation from SIU	\$ 254,020	\$ 236,585
Ground rents and common area maintenance	84,202	67,608
Other revenues	<u>68,401</u>	<u>67,178</u>
Total operating revenues	<u>406,623</u>	<u>371,371</u>
Operating expenses		
Budget expended at SIU	254,020	236,585
Contractual services	58,625	68,360
Other expenses	<u>37,524</u>	<u>31,490</u>
Total operating expenses	<u>350,169</u>	<u>336,435</u>
Operating income	56,454	34,936
Total nonoperating revenues (expenses)	<u>1,582,251</u>	<u>(2,342)</u>
Increase in net assets	1,638,705	32,594
Net assets		
Net assets - beginning of the year	<u>170,207</u>	<u>137,613</u>
Net assets - end of the year	<u>\$ 1,808,912</u>	<u>\$ 170,207</u>

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the fiscal year ended June 30, 2005

**Financial Statements - Continued**

The Statement of Revenues, Expenses and Changes in Net Assets details the activity for the fiscal year, including the change in net assets from the prior year due to this activity. Activity is segregated between operating activity and non-operating activity. GASB defines operating activity as that which has the characteristics of exchange transactions, meaning each party to the transaction receives a material benefit. Non-operating activity includes non-exchange transactions.

For fiscal year 2005, University Park experienced an increase in net assets of \$ 1,638,705. For fiscal year 2004, University Park experienced an increase in net assets of \$ 32,594. Restricted assets increased from zero to \$ 1,488,950 which represents the grant revenue yet to be expended in accordance with the DCEO agreement. Other changes are explained below.

**Budget Allocation from SIUE:** The budget allocation from SIUE and the corresponding budget expended at SIUE increased in fiscal year 2005 from \$ 236,585 to \$ 254,020. This amount represents a \$ 17,435 increase in on-behalf payments for salaries and fringe benefits made by the University for personnel of University Park.

**Contractual Services:** The amount expended for contractual services decreased from \$ 68,360 in 2004 to \$ 58,625 in 2005, a difference of \$ 9,735. The decrease is primarily attributable to decreases in professional fees.

The Statement of Cash Flows' primary purpose is to provide relevant information about the cash receipts and cash payments of University Park during the period. University Park is required to use the direct method presentation for this statement, which indicates the cash effects categorized by operations, non-capital financing transactions, capital and related financing transactions, and investing transactions.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the fiscal year ended June 30, 2005

**Facts, Decisions, or Conditions Significantly Affecting Financial Position**

**Grant and Grant Receivable:** During the year, University Park was awarded a \$ 1,488,950 grant from the Illinois Department of Commerce and Economic Opportunity (DCEO) for the construction of a building in the Park. The Park has recognized the full amount of the grant in grant revenue, of which \$ 850,829 has been received, and \$ 638,121 is included in grant receivable.

The Park also received a \$ 100,000 pass through grant from DCEO for the design of the building. The Park has recognized the full amount of the grant as revenue in fiscal year 2005.

Construction in progress included in capital assets this fiscal year amounted to \$ 115,982.

**Other:** The notes to the financial statements include additional details and further explanations of data presented in the financial statements. The notes are an integral part of the financial statements and should be included as part of any review or analysis.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

STATEMENT OF NET ASSETS

June 30, 2005  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets		
Cash (Note C)	\$ 1,157,603	\$ 237,441
Accounts receivable - SIUE (Notes D and I)	5,406	6,365
Accounts receivable - Other	2,257	1,803
Grant receivable (Note K)	638,121	-
Prepaid expenses	525	525
Total current assets	1,803,912	246,134
Noncurrent assets		
Capital assets (Note E)	624,533	524,518
Total noncurrent assets	624,533	524,518
Total assets	2,428,445	770,652
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable - SIUE (Note I)	120,148	89,516
Accounts payable - Other	7,964	8,936
Deferred revenue	1,695	976
Notes payable current portion (Note H)	13,075	12,457
Deposits	2,302	2,302
Total current liabilities	145,184	114,187
Noncurrent liabilities		
Deferred revenue (Note G)	106,085	104,908
Notes payable (Note H)	368,264	381,350
Total noncurrent liabilities	474,349	486,258
Total liabilities	619,533	600,445
<b>NET ASSETS</b>		
Net assets		
Invested in capital assets, net of related debt	243,194	130,711
Restricted	1,488,950	-
Unrestricted	76,768	39,496
Total net assets	\$ 1,808,912	\$ 170,207

The accompanying notes are an integral part of this statement.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2005  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
<b>Operating revenues</b>		
Payments from SIUE under agreement for development of University Park facility	\$ 37,268	\$ 37,268
Management fees (Note I)	31,133	29,910
Budget allocation from SIUE (Note I)	254,020	236,585
Ground rents and common area maintenance	<u>84,202</u>	<u>67,608</u>
Total operating revenues	<u>406,623</u>	<u>371,371</u>
<b>Operating expenses</b>		
Budget expended at SIUE (Note I)	254,020	236,585
Travel	256	3,032
Contractual services	58,625	68,360
Telecommunications	2,592	3,253
Commodities	4,824	4,300
Depreciation expense (Note E)	18,832	10,794
Amortization expense (Note G)	<u>11,020</u>	<u>10,111</u>
Total operating expenses	<u>350,169</u>	<u>336,435</u>
Operating income	56,454	34,936
<b>Nonoperating revenues (expenses)</b>		
Grant revenue (Note K)	1,588,950	-
Interest income	11,621	6,658
Interest expense	(18,823)	(9,453)
Other revenue	<u>503</u>	<u>453</u>
Total nonoperating revenues (expenses)	<u>1,582,251</u>	<u>(2,342)</u>
Increase in net assets	1,638,705	32,594
<b>Net assets</b>		
Net assets - beginning of year	<u>170,207</u>	<u>137,613</u>
Net assets - end of year	<u>\$ 1,808,912</u>	<u>\$ 170,207</u>

The accompanying notes are an integral part of this statement.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2005  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Payments received for ground rents and common area maintenance	\$ 36,200	\$ 50,679
Payments from related organizations	107,784	83,551
General and operating expenses	(35,906)	(62,578)
Payment to related organizations	<u>(731)</u>	<u>(1,317)</u>
Net cash flows provided by operating activities	<u>107,347</u>	<u>70,335</u>
Cash flows from noncapital financing activities		
Reimbursement of advance by SIUE	-	48,388
Other revenues	<u>503</u>	<u>453</u>
Net cash flows provided by noncapital financing activities	<u>503</u>	<u>48,841</u>
Cash flows from capital financing activities		
Proceeds from capital grants	850,829	-
Proceeds from long term debt	-	400,000
Payment of loan principal	(12,468)	(6,193)
Payments of loan interest	<u>(18,823)</u>	<u>(9,453)</u>
Net cash flows provided by capital financing activities	<u>819,538</u>	<u>384,354</u>
Cash flows from investing activities		
Purchase of fixed assets	(18,847)	(527,086)
Interest income	<u>11,621</u>	<u>6,658</u>
Net cash flows used by investing activities	<u>(7,226)</u>	<u>(520,428)</u>
Net increase (decrease) in cash	920,162	(16,898)
Cash, beginning of the year	<u>237,441</u>	<u>254,339</u>
Cash, end of the year	<u>\$ 1,157,603</u>	<u>\$ 237,441</u>

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

STATEMENT OF CASH FLOWS - CONTINUED

For the year ended June 30, 2005  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 56,454	\$ 34,936
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	18,832	10,794
Changes in assets and liabilities		
Receivables	505	(3,024)
Other assets	-	(79)
Accounts payable	29,660	12,827
Other liabilities	<u>1,896</u>	<u>14,881</u>
Net cash flows provided by operating activities	<u>\$ 107,347</u>	<u>\$ 70,335</u>

Noncash investing, capital and financing activities

A grant of \$ 100,000 awarded to Madison County (Illinois) Community Development was utilized for architectural fees for the Biotechnology Laboratory Incubator. Madison County received the grant and remitted payments to the architect. The expenditures are included in capital assets in the accompanying Statement of Net Assets. (See also Note K)

The accompanying notes are an integral part of this statement.



State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Financial Reporting Entity*

The University Park, Southern Illinois University at Edwardsville, Inc. ("University Park") exists for the primary purpose of aiding and assisting Southern Illinois University Edwardsville ("SIUE" or "University") in managing the University Park facility.

Due to the significance of the financial relationship with the University, University Park is included as a component unit of the University for financial reporting purposes in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial activities included in these financial statements are reported in a separate column in the University's financial statements to emphasize that University Park is an Illinois not-for-profit organization legally separate from the University.

These financial statements include all financial activities over which University Park exercises direct responsibility.

*2. Financial Statement Presentation*

Effective July 1, 2001, University Park adopted GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statement Nos. 35, 37 and 38 provides a comprehensive perspective of University Park's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Effective July 1, 2004, University Park has also implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

*3. Basis of Accounting*

For financial reporting purposes, University Park is considered a special-purpose government engaged only in business-type activities. Accordingly, University Park's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*3. Basis of Accounting - Continued*

University Park has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. University Park has elected to not apply FASB pronouncements issued after the applicable date.

*4. Capital Assets*

Property and equipment purchased by University Park are recorded at cost. Donated assets are capitalized at estimated fair value at the date of the donation. For equipment, University Park's capitalization policy includes all items with a unit cost of \$ 1,000 or more, and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 7 years for equipment and furnishings, 15 years for land improvements and 30 years for buildings.

*5. Deferred Revenue*

Revenues received in advance for rent are deferred and recorded in income in the period in which the related space is occupied.

*6. Net Assets*

University Park's net assets are classified as follows:

- **Invested in capital assets, net of related debt:** This represents University Park's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations, if any, related to those capital assets.
- **Restricted net assets:** Restricted net assets include resources in which University Park is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. University Park has \$ 1,488,950 of restricted net assets at June 30, 2005, which represents funds received from a State of Illinois Department of Commerce and Economic Opportunity grant.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

6. *Net Assets - Continued*

- **Unrestricted net assets:** Unrestricted net assets represent resources used for transactions relating to the educational and general operations of University Park, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, University Park's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

7. *Classifications of Revenues and Expenses*

University Park has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating:** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as contract payments from SIUE and rent received from tenants.
- **Non-operating:** Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources and expenditure uses that are defined as non-operating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, such as investment income.

8. *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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE B - TAX STATUS**

An IRS ruling dated December 26, 1996, determined that University Park qualifies for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that University Park, Southern Illinois University at Edwardsville, Inc. is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section 509(a)(3).

**NOTE C - CASH**

The carrying amount of University Park's deposits was \$ 1,157,603 at June 30, 2005, and the related bank balance was \$ 1,176,197. The Federal Deposit Insurance Corporation insures balances up to \$ 100,000 at individual institutions. University Park also has an agreement with the financial institution in which securities are pledged on the Park's behalf in the amount of \$ 900,000.

Custodial credit risk on deposits is the risk that, in the event of the failure of a depository financial institution, University Park will not be able to recover deposits that are in the possession of an outside party. University Park had \$ 33,274 in uninsured and uncollateralized balances at June 30, 2005. University Park does not have a policy for custodial credit risk.

**NOTE D - ACCOUNTS RECEIVABLE - SIUE**

As described in Note I, the University reimburses University Park for cash flow deficits of management of the University owned building, pays a 5% service fee for reimbursements of maintenance type costs of another University owned building and reimburses University Park for cash flow deficits of management of the University leased building. At June 30, 2005, University Park had \$ 5,406 receivable balances for these reimbursements.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE E - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
<b>Capital assets not being depreciated</b>				
Building construction in progress	\$ -	\$ 115,982	\$ -	\$ 115,982
<b>Capital assets being depreciated</b>				
Building	527,086	-	-	527,086
Land improvements	2,000	2,865	-	4,865
Furniture, fixtures and equipment	12,957	-	-	12,957
Total	542,043	2,865	-	544,908
Total accumulated depreciation	(17,525)	(18,832)	-	(36,357)
Capital assets being depreciated, net	524,518	(15,967)	-	508,551
Capital assets, net	\$ 524,518	\$ 100,015	\$ -	\$ 624,533

**NOTE F - OPERATING LEASES**

On behalf of SIUE, University Park leases the land designated by SIUE as the University Park grounds. The base period for the majority of the leases is 69 years. As of June 30, 2005, future minimum rental income under the ground leases, for each of the next five years and thereafter, is summarized as follows:

2006	\$ 90,948
2007	90,948
2008	90,948
2009	90,948
2010	90,948
Thereafter	<u>1,847,244</u>
Total commitment	<u>\$ 2,301,984</u>

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE G - DEFERRED REVENUE**

Revenues received in advance for rent are deferred and recorded in income in the period in which the related space is occupied. On January 3, 2000, University Park received rent in advance totaling \$ 95,440 from one tenant. The rent is effective for the entire lease period ending July 11, 2068. University Park will recognize annual rent income of \$ 9,544 based on \$ 8,000 annual rent per acre currently charged other lessees. The resulting discount of 10.6% will be amortized over the life of the lease. Amortization expense for the year ended June 30, 2005, was \$ 9,533.

Future minimum rental income under the ground leases identified in Note F includes \$ 511,349 associated with the advanced rent at June 30, 2005. Deferred revenue of \$ 89,921 (current portion \$ 12) is included in the accompanying statements of net assets as of June 30, 2005.

On February 10, 2005, University Park received rent in advance totaling \$ 15,000 from one tenant for additional land added to their lease. The rent is effective for the entire lease period ending April 30, 2059. University Park will recognize annual rent income of \$ 1,395. Amortization expense for the year ended June 30, 2005, was \$ 1,385.

Future minimum rental income under the ground leases identified in Note F includes \$ 61,944 associated with the advanced rent at June 30, 2005. Deferred revenue of \$ 14,987 (current portion \$ 10) is included in the accompanying statements of net assets as of June 30, 2005.

On August 9, 2004, University Park received rent in advance totaling \$ 1,200 from one tenant for additional land added to their lease. The rent is effective for the entire lease period ending July 11, 2068. University Park will recognize annual rent income of \$ 112. Amortization expense for the year ended June 30, 2005, was \$ 102.

Future minimum rental income under the ground leases identified in Note F includes \$ 11,974 associated with the advanced rent at June 30, 2005. Deferred revenue of \$ 1,200 (current portion is less than \$ 1) is included in the accompanying statements of net assets as of June 30, 2005.

University Park also received in advance \$ 954 of common area maintenance fees and \$ 718 of rental income included in current deferred revenue.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE H - NOTE PAYABLE**

On December 12, 2003, University Park borrowed \$ 400,000 for the purpose of financing the purchase of an office building. The note bears an interest rate of 4.85% and is to mature on December 12, 2006. As of June 30, 2005, the note payable had an outstanding balance of \$ 381,339.

	<u>Balance</u> <u>Beginning of</u> <u>Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>End of Year</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 393,807	\$ -	\$ 12,468	\$ 381,339	\$ 13,075
	\$ 393,807	\$ -	\$ 12,468	\$ 381,339	\$ 13,075

Aggregate maturities of notes payable for the two years following June 30, 2005, are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 13,075	\$ 18,216	\$ 31,291
2007	368,264	9,054	377,318
	\$ 381,339	\$ 27,270	\$ 408,609

**NOTE I - TRANSACTIONS WITH RELATED PARTIES**

**Property Management**

On January 12, 1994, University Park entered into a master contract with the Board of Trustees of SIUE which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1997, as amended. Under the terms of the agreement, University Park agreed to act as agent for the University with respect to the University Park facility. As such, University Park is responsible for the management, operation, leasing, and maintenance of the land, buildings, facilities, and other property included in the University Park facility. Pursuant to ground leases, all buildings constructed and owned by private investors will become the University's property at the end of the respective lease terms, which are generally sixty-nine years plus three renewal options of ten years each. The University transfers funds to University Park each year as determined necessary to support the activities of University Park. Any unused

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE I - TRANSACTIONS WITH RELATED PARTIES - Continued**

**Property Management - Continued**

funds and net income of University Park, as may be requested by the University, may be required to be transferred to the University. However, the University has not expressed any intent to request unused funds and net income and University Park is not aware of any intent to do so in the near term.

**Personnel**

The University has assigned an Executive Director and support staff to University Park. The University employs these individuals. Pursuant to GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, University Park is required to recognize as revenue and expense those on-behalf payments for salaries and fringe benefits made by the University for personnel of University Park. The amount reflected as Budget allocation from SIUE and Budget expended at SIUE in the accompanying Statement of Revenues, Expenses and Changes in Net Assets total \$ 254,020 for the year ended June 30, 2005.

**Occupancy**

The University constructed the building used for University Park administration and University Park occupies the space without charge by the University. Therefore, no amounts for this building are capitalized and no rent expense is reflected in the accompanying financial statements.

The University incurs normal operating expenses on behalf of University Park, e.g., utilities, for which it requests reimbursement from University Park.

**Building Management of University Owned Building**

On May 29, 2001, University Park entered into an agreement with the Board of Trustees of SIUE under which University Park manages, operates and maintains a SIUE-owned building on behalf of SIUE. SIUE pays University Park a management fee from the revenues of the property. If revenues are insufficient, SIUE has agreed to pay the management fee. The amount of management fee revenue recorded under this agreement during the year ended June 30, 2005, was \$ 31,133.

University Park invoices SIUE to reimburse any operating deficit of the building and University Park will forward to SIUE any operating income. The management agreement allows for a reserve for unanticipated expenditures. The reserve was increased by the fiscal year 2005 operating income of \$ 63,618 and decreased for the fiscal year 2004 operating income forwarded to the University leaving a \$ 120,148 reserve build up presented on the Statement of Net Assets as Accounts Payable - SIUE.



State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE I - TRANSACTIONS WITH RELATED PARTIES - Continued**

**Building Management of University Leased Building**

On December 12, 2003, University Park entered into two agreements with the Board of Trustees of SIUE under which the University leases a building from the Park and the Park manages, operates and maintains the building. The lease rental is \$ 1 per year, plus the cost of debt service associated with the loan for the office building. The common area maintenance is \$ 500 per year.

During 2005, the University has reimbursed \$ 35,086 to University Park for certain expenditures, of which \$ 4,091 was receivable at June 30, 2004. University Park has a receivable of \$ 3,644 at June 30, 2005. The expenditures and the related reimbursements are not included in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

University Park invoices SIUE to reimburse any operating deficit of the building and University Park will forward to SIUE any operating income. As of June 30, 2005, no reimbursements have been made.

**Building Services to University Owned Buildings**

On April 29, 2004, University Park entered into an agreement with the Board of Trustees of SIUE under which University Park will contract for specific grounds keeping, janitorial and light maintenance services for a SIUE-owned building on behalf of SIUE. SIUE reimburses University Park the costs of these services and pays University Park a 5% service fee.

On March 15, 2005, University Park entered into an agreement with the Board of Trustees of SIUE under which University Park will contract for specific grounds keeping, janitorial and light maintenance services for a SIUE-owned building on behalf of SIUE. SIUE reimburses University Park the costs of these services and pays University Park a 5% service fee.

During 2005, SIUE has reimbursed University Park \$ 12,971 for certain costs pertaining to these two agreements and had yet to fund a receivable balance of \$ 1,762 at June 30, 2005. The expenditures and the related reimbursements are not included in the accompanying Statement of Revenues, Expenditures and Changes in Net Assets. The amount of 5% service fee recorded under this agreement for fiscal year 2005 was \$ 593 included in management fees on the Statement of Revenues, Expenses and Changes in Net Assets.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE J - RETIREMENT PLAN**

All full-time University Park personnel are SIUE employees. Retirement benefits and post-retirement benefits other than pension are available for eligible SIUE employees under a contributory retirement plan (the "Plan") administered by the State Universities Retirement System. Participants of the Plan contribute 8% of their gross earnings, and SIUE annually contributes an amount determined by the State Legislature from State appropriations and amounts from other current funds based on actuarially determined rates. Information pertaining to the Plan and Plan benefits can be found in the SIU financial statements. University Park does not own any of the Plan assets and has no responsibility for the Plan obligations.

During the year ended June 30, 2005, SIUE contributed \$ 17,650 to the Plan on behalf of University Park personnel. This amount is included in the amounts shown as Budget allocation from SIUE and Budget expended at SIUE in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

**NOTE K - GRANTS**

During the year, the Park received a \$ 1,488,950 grant from the Illinois Department of Commerce and Economic Opportunity (Grant # 05-20408) for use in constructing the Biotechnology Laboratory Incubator (BLI). The BLI is an 11,700 square feet multi-tenant wet laboratory that will be constructed adjacent to the National Corn-to-Ethanol Research Center in University Park. During the fiscal year ending June 30, 2005, the Park has recognized the full amount of the grant in grant revenue on the statement of revenues, expenses and changes in net assets, of which \$ 850,829 has been received and \$ 638,121 is included in grant receivable on the statement of net assets. As of June 30, 2005, no grant funds have been expended.

The Affordable Financing of Public Infrastructure Program of The Illinois Department of Commerce and Economic Opportunity awarded a \$ 100,000 grant to Madison County Community Development, a division of Madison County as a pass through to be utilized by the Park for the design of the BLI. (Grant # 04-92206) Pursuant to the contractual funding agreement between Madison County and the Park, dated August 23, 2004, Madison County paid to the architect invoices approved by the Park for professional services in connection with the BLI facility. As of June 30, 2005, the full amount of the grant has been expended according to the terms and conditions of the grant. The Park has recognized the full amount of this pass-through grant in grant revenue on the statement of revenues, expenses and changes in net assets and in capital assets on the statement of net assets.

State of Illinois  
University Park  
Southern Illinois University at Edwardsville, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

**NOTE L - COMMITMENTS**

In June of 2005, University Park entered into an agreement with a contractor to construct the Biotechnology Laboratory Incubator (see Note K for grant related to this construction). The agreement was approved by the Board in the amount of \$ 1,302,000, construction has begun and the estimated completion date is December 2005.

**NOTE M - SUMMARIZED FINANCIAL INFORMATION**

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with University Park's financial statements for the year ended June 30, 2004, from where the summarized information was derived.

Also, certain reclassifications have been made to the 2004 information to correspond to the 2005 presentation.