

**STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN
ILLINOIS UNIVERSITY
EDWARDSVILLE, INC.**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

June 30, 2008

(With comparative totals for 2007)

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

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

FINANCIAL STATEMENTS
June 30, 2008

CONTENTS

AGENCY OFFICIALS.....	1
FINANCIAL STATEMENT REPORT SUMMARY.....	2
REPORT OF INDEPENDENT AUDITORS	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	9
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS.....	10
STATEMENTS OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS.....	13
REPORT OF INDEPENDENT AUDITORS 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>	22
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	
CURRENT FINDINGS.....	24
PRIOR FINDINGS NOT REPEATED	27

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

AGENCY OFFICIALS
June 30, 2008

The University Park Board of Directors:

Mr. William K. Anderson
Mr. Steve McRae
Ms. Sally G. Metz
Ms. Ronda Sauget
Mr. Bart Solon
Dr. Vaughn Vandegrift
Mr. Robert Wetzel
Mr. Ronald D. Winney
Dr. John Haller, representative of Dr. Glenn Poshard

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

Executive Director	Mr. James R. Pennekamp
Operations Manager	Ms. Janet Haroian
Office Administrator	Ms. Cheryl Madson

University Park offices are located at:

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

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

FINANCIAL STATEMENT REPORT SUMMARY
June 30, 2008

The audit of the accompanying basic financial statements of University Park, Southern Illinois University Edwardsville, Inc. (University Park) was performed by Crowe Horwath LLP.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the University Park's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 24-26 of this report, as finding 08-01, (Fraud Prevention and Detection Program), finding 08-02, (Operating Effectiveness of Controls over Journal Entries), and finding 08-03, (Controls Over Wire Transfers).

EXIT CONFERENCE

The University Park waived an exit conference. Written responses were provided by Janet Haroian, Operations Manager on November 21, 2008.



Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of University Park, Southern Illinois University Edwardsville, Inc. (University Park), a component unit of Southern Illinois University, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of University Park's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University Park's 2007 financial statements and, in our report dated January 23, 2008, 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009, 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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 5 through 8 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.


Crowe Horwath LLP

Chicago, Illinois
January 15, 2009

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2008

Introduction

Following this discussion and analysis are the financial statements for University Park, Southern Illinois University at Edwardsville, Inc. (University Park).

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 Revenue, 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 Revenue, Expenses, and Changes in Net Assets.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2008

Financial Statements - Continued

Condensed Statement of Net Assets

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>Difference</u>
Current and other assets	\$ 1,188,044	\$ 522,157	\$ 665,887
Capital assets	<u>1,544,960</u>	<u>1,599,529</u>	<u>(54,569)</u>
Total assets	2,733,004	2,121,686	611,318
Current liabilities	48,472	94,099	(45,627)
Noncurrent liabilities	<u>832,386</u>	<u>106,029</u>	<u>726,357</u>
Total liabilities	880,858	200,128	680,730
Invested in capital assets, net of related debt	1,544,960	1,599,529	(54,569)
Unrestricted	<u>307,186</u>	<u>322,029</u>	<u>(14,843)</u>
Total net assets	<u>\$ 1,852,146</u>	<u>\$ 1,921,558</u>	<u>\$ (69,412)</u>

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, 2008, University Park reports \$1,852,146 in net assets, of which \$0 is considered restricted. Other changes are explained as follows.

Cash: During fiscal year 2008, University Park experienced an increase in cash in the amount of \$667,027. This increase is attributed primarily to the receipt of the American Red Cross 99-year paid up ground lease for 15 acres in University Park, SIUE.

Liabilities: Non-current liabilities increased by \$726,357 in FY 2008. This increase was due to the recognition of the American Red Cross lease income over the 99 year life of the ground lease. At June 30, 2008, \$743,687 of the Red Cross payment had been deferred. Current liabilities decreased by \$45,627 due primarily to a decrease in the amount owed to SIU. Accounts Payable to SIU decreased by \$48,000 due to the remittance of \$31,000 to SIU of the FY 2007 income in combination with the net loss of \$16,000 in FY 2008 on a university owned building. Further details are provided in Note 8 of the Financial Statements.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2008

Financial Statements - Continued

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	<u>Year Ended June 30</u>		<u>Difference</u>
	<u>2008</u>	<u>2007</u>	
Operating revenue			
Budget allocation from SIUE	\$ 316,094	\$ 291,646	\$ 24,448
Ground rents and common area maintenance	78,654	58,148	20,506
Other revenues	<u>70,026</u>	<u>66,896</u>	<u>3,130</u>
Total operating revenues	<u>464,774</u>	<u>416,690</u>	<u>48,084</u>
Operating expenses			
Budget expended at SIUE	316,094	291,646	24,448
Contractual services	174,864	100,120	74,744
Other expenses	<u>65,490</u>	<u>30,750</u>	<u>34,740</u>
Total operating expenses	<u>556,448</u>	<u>422,516</u>	<u>133,932</u>
Operating expenses in excess of revenue	<u>(91,674)</u>	<u>(5,826)</u>	<u>(85,848)</u>
Total nonoperating revenues (expenses)	<u>22,262</u>	<u>(9,246)</u>	<u>31,508</u>
Decrease in net assets	<u>(69,412)</u>	<u>(15,072)</u>	<u>(54,340)</u>
Net assets			
Net assets - beginning of year	<u>1,921,558</u>	<u>1,936,630</u>	<u>(15,072)</u>
Net assets - end of year	<u>\$ 1,852,146</u>	<u>\$ 1,921,558</u>	<u>\$ (69,412)</u>

The Statements of Revenue, Expenses, and Changes in Net Assets detail 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 2008, University Park experienced a decrease in net assets of \$69,412. For fiscal year 2007, University Park experienced a decrease in net assets of \$15,072. Notable changes from 2007 to 2008 are explained below.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2008

Financial Statements - Continued

Budget Allocation from SIUE: The budget allocation from SIUE and the corresponding budget expended at SIUE increased in fiscal year 2008 from \$291,646 to \$316,094. This amount represents a \$24,448 increase in on-behalf payments for salaries and fringe benefits made by the Southern Illinois University Edwardsville (University) for personnel of University Park.

Contractual Services: The amount expended for contractual services increased from \$100,120 in 2007 to \$174,864 in 2008, a difference of \$74,744. The increase is primarily attributable to marketing expense related to the American Red Cross lease and legal fees from prospective lease agreements.

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.

Facts, Decisions or Conditions Affecting the Financial Positions

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 EDWARDSVILLE, INC.

STATEMENT OF NET ASSETS
June 30, 2008
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash (Note 3)	\$ 1,163,527	\$ 496,500
Accounts receivable, SIUE (Notes 4 and 8)	14,176	15,450
Accounts receivable, other	9,790	9,674
Prepaid expenses	<u>551</u>	<u>533</u>
Total current assets	<u>1,188,044</u>	<u>522,157</u>
Noncurrent assets		
Capital assets, net (Note 5)	<u>1,544,960</u>	<u>1,599,529</u>
Total noncurrent assets	<u>1,544,960</u>	<u>1,599,529</u>
Total assets	<u>2,733,004</u>	<u>2,121,686</u>
LIABILITIES		
Current liabilities		
Accounts payable, SIUE (Note 8)	28,819	76,863
Accounts payable, other	8,946	9,884
Deferred revenue (Note 7)	<u>10,707</u>	<u>7,352</u>
Total current liabilities	<u>48,472</u>	<u>94,099</u>
Noncurrent liabilities		
Deferred revenue (Note 7)	<u>832,386</u>	<u>106,029</u>
Total noncurrent liabilities	<u>832,386</u>	<u>106,029</u>
Total liabilities	<u>880,858</u>	<u>200,128</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,544,960	1,599,529
Unrestricted	<u>307,186</u>	<u>322,029</u>
Total net assets	<u>\$ 1,852,146</u>	<u>\$ 1,921,558</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
Year ended June 30, 2008
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenue		
Payments from SIUE under agreement for development of University Park facility	\$ 37,268	\$ 37,268
Management fees (Note 8)	32,758	29,628
Budget allocation from SIUE (Note 8)	316,094	291,646
Ground rents and common area maintenance	<u>78,654</u>	<u>47,124</u>
Total operating revenue	<u>464,774</u>	<u>416,690</u>
 Operating expenses		
Budget expended at SIUE (Note 8)	316,094	291,646
Travel	1,149	2,100
Contractual services	174,864	100,120
Telecommunications	4,417	3,787
Commodities	5,355	3,637
Depreciation expense (Note 5)	<u>54,569</u>	<u>10,202</u>
Total operating expenses	<u>556,448</u>	<u>422,516</u>
 Operating expenses in excess of revenue	(91,674)	(5,826)
 Nonoperating revenue (expenses)		
Grant funds returned (Note 10)	-	(23,070)
Interest income	20,335	12,563
Other revenue	<u>1,927</u>	<u>1,261</u>
Nonoperating revenue, net	<u>22,262</u>	<u>(9,246)</u>
 Decrease in net assets	(69,412)	(15,072)
 Net assets		
Beginning of year	<u>1,921,558</u>	<u>1,936,630</u>
End of year	<u>\$ 1,852,146</u>	<u>\$ 1,921,558</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

STATEMENT OF CASH FLOWS
Year ended June 30, 2008
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts received for ground rents and common area maintenance	\$ 803,732	\$ 51,160
Receipts from related organizations	69,466	66,896
General and operating payments	(191,294)	(72,850)
Payments to related organizations	<u>(6,013)</u>	<u>(7,605)</u>
Net cash provided by operating activities	<u>675,891</u>	<u>37,601</u>
Cash flows from noncapital financing activities		
Reimbursement of advance to SIUE	(31,127)	(47,403)
Other receipts	<u>1,928</u>	<u>1,261</u>
Net cash used in noncapital financing activities	<u>(29,199)</u>	<u>(46,142)</u>
Cash flows from financing activities		
Proceeds from sale of fixed assets	-	51,248
Purchase of fixed assets	-	(191,456)
Grant funds returned	<u>-</u>	<u>(23,070)</u>
Net cash used in financing activities	<u>-</u>	<u>(163,278)</u>
Cash flows from investing activities		
Interest received	<u>20,335</u>	<u>12,563</u>
Net provided by investing activities	<u>20,335</u>	<u>12,563</u>
Net change in cash	667,027	(159,256)
Cash at beginning of year	<u>496,500</u>	<u>655,756</u>
Cash at end of year	<u>\$ 1,163,527</u>	<u>\$ 496,500</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

STATEMENT OF CASH FLOWS
Year ended June 30, 2008
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
Reconciliation of deficiency in operating revenue over expenses to net cash provided by operating expenses		
Deficiency in operating revenue over expenses	\$ (91,674)	\$ (5,826)
Adjustments to reconcile operating expenses in excess of revenue to net cash provided by operating activities		
Depreciation	54,569	10,202
Changes in assets and liabilities:		
Decrease (increase) in receivables	1,158	(5,365)
Increase in prepaid expenses	(19)	(19)
(Increase) decrease in accounts payable	(17,855)	40,232
(Increase) decrease in deferred revenue	<u>729,712</u>	<u>(1,623)</u>
Net cash provided by operating activities	<u>\$ 675,891</u>	<u>\$ 37,601</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: University Park, Southern Illinois University Edwardsville, Inc. (University Park) exists for the primary purpose of aiding and assisting Southern Illinois University Edwardsville (SIUE or the 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* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The State of Illinois stated that University Park should be included as a component unit of the University for financial reporting purposes and report under GASB on a stand-alone basis. 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.

Financial Statement Presentation: University Park follows 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, revenue, expenses, changes in net assets, and cash flows. This presentation replaces the fund-group perspective previously required.

Basis of Accounting: For GASB financial reporting purposes, University Park is considered a special-purpose government entity 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, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant inter-fund transactions have been eliminated.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Cash Equivalents: For purposes of the statement of cash flows, University Park considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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. 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.

Revenue and Deferred Revenue: Revenue is recognized over the life of the lease using the straight line method. Revenue received in advance for rent is deferred and recorded in income in the period in which the related space is occupied.

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 does not have any funds designated as restricted and did not have any at the end of fiscal year 2008.

(Continued)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Classifications of Revenue and Expenses: University Park has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

- **Operating:** Operating revenue and expenses include activities that have the characteristics of exchange transactions, such as contract payments from SIUE and rent received from tenants.
- **Nonoperating:** Nonoperating revenue and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue 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.

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.

Comparative Data: Comparative totals for the prior year have been presented in the accompanying financial statements to facilitate an understanding of the changes in University Park's financial position and its revenues, expenses, and net assets between years. The 2007 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, 2007, from which the summarized financial information was derived.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - TAX STATUS

The Internal Revenue Service has issued a determination letter, dated December 26, 1996, indicating that University Park qualifies for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code, except for income taxes associated with unrelated business income. The IRS has further determined that University Park 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). No income tax provision has been made as management does not believe it has significant unrelated business income.

NOTE 3 - CASH

The carrying amount of University Park's deposits was \$1,163,527 at June 30, 2008, and the related bank balance was \$1,170,054. The Federal Deposit Insurance Corporation (FDIC) insures balances up to \$100,000 at individual institutions. University Park maintains deposits in excess of \$100,000 at one financial institution which provides collateral for the amount exceeding the FDIC limit.

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 \$0 in uninsured and uncollateralized balances at June 30, 2008. University Park does not have a policy for custodial credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE - SIUE

As described in Note 8, the University reimburses University Park for cash flow deficits relating to the management of the University-owned building and pays a 5% service fee for reimbursements of maintenance type costs of three University-owned buildings. At June 30, 2008, the University owed University Park \$13,377 for these reimbursements. This amount is included in Accounts Receivable, SIUE on the Statement of Net Assets.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2008</u>
Capital assets being depreciated:				
Building	1,602,489	-	-	1,602,489
Land improvements	4,865	-	-	4,865
Furniture, fixtures, and equipment	<u>12,045</u>	<u>-</u>	<u>-</u>	<u>12,045</u>
Total	1,619,399	-	-	1,619,399
 Total accumulated depreciation	<u>(19,870)</u>	<u>(54,569)</u>	<u>-</u>	<u>(74,439)</u>
 Capital assets being depreciated, net	<u>1,599,529</u>	<u>(54,569)</u>	<u>-</u>	<u>1,544,960</u>
 Capital assets, net	<u>\$ 1,599,529</u>	<u>\$ (54,569)</u>	<u>\$ -</u>	<u>\$ 1,544,960</u>

NOTE 6 - OPERATING LEASES

On behalf of SIUE, University Park leases the land designated by SIUE as the University Park grounds. The base period of the leases range from 69 years to 99 years and the Park's largest lease has three 10 year options. As of June 30, 2008, future minimum rental income under the ground leases is summarized as follows:

2009	\$ 65,613
2010	65,613
2011	65,613
2012	33,863
2013	26,273
Thereafter	<u>3,399,262</u>
Total	<u>\$ 3,656,237</u>

Future minimum lease rents are determined based on the initial payment of the lease advance and amortized at the fair value of the lease.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 - DEFERRED REVENUE

Revenue received in advance for rent is 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 the tenant at 47 North Research Drive. The rent is effective for the entire lease period ending July 11, 2068. University Park will recognize annual rent income of \$1,393.

Future minimum rental income under the ground leases identified in Note 6 includes \$83,017 associated with the advanced rent at June 30, 2008. Deferred revenue of \$83,017 (current portion of \$1,393) is included in the accompanying Statement of Net Assets as of June 30, 2008.

On February 10, 2005, University Park received rent in advance totaling \$15,000 from the tenant at 100 North Research Drive 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 \$273.

Future minimum rental income under the ground leases identified in Note 6 includes \$13,818 associated with the advanced rent at June 30, 2008. Deferred revenue of \$13,818 (current portion of \$273) is included in the accompanying Statement of Net Assets as of June 30, 2008.

On August 9, 2004, University Park received rent in advance totaling \$1,200 from the tenant at 47 North Research Drive 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 \$19.

Future minimum rental income under the ground leases identified in Note 6 includes \$1,125 associated with the advanced rent at June 30, 2008. Deferred revenue of \$1,125 (current portion is less than \$19) is included in the accompanying Statement of Net Assets as of June 30, 2008.

On February 5, 2008, University Park received rent in advance totaling \$750,000 from the tenant to be locating at 309 University Park Drive. The rent is effective for the entire 99 year lease period ending September 6, 2106. University Park will recognize annual rent income of \$7,576.

Future minimum rental income under the ground leases identified in Note 6 includes \$743,687 associated with the advanced rent at June 30, 2008. Deferred revenue of \$743,687 (current portion is \$7,576) is included in the accompanying Statement of Net Assets as of June 30, 2008. University Park also received in advance \$1,446 of rental income included in current deferred revenue at June 30, 2008.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - 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 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 statements of revenue, expenses, and changes in net assets total \$316,094 for the year ended June 30, 2008.

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 (200 UPD) on behalf of SIUE. SIUE pays University Park a management fee from the revenue of the property. If revenue is 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, 2008 was \$25,536.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - TRANSACTIONS WITH RELATED PARTIES (Continued)

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 decreased by the fiscal year 2008 operating loss of \$16,916 and increased by the fiscal year 2007 operating income of \$31,127 forwarded to the University leaving a \$28,819 reserve build up presented on the Statement of Net Assets as accounts payable, SIUE at June 30, 2008.

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. This building is currently occupied by the National Corn-to-Ethanol Research Center.

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. This building is the Technology & Management Center, currently occupied by the School of Pharmacy for classrooms.

On August 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. This building is the School of Pharmacy Laboratory Offices and Classroom Building.

On May 1, 2007, University Park entered into a lease agreement between the Board of Trustees of SIUE and the Park for SIUE Chemistry Laboratory space to be established in the Biotechnology Laboratory Incubator Building (BLI) owned by University Park. Under the terms of that agreement, the Park will contract for specific utilities, grounds keeping, janitorial and light maintenance services for the Chemistry Labs. SIUE reimburses University Park the costs of these services and pays University Park a 5% service fee.

During 2008, SIUE reimbursed University Park \$133,235 for certain costs pertaining to these four agreements and had yet to fund a receivable balance of \$13,377 at June 30, 2008. The expenditures and the related reimbursements are not included in the accompanying statements of revenue, expenses, and changes in net assets as these are the University's expenses and revenues and do not belong to, thus not reported by, University Park. However the amount of the 5% service fee recorded under this agreement for fiscal year 2008 was \$6,662, which is included in management fees on the Statement of Revenue, Expenses, and Changes in Net Assets.

(Continued)

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 - 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 the Plan's benefits can be found in the SIU financial statements. University Park does not own any of the Plan's assets and has no responsibility for the Plan's obligations.

During the year ended June 30, 2008, SIUE contributed \$22,281 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 Revenue, Expenses, and Changes in Net Assets.

NOTE 10 - GRANTS

During fiscal year 2005, 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 foot multi-tenant wet laboratory that was constructed adjacent to the National Corn-to-Ethanol Research Center in University Park. As of June 30, 2007, all of the grant funds have been expended. In addition, \$23,070 in unexpended interest earned was returned to the Illinois Department of Commerce and Economic Opportunity during fiscal year 2007.



Crowe Horwath LLP
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University Park, Southern Illinois University Edwardsville, Inc. (University Park), as of and for the year ended June 30, 2008, and have issued our report thereon dated January 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Park's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University Park's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 08-1, 08-2 and 08-3 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain matters which we have reported to management of University Park in a separate letter dated January 15, 2009.

University Park's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit University Park's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Chicago, Illinois
January 15, 2009

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS

08-1 Fraud Prevention and Detection Program - Significant Deficiency

The University Park does not have a fraud risk assessment program in place. According to University Park management, the University Park has established internal controls in order to prevent and detect fraud as well as errors that may occur, however, these controls and associated risks are not monitored on an on-going basis.

The University Park relies on current internal controls that have been put in place to prevent and detect fraud. Additionally, Park management has relied on the external audits for identification of control weaknesses.

Accounting industry trends have increased organizations' awareness of the prevalence of fraud. Many organizations rely in part on their auditors to uncover any internal fraud, but audits, even those of the highest quality, are not a substitute for management establishing good internal control.

The University Park is responsible for the development of internal controls and the monitoring of their operating effectiveness. Additionally, it is management's responsibility to prevent and detect fraud. Therefore, the University Park should implement a formal policy regarding evaluation of fraud risk and a system of controls to help prevent and detect fraudulent activity within its organization. Preparing a written policy will serve to document the University Park's awareness and responsibility for fraud prevention and detection.

The University Park does not have a Fraud Prevention and Detection program which could result in fraud risks facing the University Park not to be recognized and addressed by Park management. (Finding Code No. 08-1, 07-1)

Recommendation

We recommend that management establish a continuous fraud prevention, deterrence and detection program. This program should include evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process. In addition, the Board of Directors should evaluate management's identification of fraud risks and implementation of anti-fraud measures.

Management Response

Throughout fiscal year 2008 University Park management has worked on the development of a fraud prevention and detection program. Upon the advice and recommendation of the University Park Board of Directors, development of the program has been conducted in conjunction with other Southern Illinois University Related Organization's that received the same finding in the prior fiscal year audit period, fiscal year 2007. University Park, Southern Illinois University Edwardsville management expects to complete and implement a fraud prevention and detection program in FY 2009.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

08-02 - Operating effectiveness of controls over journal entries - Significant Deficiency

Although we noted that the controls at University Park, Southern Illinois University Edwardsville, Inc. (Park) over journal entries are designed properly, we noted that the controls were not operating effectively at year end.

Specifically, the outside CPA is responsible for preparing the journal entries and explaining the entries to the Operations Manager. The Operations Manager is required to approve these in writing and forward them to the Office Coordinator for posting to QuickBooks. Before the issuance of the financial statements to the auditors, approval in writing had not yet taken place.

Strong internal controls require that in order for an entity to have effective control over a process, the control structure should be properly designed and control activities should be implemented. Thus, if the control structure over a process is not properly designed to restrict management from being able to override the control activities in place for that process, the entity would not have adequate control over preventing or detecting inappropriate actions made by management during that process.

This weakness in the operating effectiveness of the control system over the journal entry process could result in inappropriate entries or entries not properly approved by Park management to be recorded in the Park's financial statements and thus allowing the external CPA to override the controls designed by management. (Finding Code No. 08-2)

Recommendation

We recommend that the University park implement the system of control as designed to ensure that management does not have the ability to override the controls currently in place. Specifically, the Park should implement their procedures as designed to ensure that entries made by the outside CPA are properly reviewed prior to the issuance of financial statements.

Management Response

University Park Management shall implement the existing system of controls and procedures as designed to adequately review the year-end journal entries made by the outside CPA prior to the issuance of the financial statements to the auditors.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

08-03 – Control over wire transfers – Significant Deficiency

During the year ended June 30, 2008 the Park did not have adequate control over wire transfers.

Specifically, we noted that there was only a one-signature requirement at the bank for wire transfers, and all signatories on the bank accounts were authorized to make wire transfers. In addition, individually each signatory had the authorization to open bank accounts in the name of the Park.

Strong internal controls require that electronic funds transfers including wire transfers include a dual approval process whereas the same individual that initiates a transfer cannot approve a wire transfer. Furthermore, strong internal controls dictate that the number of signers authorized to make wire transfers should be limited.

Therefore, it was possible that a signatory could open an unauthorized account in the Park's name. In addition, unauthorized or inappropriate wire transfers may be made without management's knowledge and may not be detected in a timely manner.

As of June 30, 2008, the Park implemented procedures to require two signatures on wire transfers for all deposit accounts. (Finding Code No. 08-3, 07-2)

Recommendation

We recommend that the Park adopt formal policies and controls over wire transfers including the written requirements for authorization over banking activity including opening and closing bank accounts and wire transfers. In addition, we recommend that the Park modify their current bank agreements to require at least two signatories to open or close an account for the Park.

Management Response

As noted in the last paragraph in the auditor's finding; "As of June 30, 2008, the Park implemented procedures to require two signatures on wire transfers for all deposit accounts." The Park did adopt a formal policy at the June 18, 2008, Board of Director's meeting with the following action: "*James Pennkamp noted an audit recommendation which requires wire transfer agreement forms with the financial institutions for all accounts. John Haller moved to approve University Park policy as requiring two (2) signatures for any wire transfer from University Park accounts. Motion seconded by Ronald Winney, and carried.*"

Forms were completed and filed with the financial institutions that presented such forms stating that two signatures would be required for any wire transfer of funds. One of the financial institutions that holds University Park funds, which has also acquired one of the other banks we have conducted business with for several years, stated to the Park Director that they have a standing in-house policy of requiring two signatures and did not provide any forms for completion by Park management.

STATE OF ILLINOIS
UNIVERSITY PARK, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

PRIOR FINDINGS NOT REPEATED

There were no prior year findings not repeated.