

**MISSION-WEST VALLEY LAND CORPORATION**  
**FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JUNE 30, 2008**  
**AND INDEPENDENT AUDITORS' REPORT**

**MISSION-WEST VALLEY LAND CORPORATION**

**TABLE OF CONTENTS**  
**JUNE 30, 2008**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mission-West Valley Land Corporation  
Santa Clara, California

We have audited the accompanying statement of financial position of Mission-West Valley Land Corporation (a non-profit California corporation) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Mission-West Valley Land Corporation as of June 30, 2007, were audited by other auditors whose report dated September 13, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Mission-West Valley Land Corporation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles of the United States of America.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
October 7, 2008

# MISSION-WEST VALLEY LAND CORPORATION

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2008 AND 2007

### ASSETS

	2008	2007
Current Assets		
Cash and cash equivalents	\$12,654,970	\$ 10,992,308
Accounts receivable	200,000	-
Interest receivable	96,585	138,432
Total current assets	<u>12,951,555</u>	<u>11,130,740</u>
Other Assets		
Land	16,702	16,702
Lease commissions - net	682,641	697,618
Total other assets	<u>699,343</u>	<u>714,320</u>
Total Assets	<u>\$ 13,650,898</u>	<u>\$ 11,845,060</u>

### LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 67,473	\$ 1,039,618
Accrued expenses	276,974	-
Total current liabilities	<u>344,447</u>	<u>1,039,618</u>
Long term liabilities		
Refundable security deposits	200,000	200,000
Total liabilities	<u>544,447</u>	<u>1,239,618</u>
Net assets		
Unrestricted	13,106,451	10,605,442
Total Liabilities and Net Assets	<u>\$ 13,650,898</u>	<u>\$ 11,845,060</u>

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

# MISSION-WEST VALLEY LAND CORPORATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUE		
Rental income	\$ 4,401,655	\$ 4,268,089
Interest	512,704	478,488
Late fees	4,667	-
Total operating revenue	<u>4,919,026</u>	<u>4,746,577</u>
OPERATING EXPENSES		
<i>Program</i>		
Grants for special projects	1,188,923	139,923
Rent	1,100,414	1,067,022
<i>Administrative</i>		
Legal	22,060	221,417
Contracted services	77,500	72,000
Amortization of commissions	14,977	14,977
Audit fees	8,500	7,950
Financial services	4,969	5,250
Taxes & licenses	366	360
Office supplies & expense	308	529
Total operating expenses	<u>2,418,017</u>	<u>1,529,428</u>
CHANGE IN NET ASSETS	2,501,009	3,217,149
NET ASSETS, BEGINNING OF YEAR	10,605,442	7,388,293
NET ASSETS, END OF YEAR	<u>\$ 13,106,451</u>	<u>\$ 10,605,442</u>

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

# MISSION-WEST VALLEY LAND CORPORATION

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets - operations	\$ 2,501,009	\$ 3,217,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Lease commissions - amortization	14,977	14,977
(Increase) decrease in		
Accounts receivable	(200,000)	-
Interest receivable	41,847	(44,097)
Increase (decrease) in		
Accounts payable	(972,145)	19,273
Accrued expenses	276,974	-
Net cash provided by operating activities	<u>1,662,662</u>	<u>3,207,302</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,662,662	3,207,302
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,992,308	7,785,006
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,654,970</u>	<u>\$ 10,992,308</u>

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

# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

---

### *NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES*

#### **Organization**

The Mission-West Valley Land Corporation (the Organization) was incorporated on May 7, 1985 in the State of California. The specific and primary purpose of the corporation is to promote the general welfare of the public and of the West Valley Joint Community College District (the District). It provides programs that enhance and enrich the community life of the District educationally and culturally. The principal office of the Corporation is located in the County of Santa Clara, California.

The Organization is recognized as a non-profit organization under IRS Code 501(c) (3) and California Revenue and Tax Section 23701 (d). The Organization is an “auxiliary organization” of the District. The members of the Board of the Organization also serve on the Board of the District.

The Organization has a lease agreement with the District. The Organization leases 54.4 acres of land from the District for purposes of sub-lease and development. The Organization manages the property and has entered into several subleases.

#### **Financial Statement Presentation**

The Organization complies with Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classifications of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, a statement of cash flows must be presented. The Organization currently has no temporarily or permanently restricted net assets.

#### **Contributions**

The Organization complies with SFAS No. 116, “Accounting for Contributions Received and Made.” In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### **Donated assets**

Donated assets, including land, are recorded at fair market value at the date of gift.

#### **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

---

### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents at June 30, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash in banks	\$ 6,339	\$ 281,227
Local Agency Investment Fund (LAIF)	12,648,631	10,711,081
Total cash and cash equivalents	<u>\$ 12,654,970</u>	<u>\$ 10,992,308</u>

### Cash

Cash balances held in banks are insured up to \$100,000 by the Federal Deposit Insurance Corporation. All cash held by financial institutions at June 30, 2008 are fully insured.

### LAIF

The Organization is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Organization's investment pool is reported in the accompanying financial statements at amounts based upon the Organization's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

At June 30, 2008, the interest rate for LAIF account was 3.11 percent, and there was no significant difference between the fair market value and the carrying amount. At June 30, 2008, the LAIF investment pool held approximately 9% of its assets in Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) investments. Subsequent to June 30, 2008, some of these investments may have declined in market value and the agency could see a decrease in the valuation of this account.



# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

---

### NOTE 3 – LEASE COMMISSIONS

Commissions paid to brokers to secure the sub-leases are capitalized and amortized over the terms of the leases. Annual amortization is \$14,977.

Capitalized lease commissions and accumulated amortization at June 30, 2008 and 2007, were:

	2008	2007
Capitalized Commissions	\$ 823,722	\$ 823,722
Accumulated Amortization	(141,081)	(126,104)
Capitalized Commissions net of Accumulated Amortization	<u>\$ 682,641</u>	<u>\$ 697,618</u>

### NOTE 4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008 and 2007, consisted of the following:

	2008	2007
Special projects	\$ 67,089	\$ 1,036,311
Other	385	3,307
Total	<u>\$ 67,474</u>	<u>\$ 1,039,618</u>

### NOTE 5 – SECURITY DEPOSITS

The Organization has received security deposits which are to be returned at the end of each lease as follows:

	2008	2007
Sobrato Phase I	\$ 100,000	\$ 100,000
Nexus	100,000	100,000
Total	<u>\$ 200,000</u>	<u>\$ 200,000</u>

### NOTE 6 – GROUND LEASE

The organization has an operating lease for approximately 54.4 acres of land from the District pursuant to a lease agreement executed in September 1990. The term of the lease is 55 years, with two options to extend for 25 and 15 years, respectively. Under no circumstances can the lease run more than 99 years.

Rent is paid equal to 25% of rents collected from subleases. The Organization is responsible for taxes levied of any kind, and all other expenses. The Organization has indemnified the District against all liability. The District retains the right to mortgage the land but also grants the right of sub-tenants to mortgage their own improvements under circumstances described in the lease.

# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Future minimum lease payments to the District, based upon current subleases in effect, are as follows:

Year ending June 30,	Lahka Properties	Ellis Middlefield Business Park	Sobrato Development CO #792	Quality Technology	Total
2009	\$ 350,000	\$ 217,070	\$ 267,325	\$ 260,673	\$ 1,095,068
2010	350,000	217,070	267,325	260,673	1,095,068
2011	312,500	217,070	267,325	260,673	1,057,568
2012	200,000	217,070	267,325	260,673	945,068
2013	200,000	217,070	267,325	260,673	945,068
Thereafter	6,233,291	8,176,299	10,069,253	10,231,395	34,710,237
	<u>\$ 7,645,791</u>	<u>\$ 9,261,649</u>	<u>\$ 11,405,879</u>	<u>\$ 11,534,758</u>	<u>\$ 39,848,076</u>

### NOTE 7 – SUBLEASES

The 54 acres of land leased from the District has been subdivided into several parcels, all of which have been subleased as follows:

#### *Lahka Properties*

In September 1990, the Organization entered into a long-term ground lease with the Jim Joseph Trust to sublease one of the parcels.

In June 2005, the Jim Joseph Administrative Trust (successor to Revocable Trust) assigned its interest in the lease to Lahka Properties – Santa Clara, LLC, a Washington limited liability company. The initial term of the ground lease is fifty-five years, with two options for renewal for twenty-five years and fifteen years, respectively. In no case shall the aggregate lease term exceed ninety-nine years.

In April 2007, the Organization entered in an Agreement to the Annual Minimum Rent Lease Amendment & Related Matters. This Amendment specified the Annual Minimum Rents for September 19, 2006 through September 11, 2011. Either the Organization or the Lahka Properties can terminate the lease subject to certain conditions and penalties.

#### *Ellis Middlefield Business Park*

In March 1996, the Organization entered into a long term ground lease with Mission Real Estate, L.P., to sublease a parcel of land.

In September 1999, Mission Real Estate, L.P. assigned its interest to Sobrato Interest III.

In April 2003, Sobrato Interest III assigned its interest in the lease to Ellis Middlefield Business Park, a California

# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

---

limited partnership. The lease arrangement is commonly referred to as the Phase I ground lease. The rent from the Phase I lease commenced in December 1996.

The initial term of the ground lease is fifty-five years, with two options for renewal for twenty years each. In no case shall the aggregate lease term exceed ninety-nine years.

### *Sobrato Development CO#792*

In March 1996, the Organization entered into a long term ground lease with Mission Real Estate, L.P., to sublease a parcel of land.

In October 1998, Mission Real Estate, L.P. assigned its interest to Sobrato Interest III.

In April 2003, Sobrato Interest III assigned its interest in the lease to the Sobrato Development Co #792, a California limited partnership. The lease arrangements is commonly referred to as the Phase II ground lease. The rent from the Phase I lease commenced in June 1998.

The initial term of the ground lease is fifty-five years, with two options for renewal for twenty years each. In no case shall the aggregate lease term exceed ninety-nine years.

### *Quality Technology*

In October 1997, the Organization entered into a long-term lease agreement with Nexus Properties, Inc., et al, to sublease one parcel of land.

In October 2007, Nexus Properties assigned its interest to Quality Technology.

Monthly base rent shall be adjusted annually by the lesser of the increase in the Consumer Price Index published by the Department of Labor or six percent. There will also be an adjustment based on the fair market value of the land after 21 years and 41 years of the lease.

The initial term of the ground lease is fifty-five years with options for renewal. In no case shall the aggregate lease term exceed ninety-nine years.

### *Rent Income*

Rent income of \$4,401,655 and \$4,268,089, was received by the Organization for the years ending June 30, 2008 and 2007, respectively. Rent expense of \$1,100,414 and \$1,067,022, for the years ended June 30, 2008 and 2007, respectively, was paid to West Valley – Mission Community College District per the agreement to pay 25% of rent income. The lessee is responsible for all administrative costs, including property taxes maintenance, and insurance.

# MISSION-WEST VALLEY LAND CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

---

The future minimum lease revenues as of June 30, 2008 are as follows:

Year ending June 30,	Lahka Properties	Ellis Middlefield Business Park	Sobrato Development CO #792	Quality Technology	Total
2009	\$ 1,400,000	\$ 868,280	\$ 1,069,301	\$ 1,042,690	\$ 4,380,271
2010	1,400,000	868,280	1,069,301	1,042,690	4,380,271
2011	1,250,000	868,280	1,069,301	1,042,690	4,230,271
2012	800,000	868,280	1,069,301	1,042,690	3,780,271
2013	800,000	868,280	1,069,301	1,042,690	3,780,271
Thereafter	24,933,163	32,705,194	40,277,011	40,925,581	138,840,949
	<u>\$ 30,583,163</u>	<u>\$ 37,046,594</u>	<u>\$ 45,623,516</u>	<u>\$ 46,139,031</u>	<u>\$ 159,392,304</u>

### NOTE 8- CONTRACTED SERVICES

The Organization has contracted for professional services from the Executive Director on a year to year basis.

Total amounts paid to the Executive Director were \$77,500 and \$72,000, for the years ended June 30, 2008 and 2007, respectively.

**MISSION-WEST VALLEY LAND CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

---

*NOTE 9 – GRANTS FOR SPECIAL PROJECTS*

The Organization contributed \$1,388,923 to the District, and will receive \$200,000 in reimbursements from the District for the following projects:

Innovation fund	\$ 80,888
Scheduled maintenance match	231,381
Curricunet	12,000
Parking meter upgrades	64,978
Data warehouse Phase II	104,150
Web content Management system	140,794
Laserfish document management system	39,002
LANdesktop management system	64,016
Expand biology and chemistry programs	118,431
HVAC-Mission College Gym	1,495
Division and department chair training	15,066
World Language Center	115,000
Planetarium update	81,550
HVAC	25,985
Interior classroom improvements	34,862
Distance Learning Institute Certificate program	12,885
Student computers	24,413
Science technology roof pavers - Mission College	170,237
Leadership Development Academy	36,736
Baseball complex renovation - Mission College	15,054
Total grants	<u>1,388,923</u>
Less reimbursement by District for Student Center debt service	(200,000)
Net grants for the year ended June 30, 2008	<u><u>\$ 1,188,923</u></u>

*NOTE 10 – CONCENTRATION OF LEASES*

All property leased is located in Santa Clara County. Any potential change in lease income could affect the funds available for use by the College.

**MISSION-WEST VALLEY LAND CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

---

*NOTE 11 – DESIGNATIONS*

Components of Net Assets:

	<u>2008</u>	<u>2007</u>
Contingency Reserve	\$ 1,500,000	\$ 1,500,000
Endowment Reserve	3,904,031	3,291,911
Total Board Designated	<u>5,404,031</u>	<u>4,791,911</u>
Undesignated	7,702,420	5,813,531
Total Unrestricted Net Assets	<u><u>\$ 13,106,451</u></u>	<u><u>\$ 10,605,442</u></u>

The Contingency Reserve is established to minimize the effect of any unanticipated expenses and/or reductions in revenues on the Organization's ability to continue annual contributions to the District. The Endowment Reserve is established to accumulate funds that will provide a continuing interest or investment earnings stream independent of revenues from property leases. The Board may remove the reservations on these funds at any time.