

**HUMBOLDT STATE UNIVERSITY  
FOUNDATION**

Formerly known as  
Humboldt State University Advancement Foundation

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

Including Schedules Prepared for  
Inclusion in the Financial Statements of  
California State University

Years Ended June 30, 2019 and 2018

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## **Report of Independent Auditors**

To the Board of Directors  
Humboldt State University Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Humboldt State University Foundation (the Foundation), a component unit of Humboldt State University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Humboldt State University Foundation as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior Period Financial Statements*

The financial statements of Humboldt State University Foundation as of June 30, 2018, were audited by other auditors whose report dated September 13, 2018, expressed an unmodified opinion on those statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of net position, schedule of revenues, expenses, and changes in net position, other information, and note to supplementary information (collectively supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019 on our consideration of the Foundation'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 solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

*Mass Adams LLP*

Medford, Oregon  
September 11, 2019

## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

This section of the annual financial report of Humboldt State University Foundation (the Foundation) presents the Foundation's discussion and analysis of the financial performance of the Foundation for the fiscal years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

On February 22, 2019, the Foundation Board of Directors approved changing the name of Humboldt State University Advancement Foundation to Humboldt State University Foundation. The name change will clarify the purpose of the Foundation to donors and relieve administrative confusion on campus. New articles of incorporation have been issued by the California Secretary of State and the Foundation name change has been made with appropriate financial and taxing authorities.

#### **Introduction to the Financial Statements**

This annual report consists of a series of financial statements prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This standard is applicable to the Foundation as it is a component unit of Humboldt State University (the University). Consistent with the University, the Foundation has adopted the business-type activity (BTA) reporting model to represent its activities.

The financial statements include the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These statements are supported by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

**Statements of Net Position** – The statements of net position include all assets and liabilities. Assets and liabilities are generally reported on an accrual basis, as of each statement date. The statement also identifies major categories of restrictions on the net position of the Foundation.

**Statements of Revenues, Expenses, and Changes in Net Position** – The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

**Statements of Cash Flows** – The statements of cash flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital financing, capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

#### **Analytical Overview**

##### ***Summary***

The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities. Included is an analysis of current and prior year activities and balances; a discussion of the Foundation's net position restrictions; and factors impacting future reporting periods.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

The Foundation's condensed summary of net position as of June 30 is as follows:

	2019	2018	2017
<b>Assets:</b>			
Current assets	\$ 8,030,855	\$ 8,203,621	\$ 4,916,073
Noncurrent assets	34,102,067	32,176,323	34,744,906
Total Assets	\$ 42,132,923	\$ 40,379,944	\$ 39,660,979
<b>Liabilities:</b>			
Current liabilities	\$ 2,158,308	\$ 2,222,235	\$ 2,465,664
Long-term debt obligations, net of current position	442,816	469,035	494,479
Total Liabilities	\$ 2,601,124	\$ 2,691,270	\$ 2,960,143
<b>Net Position:</b>			
Restricted for: nonexpendable - endowments	\$ 26,506,160	\$ 25,616,687	\$ 22,506,956
Restricted for: expendable - other	7,950,587	8,131,967	11,164,261
Unrestricted	5,075,052	3,940,020	3,029,619
Total net position	\$ 39,531,799	\$ 37,688,674	\$ 36,700,836

### **Assets**

#### Current Assets

From 2018 to 2019, total current assets decreased by \$0.17 million. A combination of a small decrease in the general cash account balance due to the timing of payments and a small decrease in other receivables comprised the decrease in total current assets. From 2017 to 2018, total current assets increased by \$3.29 million. A combination of an improvement in the general cash account balance and the reclassification of a noncurrent asset land held for sale to a current asset comprised the increase in total current assets.

#### Other Noncurrent Assets

From 2018 to 2019, noncurrent assets increased by \$1.93 million. The transfer of four properties to Humboldt State University Real Estate Holdings (a supporting organization of the Foundation) from Sponsored Programs Foundation and an increase in the endowment balance comprised the increase. From 2017 to 2018, noncurrent assets decreased by \$2.57 million as a result of the reclassification of noncurrent asset land held for sale to a current asset.

### **Liabilities**

#### Current Liabilities

Total current liabilities decreased by \$0.06 million from 2018 to 2019. Decreases in accounts payable and other accrued payables comprised the decreases. Current liabilities also include \$2 million for the pledge payable to the University related to the Samoa property. Total current liabilities decreased by \$0.24 million from 2017 to 2018 due to a decrease in checks issued in excess of bank balances and modest increases in accounts payable and year-end accruals from Foundation accounts. Current liabilities also

## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

included \$0.1 million for administrative cost recovery fees and \$2 million for the pledge payable to campus related to the Samoa property.

#### Noncurrent Liabilities

Noncurrent liabilities include \$0.44 million related to the Foundation's acquisition of a building and simultaneous capital lease of the building to the University during the year ended June 30, 2014. Details of this transaction are disclosed in the Notes to Financial Statements under Note 11.

#### **Net Position**

During the 2018 to 2019 fiscal year, total net position increased \$1.84 million. The Foundation's net position as of June 30, 2019 consists of:

#### Restricted for: non-expendable – endowments - \$26,506,160

Represents endowments created by a multitude of donors over time. These endowments are intended to provide a perpetual and consistent level of financial support for the University. Net investment depreciation reduces this net position category if the endowments' market value is below historic gift value. If the endowments' market value is above historic gift value then the net investment appreciation is recorded under the restricted for: expendable – other or unrestricted net position category dependent upon if there is an underlying purpose restriction.

#### Restricted for: expendable - other - \$7,950,587

Represents net position restricted by external restrictions, but available for spending authorized by the Foundation. This category includes quasi and term endowments with a restricted purpose, trusts restricted to a purpose, and investment appreciation above endowment corpus.

#### Unrestricted - \$5,075,052

Represents the Foundation's general operating fund along with any Board designated funds including unrestricted quasi-endowments and unrestricted investment appreciation above endowment corpus. This category is not restricted by external restrictions. Its use is designated by the Board of Directors of the Foundation.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

#### Operating Results

The Foundation's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
Total operating revenues	\$ 679,027	\$ 585,353	\$ 908,379
Total operating expenses	(2,813,854)	(3,160,707)	(2,946,476)
Operating loss	(2,134,827)	(2,575,354)	(2,038,097)
Nonoperating revenues (expenses):			
Total gifts	3,159,657	3,497,938	2,854,331
Non-endowment investment income (loss), net	300,272	63,522	202,613
Endowment investment income (loss), net	1,148,075	1,912,768	3,556,092
Interest expense	(14,486)	(57,908)	(44,007)
Other nonoperating revenue, net	20,255	30,734	159,836
Non nonoperating revenues (expenses)	4,613,773	5,447,054	6,728,865
Income before other additions	2,478,946	2,871,700	4,690,768
Additions to permanent endowments	1,207,560	419,235	956,466
Net transfers to other campus entities	(1,843,380)	(2,303,097)	(2,471,844)
Increase (decrease) in net position	1,843,126	987,838	3,175,390
Net position at beginning of year	37,688,674	36,700,836	33,525,446
Net position at end of year	\$ 39,531,799	\$ 37,688,674	\$ 36,700,836

#### ***Operating Revenues and Expenses***

Operating revenues and expenses come from sources that are connected directly to the Foundation's primary business function. This includes revenues collected by the Foundation from endowment funds to operate the Foundation. Operating expenses are reported by functional program which are, public service, academic support, scholarships and fellowships, student services, and institutional support.

#### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses include gifts, investment income, rental income, endowment income, and interest expense. During 2017-18 net nonoperating revenue of \$5.44 million decreased \$1.28 million from the prior year. During 2018-19 net nonoperating revenue of \$4.62 million decreased \$0.82 million from the prior year due to the following factors:

During the fiscal year ended in June 2019, gifts decreased \$0.33 million to \$3.15 million. Gifts increased \$0.6 million during the year ended June 2018. The reasons behind changes in gift revenue can be difficult to explain as giving is related mainly to donor sentiment and general economic conditions.

From 2018 to 2019, investment earnings on endowed funds decreased \$0.76 million to \$1.14 million, reflecting general market performance. During 2017-18 there was a decrease of \$1.6 million in investment earnings on endowed funds, reflecting general market performance.



## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2019, 2018 and 2017

#### **Advancement Foundation Policies and Procedures**

On March 27, 2015, the Foundation Board approved a revised investment policy. The policy establishes a framework for the investment of Foundation assets, and ensures future growth of these assets. Management believes that this framework is sufficient to allow for normal inflation plus reasonable spending. The goal of this policy is to preserve the constant dollar value and purchasing power of the assets for future generations. The policy establishes appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. The policy establishes target asset allocations, performance monitoring procedures, and identifies the roles of key responsible parties.

On March 9, 2012, the Foundation Board approved earnings distribution policy and procedures. The policy establishes a target distribution of 4.5% of the Foundation's average total market value during the twelve quarters ending with the last quarter of the previous fiscal year. The actual net return rate will be approved annually by the Board of Directors. Earnings, described as realized and unrealized gains and losses, interest and dividend income, shall generally be available for distribution from those participant accounts invested for two or more quarters. Distributions for participant accounts invested for less than four quarters at the end of the fiscal year, will be prorated based on the number of quarters invested. The actual distribution will occur in July based on the level recommended by the Finance Committee and must be approved annually by the Board of Directors.

#### **Capital Lease Transaction**

During the year ended June 30, 2014, the Foundation entered into a three-party transaction with a private bank and Humboldt State University which resulted in the Foundation acquiring title to a building ("the museum building") which was simultaneously leased to the University under a noncurrent capital lease. The transaction created a liability in the amount of the fair market value of the building, \$600,000. In lieu of cash payments, the bank agreed to accept monthly rent credits on the lease of a second building ("the new bank building") that is owned by the University. To reimburse the University for making payments to the bank on its behalf, the Foundation agreed to credit the University's lease payments on the museum building in the same amount as the rent credit the University gives to the bank.

The current portion of the capital lease receivable is reflected as capital lease receivable, current and the noncurrent portion is shown as capital lease receivable on the face of the Statement of Net Position. The current portion of the obligation to the bank is reported with other payables and the noncurrent portion is reflected as Redwood Capital Bank lease obligation.

#### **Factors That Will Affect the Future**

The fair market value of the total endowment balance is greater than the corpus as of June 30, 2019. The Foundation's Board takes an active role in managing the Foundation's investments. However volatility in the economy impacts the Foundation's investment portfolio and could impact the Foundation's ability to support the University.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 671,219	\$ 1,033,310
Short-term investments	7,079,744	6,874,290
Interest receivable	31,859	20,594
Prepaid expenses	500	152
Pledges receivable	66,605	64,838
Capital lease receivable - current	26,219	25,445
Other receivable	154,709	184,992
Total current assets	<u>8,030,855</u>	<u>8,203,621</u>
<b>Noncurrent assets</b>		
Pledges receivable, noncurrent	53,237	72,369
Endowment pooled investments	30,294,243	29,539,338
Noncurrent investments	1,268,683	1,241,486
Land and capital assets, net	1,776,678	771,237
Capital lease receivable	442,816	469,035
Other assets	266,410	82,858
Total noncurrent assets	<u>34,102,067</u>	<u>32,176,323</u>
<b>Total assets</b>	<u><b>\$ 42,132,923</b></u>	<u><b>\$ 40,379,944</b></u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 10,689	\$ 44,986
Accrued salaries and benefits payable	-	37,559
Capitalized lease obligations, current portion	26,219	25,445
Depository accounts, current portion	2,350	2,000
Other liabilities	119,050	112,245
Other liabilities - pledge payable	2,000,000	2,000,000
Total current liabilities	<u>2,158,308</u>	<u>2,222,235</u>
<b>Long-term liabilities</b>		
Redwood Capital Bank	<u>442,816</u>	<u>469,035</u>
Total liabilities	<u>2,601,124</u>	<u>2,691,270</u>
<b>Net position</b>		
Restricted for: nonexpendable - endowments	26,506,160	25,616,687
Restricted for: expendable - other	7,950,587	8,131,967
Unrestricted	5,075,052	3,940,020
Total net position	<u>39,531,799</u>	<u>37,688,674</u>
<b>Total liabilities and net position</b>	<u><b>\$ 42,132,923</b></u>	<u><b>\$ 40,379,944</b></u>

See accompanying notes

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Revenues:		
Operating revenues:		
Indirect cost - trusts	\$ 156,921	\$ 155,297
Cost recovery	414,520	419,825
Other operating revenues	107,586	10,231
Total operating revenues	<u>679,027</u>	<u>585,353</u>
Expenses:		
Operating expenses:		
Public service	420,511	836,684
Academic support	333,930	240,705
Scholarships and fellowships	254,704	358,886
Student services	594,998	382,851
Institutional support	127,925	131,321
Auxiliary enterprises	545,259	555,020
Instructional	335,727	428,212
Research	200,800	227,028
Depreciation	16,531	7,985
Total operating expenses	<u>2,830,385</u>	<u>3,168,692</u>
Operating loss	<u>(2,151,358)</u>	<u>(2,583,339)</u>
Nonoperating revenues (expenses):		
Gifts		
Contributions	3,204,078	2,984,848
Fundraising	102,150	149,903
Campus support	(7,747)	135,000
Additions (reductions) to quasi and term-endowments	(138,824)	228,187
Total gifts	<u>3,159,657</u>	<u>3,497,938</u>
Investment income, net	300,272	63,522
Endowment income, net	1,148,075	1,912,768
Interest expense	(14,486)	(57,908)
Other nonoperating revenue	36,786	38,719
Net nonoperating revenues	<u>4,630,304</u>	<u>5,455,039</u>
Income before other additions and transfers	<u>2,478,946</u>	<u>2,871,700</u>
Additions to permanent endowments	1,207,560	419,235
Transfers to other campus entities	(1,843,380)	(2,303,097)
Increase in net position	<u>1,843,126</u>	<u>987,838</u>
Net position:		
Net position at beginning of year	37,688,674	36,700,836
Net position at end of year	<u>\$ 39,531,799</u>	<u>\$ 37,688,674</u>

See accompanying notes

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
**Statements of Cash Flows**  
**Years ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Received for administrative services	\$ 432,875	\$ 226,534
Payments to vendors and suppliers	(2,520,530)	(2,499,494)
Transfers to other campus entities	(265,841)	(639,220)
<b>Net cash provided by (used in) operating activities</b>	<b><u>(2,353,496)</u></b>	<b><u>(2,912,180)</u></b>
<b>Cash flows from noncapital financing activities:</b>		
Noncapital gifts and endowments received	1,551,811	1,501,603
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>1,551,811</u></b>	<b><u>1,501,603</u></b>
<b>Cash flows from capital and related financing activities:</b>		
Principal and Interest paid on debt and leases	(39,331)	(82,601)
Purchases of capital assets	29,999	124,463
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(9,332)</u></b>	<b><u>41,862</u></b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	2,427,319	8,017,875
Investment income	1,540,120	1,624,143
Purchase of investments and related fees	(3,517,913)	(7,273,424)
<b>Net cash provided by (used in) investing activities</b>	<b><u>449,526</u></b>	<b><u>2,368,594</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(362,091)</b>	<b>999,879</b>
Cash and cash equivalents at beginning of year	1,033,310	33,431
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u><u>671,219</u></u></b>	<b>\$ <u><u>1,033,310</u></u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating (loss)	\$ (2,151,358)	\$ (2,583,339)
<b>Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation	16,531	7,985
<b>Change in assets and liabilities:</b>		
Receivables	(153,270)	(102,482)
Other assets	(348)	7,836
Accounts payable and accrued liabilities	(65,051)	(242,180)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ <u><u>(2,353,496)</u></u></b>	<b>\$ <u><u>(2,912,180)</u></u></b>
<b>Supplemental schedule of noncash transactions:</b>		
Assets acquired through a gift	\$ 1,021,972	\$ -
Change in fair value of investments	782,112	(102,476)

See accompanying notes

# HUMBOLDT STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

June 30, 2019 and 2018

### **(1) Organization**

Humboldt State University Foundation (the Foundation) is organized to promote and assist the Humboldt State University campus of The California State University (the University) to receive gifts and property, to manage those resources and to make them available to the University to further their educational mission and objectives as determined by the duly appointed and acting president of the University.

On February 22, 2019, the Foundation Board of Directors approved changing the name of the Humboldt State University Advancement Foundation to Humboldt State University Foundation. The name change will clarify the purpose of the foundation to donors and relieve administrative confusion on campus. New articles of incorporation have been issued by the California secretary of State and the Foundation name change has been made with appropriate financial and taxing authorities.

During the fiscal year ended June 30, 2016, a new entity, the Humboldt State University Real Estate Holdings Corporation was created as a supporting organization of the Foundation to accept, hold and manage certain real property on behalf of the Foundation and the University. As of June 30, 2017 the Real Estate Holdings Corporation (REH) received a grant from the Sponsored Program Foundation for \$350,000 for the initial funding of the property management business unit. The board of directors approved the \$300,000 purchase of property at 570 Granite Avenue in Arcata. Escrow closed in January 2017. The property is currently rented. In 2016-17 REH also booked two other properties that were held by the Foundation in prior years; the Trinity Annex and the Samoa Property. The Samoa Property is a short term investment whose value is offset by a pledge payable to HSU. The Trinity Annex property was originally purchased by the Foundation endowment and leased to HSU. After the creation of REH, ownership of the Annex transferred to REH in exchange for a note payable back to the Foundation endowment. During the 2017-18 year, the University exercised its option to purchase the Trinity Annex, which cleared the note receivable in the Foundation endowment fund and the note payable recorded in REH.

### ***Summary of Significant Accounting Policies***

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

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accompanying financial statements present the Foundation and its component unit, REH. The blended component unit, although a legally separate entity, is, in substance, part of the Foundation's operations. REH is governed by the Foundation Board of Directors and Foundation management has operational responsibility of REH.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (1) Organization (Continued)

#### ***Summary of Significant Accounting Policies (Continued)***

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

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* and GASB Statement No. 63, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The Foundation is a component unit of the University, a public university under The California State University system. The Foundation has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the Foundation prepares its statement of cash flows using the direct method.

##### ***(b) Presentation of Operating Expenses and Transfers from/(to) Other Campus Entities***

The Foundation disburses most contributed funds from accounts held by the Foundation for the benefit of the University. These disbursements are reported as operating expenses on the Statement of Revenues, Expenses and Changes in Net Position. Transfers to/from other campus entities consists of funds distributed based on Board action and donor agreements. Management believes this provides greater assurance that contributions are expended consistent with donor intent.

##### ***(c) Classification of Current and Noncurrent Assets (Other Than Investments) and Liabilities***

The Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business operations, to be liquidated within twelve months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

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

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The amount reported excludes cash held in investment accounts that is considered part of the Foundation’s endowment investments. The Foundation considers amounts included in the Local Agency Investment Fund (LAIF) to be short-term investments.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (1) Organization (Continued)

#### *Summary of Significant Accounting Policies (Continued)*

##### **(e) Pledges Receivable**

Unconditional pledges receivable are recorded as receivables and revenue. To be recorded, the pledge must be documented, reasonably measured and probable of collection. The Foundation distinguishes between contributions received for each net position category in accordance with donor-imposed restrictions. As GASB requirements neither require nor prohibit discounting pledges receivable for the time value of money, the Foundation has elected to record pledges at the full original pledged amount.

##### **(f) Investments**

Investments are reflected at fair value using quoted market prices when available. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position as non-endowment investment income (loss), net and endowment investment income (loss), net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for use for other than current operations are classified as other noncurrent investments.

##### **(g) Endowment Investments**

Endowment investments consist of approximately 200 individual funds established for a variety of purposes. Endowment investments are reflected at fair value using quoted market prices when available. The endowments funds include true endowment funds, restricted and unrestricted quasi-endowments, and term endowments.

A true endowment is a fund created by a donor (or other external party) with the stipulation, as a condition of the gift instrument that the principal is to be maintained and invested in perpetuity to produce income, investment growth, or both. This type of endowment is also referred to as a permanent endowment.

A quasi-endowment fund is created when the Foundation's governing board elects to invest currently available resources as if they were subject to endowment restrictions. A determination is made that a portion of currently available resources should be invested for the long term rather than spent for current purposes. The source of quasi-endowments may be unrestricted or restricted expendable. If it is the former, the quasi-endowment will be classified as unrestricted. If it is the latter, the quasi-endowment will be classified as restricted expendable. Quasi-endowments are also referred to as funds functioning as endowments.

Term endowments are created when a donor (or other external party) specifies that the funds must be held and invested until the passage of a specified time or the occurrence of a specified event. The donor (or other external party) also specifies what is to be done with the income and investment growth during the specified period. Term endowments are classified as restricted expendable if the funds will ultimately be made available for spending or if contributions are below a set dollar threshold. If the funds ultimately will be added to a true endowment, the term endowment ultimately is classified as restricted nonexpendable.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (1) Organization (Continued)

#### *Summary of Significant Accounting Policies (Continued)*

##### *(h) Capital Assets*

Capital assets are recorded at cost less depreciation calculated by the straight-line method over the assets' estimated useful lives. The Foundation capitalizes purchases over \$5,000. However, sensitive property, defined as any highly desirable and portable item, will be capitalized if the cost is \$1,000 or greater.

In addition, The Foundation uses office facilities and equipment that are the property of the California State University. No lease payments are required for the use of these facilities.

##### *(i) Net Position*

The Foundation's net position is classified into the following net position categories:

**Restricted for: nonexpendable – endowments** – Net position subject to externally imposed conditions such that the Foundation retains the endowments in perpetuity. Net position in this category consists of endowments held by the Foundation.

**Restricted for: expendable - other** – Net position subject to externally imposed conditions, including quasi endowments created by board action using contributions with donor restrictions that can be fulfilled by the actions of the Foundation or by the passage of time.

**Unrestricted** – All other categories of net position. In addition, unrestricted net position may be designated for use by management or the Board of Directors of the Foundation. These designations limit the area of operations for which expenditures of resources may be made and require that unrestricted resources be designated to support future operations in these areas.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are applied first. In the event that restricted resources are fully expended, unrestricted resources are expended to support the activities of restricted, expendable resources.

##### *(j) Classification of Revenues and Expenses*

The Foundation considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include gifts, net non-endowment investment income or loss, net endowment income or loss, interest expense, and other nonoperating revenues.



## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (1) Organization (Continued)

#### *Summary of Significant Accounting Policies (Continued)*

##### *(k) Income Taxes*

The Foundation qualifies as a tax exempt organization under the applicable sections of the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. The Foundation has analyzed the tax positions taken for filings with the Internal Revenue Service and the State of California. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the financial statements. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019 and 2018.

##### *(l) Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

### (2) Cash and Cash Equivalents and Investments

The Foundation's cash and cash equivalents and investments as of June 30, 2019 and 2018 are classified in the accompanying statement of net position as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 671,219	\$ 1,033,310
Short-term investments	7,079,744	6,874,290
Noncurrent investments	1,268,683	1,241,486
Endowment investments (total)	<u>30,768,378</u>	<u>29,539,338</u>
Total investments	<u>39,116,805</u>	<u>37,655,114</u>
Total cash, cash equivalents, and investments	<u>\$ 39,788,024</u>	<u>\$ 38,688,424</u>

## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (2) Cash and Cash Equivalents and Investments (Continued)

#### (a) Cash and Cash Equivalents

At June 30, 2019 and 2018, cash and cash equivalents consisted of petty cash and demand deposits held at a commercial bank totaling \$671,219 and \$1,033,310 respectively. These deposits had carrying balances with the commercial bank of \$686,873 and \$1,051,107. The differences between the book balances and the corresponding bank balances are related to outstanding checks and deposits.

#### Custodial Credit Risk for Deposits

The Foundation maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At June 30, 2019 and 2018, the Foundation's uninsured cash balances were \$406,667 and \$762,028. The Foundation has incurred no losses related to these accounts.

#### (b) Short-term Investments

At June 30, 2019 and 2018, the Foundation's short-term investment portfolio consisted of investments in the Local Agency Investment Fund (LAIF), a voluntary program created by statute as an alternative for California's local governments and special districts that allow affiliates to participate in a major investment portfolio. LAIF is under the administration of The California State Treasurer's Office. There are no significant interest rate risks or credit risks to be disclosed in accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3.

The investment is not insured. However, these funds are invested in accordance with California Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account. At June 30, 2019 and 2018, cash invested in LAIF was \$4,545,511 and \$4,340,057.

In addition, the Samoa property is classified as a short term investment. Even though the property was not actively listed for sale at June 30, 2019, GASB requires the asset to remain in the same class of asset as when acquired. 18 shares of Baywood Golf and Country Club stock is also classified as a short term investment.

#### (c) Noncurrent Investments

Noncurrent investments consist of the Hydrogen Demonstration Trust asset portfolio held by Wells Fargo and are considered non-endowed investments.

<u>Investment Type</u>		<u>2019</u>	<u>2018</u>
Hydrogen Demonstration Trust	\$	1,268,683	1,241,486
Total noncurrent Investments	\$	<u>1,268,683</u>	<u>1,241,486</u>

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(2) Cash and Cash Equivalents and Investments (Continued)**

**(c) Noncurrent Investments (Continued)**

Investment income/(loss) on non-endowed noncurrent investments consists of the following:

	<b>2019</b>	<b>2018</b>
Interest, dividends, and other income	\$ 25,736	\$ 26,615
Realized gain/(loss)	21,314	23,996
Unrealized gain/(loss)	2,147	15,518
Fees	(22,001)	(22,801)
Total non-endowed noncurrent investment income/(loss), net	\$ 27,197	\$ 43,328

The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

Investment income as shown on the Statement of Revenues, Expenses, and Changes in Net Position includes income earned on the LAIF investment and the change in the net present value of the charitable gift annuities contracts issued by the CSU Foundation. At June 30, 2019 and 2018, investment income was \$300,272 and \$63,522.

**(d) Endowment Investments**

Endowment investments consist of a pooled investment account held by Wells Fargo and the Schatz Demonstration Tree Farm land. The land, consisting of approximately 385 acres, was received by the Foundation in June 2005 to provide a demonstration tree farm operation for the benefit of the instructional and research needs of the students and faculty of the University and as an example for owners of small timberland parcels. Title to the land was given to the Foundation within the Declaration of Trust executed in December 1987 which also dictates ownership transfer and use of the land. The Tree Farm land is classified with other Land and Capital Assets in the current year to clarify the separation from the pooled investment account.

<b><u>Investment Type</u></b>	<b>2019</b>	<b>2018</b>
Endowment pooled investments	\$ 30,294,243	\$ 29,065,203
Schatz Tree Farm land		474,135
Land and Capital Assets (Tree Farm portion)	474,135	
Total endowment investments	\$ 30,768,378	\$ 29,539,338

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(2) Cash and Cash Equivalents and Investments (Continued)**

**(d) Endowment Investments (Continued)**

Income/(Loss) on endowment investments consisted of the following:

	<b>2019</b>	<b>2018</b>
Interest, dividends, and other income	\$ 631,310	\$ 793,957
Realized gain	508,466	850,453
Unrealized gain/(loss)	95,451	326,343
Fees	(87,152)	(57,985)
Total endowment investment income/(loss), net	\$ 1,148,075	\$ 1,912,768

The endowment investment accounts are included in one pooled account held at Wells Fargo Bank. The bank records all changes in the market value of the underlying investments including realized and unrealized gains and losses, interest and dividend income, as well as lease income from a real estate investment. The investment returns are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the pooled account.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) authorizes the spending of earnings and net appreciation. California adopted this act on September 30, 2008, with the passage of Senate Bill 1329. The Board of Directors understands that UPMIFA requires it to balance the goal of providing a consistent level of support for charitable purposes with the goal of protecting the value of the endowment against inflation absent explicit donor stipulations to the contrary. As a result of this interpretation the Foundation classifies the original value of the gift donated along with original value of subsequent gifts donated to the permanent endowment as corpus. These are included in the restricted for: nonexpendable – endowment net position category on the statement of net position. The Foundation’s objective is to make available for the charitable purposes of the endowment an amount equal to 4.5% of the average total market value during the 12 quarters ending with the last quarter of the previous fiscal year.

The Foundation annually reviews its endowment funds taking into account the required prudence evaluation as guided by UPMIFA which requires considering the donor’s intent, contractual agreements with donors, as well as several economic factors. For the fiscal years ending June 30, 2019 and 2018, the Board of Directors authorized distribution rates of 4.5% and 4.5%, respectively.

If the endowments’ market value is above corpus then the net investment appreciation, realized and unrealized, is reported in the restricted non-expendable endowment row on the statement of net position until appropriated for spending pursuant to donor agreements. If the endowments’ market value is below corpus then the net investment depreciation, realized and unrealized, is reported in the restricted for: nonexpendable - endowment net position category on the statement of net position. As of June 30, 2019 and 2018 there was 1 true endowment account, for which the fair market values are below the corpus in the amount of \$281,642.

Endowment earnings distributions of \$1,074,466 and \$1,248,152 were made in the years ended June 30, 2019 and 2018. The Board of Directors of the Foundation has approved the planned distribution for the upcoming fiscal year ending June 30, 2020 at a rate of 4.5%.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (2) Cash and Cash Equivalents and Investments (Continued)

#### (e) *Investments Reported at Fair Market Value*

Governmental Accounting Standards Board Statement Number 72 provides the framework for measuring the fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable units (Level 3). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, such as:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

As of June 30, 2019 and 2018 the Investments included within the Foundation's financial statements are classified as follows.

#### ***Level 1 - \$26,277,950 (77%) at June 30, 2019 and \$31,583,822 (83%) at June 30, 2018***

Investments included in this level include balances in money market accounts as well as shares in actively traded mutual funds for which market prices were readily available on the date of valuation. The fair market value is the price for these shares on the active markets.

#### ***Level 2 - \$5,286,192 (16%) at June 30, 2019 and \$3,538,297 (10%) at June 30, 2018***

Investments included in this level include shares in a pooled fund (INTECH), eighteen shares in Baywood Golf and Country Club and shares in a real-estate partnership (RREEF America II). These shares are not traded on any active public exchange. The values reported for these shares is provided to the Foundation by the managers of the funds and is based on observable inputs other than prices available in actively traded markets.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(2) Cash and Cash Equivalents and Investments (Continued)**

**(e) Investments Reported at Fair Market Value (Continued)**

***Level 3 - \$2,533,016 (7%) at June 30, 2019 and \$2,533,016 (7%) at June 30, 2018***

Investments included in this level consist of real estate owned by the Foundation for which management has assigned fair values based on a combination of historical cost, appraisals and their judgement of other factors including a memorandum of understanding with the University setting the price for future sales. Contractual limits on the uses and the ability of the Foundation to dispose of these assets further influence management's valuation of these assets. It is management's opinion that there were no changes to the fair value of the level three assets in the Foundation's investment portfolio between the valuation dates of June 30, 2019 and 2018.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement level of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. During the years ended June 30, 2019 and 2018, there were no changes in the valuation methodologies used.

The valuation methodologies used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(2) Cash and Cash Equivalents and Investments (Continued)**

**(e) Investments Reported at Fair Market Value (Continued)**

**For the Fiscal Year Ended June 30, 2019**

	Fair Value Measurements Using			
		Quoted Prices in Active Markets <b>06/30/2019</b> <b>(Level 1)</b>	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs <b>(Level 3)</b>
Money Market Funds	\$ 1,885,025	\$ 1,885,025	\$ -	\$ -
Mutual Funds - Equity	18,079,613	15,921,214	2,158,399	-
Mutual Funds - Fixed Income	5,919,612	5,919,612	-	-
Mutual Funds - Balanced	2,552,099	2,552,099	-	-
Real Estate Investment Trusts	3,126,576	-	3,126,576	-
Equities - Stock	1,217	-	1,217	-
Real Estate	2,533,016	-	-	2,533,016
<b>Total</b>	<b>\$ 34,097,158</b>	<b>\$ 26,277,950</b>	<b>\$ 5,286,192</b>	<b>\$ 2,533,016</b>

**For the Fiscal Year Ended June 30, 2018**

	Fair Value Measurements Using			
		Quoted Prices in Active Markets <b>06/30/2018</b> <b>(Level 1)</b>	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs <b>(Level 3)</b>
Money Market Funds	\$ 4,628,275	\$ 4,628,275	\$ -	\$ -
Mutual Funds - Equity	16,984,980	15,217,417	1,767,562	-
Mutual Funds - Fixed Income	6,598,988	6,598,988	-	-
Mutual Funds - Balanced	5,139,142	5,139,142	-	-
Real Estate Investment Trusts	1,769,518	-	1,769,518	-
Equities - Stock	1,217	-	1,217	-
Real Estate	2,533,016	-	-	2,533,016
<b>Total</b>	<b>\$ 37,655,135</b>	<b>\$ 31,583,822</b>	<b>\$ 3,538,297</b>	<b>\$ 2,533,016</b>

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(2) Cash and Cash Equivalents and Investments (Continued)**

**(f) Investment Risk**

The Foundation's investment portfolio contains certain assets for which the fair market value comprises greater than 5% of the total investment portfolio. At June 30, 2019 and 2018 these were:

<b>June 30, 2019</b>		
<b>Asset</b>	<b>Fair Value</b>	<b>% of Total</b>
RREEF America REIT II (CF)	3,126,576	9.90%
Vanguard Tot Bd;Adm (VBTLX)	2,960,426	9.37%
PIMCO:Tot Rtn;Inst (PTTRX)	2,959,186	9.37%
Vanguard Infl-Prot;Adm (VAIPX)	2,552,099	8.08%
Vanguard Tot I S;Adm (VTIAX)	2,415,990	7.65%
Dodge & Cox Intl Stock (DODFX)	2,404,512	7.61%
American Funds EuPc;F3 (FEUPX)	2,399,332	7.60%
INTECH US Large Cap Growth (CF)	2,158,399	6.83%
Parnassus:Endeavor;Inst (PFPWX)	2,124,185	6.72%
T Rowe Price I LgCp Val (TILCX)	2,096,067	6.64%
Vanguard 500 Index;Adm (VFIAX)	2,087,807	6.61%
WF Deposit Account	1,885,025	5.97%
Samoa Property	2,533,016	8.02%

<b>June 30, 2018</b>		
<b>Asset</b>	<b>Fair Value</b>	<b>% of Total</b>
American Europacific Growth F2	2,019,965	6.03%
Blackrock Global Allocation FD	3,033,565	9.05%
DFA Intl Small Cap	1,856,215	5.54%
DFA US Small Cap	1,949,334	5.82%
Dodge & Cox	1,880,389	5.61%
Parnassus Endeavor Fund	1,807,484	5.39%
PIMCO Total Return Fund Inst	3,304,088	9.86%
T.Row Price Inst L C Value	1,798,849	5.37%
Vanguard 500 Index Admiral	1,895,177	5.65%
Vanguard Tot Int St IDX Adm	2,010,003	6.00%
Vanguard Total Bond Market Index Adm	3,294,900	9.83%
Vanguard Inflation Protected Adm	2,105,577	6.28%
INTECH Managed Large Cap Growth	1,767,562	5.27%
RREEF America	1,738,768	5.32%
Samoa Property	2,533,016	7.56%

The Foundation invests in various types of investment securities. Investment securities are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.



## HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2019 and 2018

### (2) Cash and Cash Equivalents and Investments (Continued)

#### (f) Investment Risk (Continued)

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Foundation would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Financial instruments that potentially subject the Foundation to custodial risk are investments in excess of amounts insured by the FDIC or the Securities Investor Protector Corporation (SIPC). No policy exists related to custodial risk specifically. The Foundation's investment policy does not prohibit deposits in single institutions that expose the Foundation to custodial credit risk.

At June 30, 2019 and 2018, the Foundation had 95% of its noncurrent investments with Wells Fargo, the Foundation's investment bank. The investments are managed by the Foundation's consultant, RVK, Inc. Wells Fargo carries \$100 million coverage for loss due to fraudulent acts errors and omissions.

The credit risk profile for fixed income securities at June 30, 2019 and 2018 are as follows.

Fixed Income Securities:

		<b>2019</b>		<b>2018</b>
Vanguard Total Bond	Rated Aa2	\$ 2,960,426	\$	3,294,900
PIMCO Total Return	Rated Aa3	2,959,186		3,304,088
Total		<u>\$ 5,919,612</u>	<u>\$</u>	<u>6,598,988</u>

##### Interest Rate Risk

Interest Rate Risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2019, the Foundation does not have any debt investments that are highly sensitive

Duration is a measure of the sensitivity of the price – the value of principal – of a fixed income investment to a change in interest rates. Duration is expressed as a number of years. The duration of fixed income securities held within the Foundation's portfolio at June 30, 2019 are:

Vanguard Total Bond	Average Duration	6.0 Years
PIMCO Total Return	Effective Duration	5.03 Years

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

## Notes to Financial Statements

June 30, 2019 and 2018

**(3) Pledges Receivable**

Pledges Receivable are considered to be fully collectible and accordingly, an allowance for uncollectible pledges receivable has not been recorded.

	2019	
	Current	Noncurrent
To be collected by:		
Fiscal year ending June 30, 2020	\$ 66,605	\$ -
Fiscal years ending after June 30, 2020	-	53,237
Total	66,605	53,237
Less allowance for doubtful accounts	-	-
Total pledges receivable, net	\$ <u>66,605</u>	\$ <u>53,237</u>

  

	2018	
	Current	Noncurrent
To be collected by:		
Fiscal year ended June 30, 2019	\$ 64,838	\$ -
Fiscal years ending after June 30, 2019	-	72,369
Total	64,838	72,369
Less allowance for doubtful accounts	-	-
Total pledges receivable, net	\$ <u>64,838</u>	\$ <u>72,369</u>

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(4) Interest and Other Receivable**

Interest and other receivable at June 30 consists of the following:

		<b>2019</b>		
		<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Online contributions - deposits in transit	\$	2,131	\$ -	\$ 2,131
Expenses reimbursable by outside agencies		44,260	-	44,260
Endowment quarterly service charge		<u>108,318</u>	<u>-</u>	<u>108,318</u>
Total other receivables		154,709	-	154,709
Operations interest receivable on LAIF account		<u>31,859</u>	<u>-</u>	<u>31,859</u>
Total	\$	<u><u>186,568</u></u>	\$ -	<u><u>186,568</u></u>

  

		<b>2018</b>		
		<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Online contributions - deposits in transit	\$	20,340	-	\$ 20,340
Expenses reimbursable by outside agencies		59,515	-	59,515
Endowment quarterly service charge		<u>105,136</u>	<u>-</u>	<u>105,136</u>
Total other receivables		184,992	-	184,992
Operations interest receivable on LAIF account		<u>20,594</u>	<u>-</u>	<u>20,594</u>
Total	\$	<u><u>205,586</u></u>	\$ -	<u><u>205,586</u></u>

The operations endowment fee receivable is thirty-seven and one half basis points (0.00375) of the market value of invested funds at June 30, 2019. This is an administrative fee charged each quarter to recover costs incurred by the Foundation for operations.

The cost recovery fee of 5% (0.05000) is an administrative fee charged on all new donations received during the year and is used to recover costs incurred by the Foundation for operations.

There is no allowance for uncollectible accounts deemed necessary for the years ended June 30, 2019 or 2018.

**(5) Other Assets**

The Foundation records an interest in 13 charitable gift annuities contracts issued by the CSU Foundation. The Foundation considers these to be related parties, not third parties as all entities are component units of The California State University System. The Foundation records its interest for these annuities at their estimated net present value. The net present value of these charitable gift annuities are determined by the CSU Foundation, a component unit of The California State University system.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(6) Capital Assets**

The change in capital assets for the year ended June 30, 2019 is as follows:

	Balance 6/30/2018	Additions	Disposals	Transfers	Balance 6/30/2019
Land and Land Improvements	\$ 543,678	\$ 724,756	\$ -	\$ -	\$ 1,268,434
Buildings	239,536	297,215	-	-	536,751
Accumulated Depreciation	(11,977)	(16,530)	-	-	(28,507)
Total	<u>\$ 771,237</u>	<u>\$ 1,005,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,776,678</u>

	Balance 6/30/2017	Additions	Disposals	Transfers	Balance 6/30/2018
Land and Land Improvements	\$ 543,678	\$ -	\$ -	\$ -	\$ 543,678
Buildings	239,536	-	-	-	239,536
Accumulated Depreciation	(3,992)	(7,985)	-	-	(11,977)
Total	<u>\$ 779,222</u>	<u>\$ (7,985)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 771,237</u>

**(7) Current Liabilities**

As of June 30, 2019 and 2018, current liabilities totaled \$2,158,308 and \$2,222,235, respectively. \$2,350 are deposits from 570 Granite Avenue. \$2,000,000 is a pledge payable to the University of the net proceeds from real estate held for sale. In addition \$26,219 is recorded as the current portion of the lease obligation discussed in Note 11. Additional amounts are payable to various vendors for services provided prior to the end of the fiscal year.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(8) Noncurrent Liabilities**

Noncurrent liabilities of \$442,816 and \$469,035 as of June 30, 2019 and 2018, consist of a capital lease related to the Natural History Museum building. For the years ended June 30, 2019 and 2018, the Foundation paid \$14,486 and \$15,237 in interest expense.

	<b>Balance June 30, 2018</b>			<b>Balance June 30, 2019</b>		
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
Capital Lease Payable	\$ 494,480	\$ -	\$ (25,445)	\$ 469,035	\$ 26,219	\$ 442,816
Total	\$ 494,480	\$ -	\$ (25,445)	\$ 469,035	\$ 26,219	\$ 442,816

	<b>Balance June 30, 2017</b>			<b>Balance June 30, 2018</b>		
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
Capital Lease Payable	\$ 519,173	\$ -	\$ (24,693)	\$ 494,480	\$ 25,445	\$ 469,035
Total	\$ 519,173	\$ -	\$ (24,693)	\$ 494,480	\$ 25,445	\$ 469,035

Noncurrent debt principal obligations and estimated interest mature in the following fiscal years:

<b>Year Ending June:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 26,219	\$ 13,712	\$ 39,931
2021	27,016	12,915	39,931
2022	27,838	12,093	39,931
2023	28,684	11,247	39,931
2024 and After	359,278	59,998	419,268
	<b>\$ 469,035</b>	<b>\$ 109,965</b>	<b>\$ 579,000</b>

**(9) Calculation of Net Position**

The change in net position is as follows:

**Calculation of net position restricted for nonexpendable endowments**

	2019	2018
Endowment pooled investments	\$ 30,294,243	\$ 29,539,338
Quasi- and term- endowments that are restricted expendable or unrestricted	(4,420,021)	(4,449,286)
Payables due from permanent endowments to operations for administrative fees	(86,990)	(83,835)
Other Assets included in Restricted Non Expendable Endowment Funds	718,928	610,470
Net position - Restricted for: non expendable - endowments per SNP	<u>\$ 26,506,160</u>	<u>\$ 25,616,687</u>

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(9) Calculation of Net Position (Continued)**

**Calculation of total net position**

	Restricted for: Expendable - other	Restricted for: Nonexpendable - Endowments	Unrestricted	Total
Beginning net position as of July 1, 2017	\$ 11,164,261	\$ 22,506,956	\$ 3,029,619	\$ 36,700,836
2017-18 increase in net position	<u>(3,032,294)</u>	<u>3,109,731</u>	<u>910,401</u>	<u>987,838</u>
Ending net position as of June 30, 2018	8,131,967	25,616,687	3,940,020	37,688,674
Current year increase in net position	<u>(181,380)</u>	<u>889,473</u>	<u>1,135,032</u>	<u>1,843,125</u>
Ending net position as of June 30, 2019	<u>\$ 7,950,587</u>	<u>\$ 26,506,160</u>	<u>\$ 5,075,052</u>	<u>\$ 39,531,799</u>

**(10) Transactions with Related Entities**

The Foundation maintains an agreement with the University for business management services. The Foundation paid the University \$284,500 and \$279,000 for the years ended June 30, 2019 and 2018.

The Foundation is the beneficiary of gift annuities that are held by the CSU Foundation. These gift annuities are reported as a receivable for the Foundation and are included in other assets in the statement of net position, as they have met eligibility requirements per GASB Statement No. 33.

The Foundation receives donations on behalf of the University and all related auxiliary organizations. In the current year, the Foundation recognized and immediately transferred \$2,280,417 in donations to the University or auxiliaries. In the prior year \$391,452 was transferred. These amounts are included in contributions, fundraising, and transfers from/to other campus entities on the statement of revenues, expenses and changes in net position. Of the \$2,280,417 in donations transferred during the year ended June 30, 2019, \$5,144 was for Associated Students, \$53,682 was for the University Center, \$1,093,868 was for Sponsored Programs and \$1,127,723 was for the University (scholarships, athletics scholarships and student clubs). Of the \$391,452 in donations for the year ended June 30, 2018, \$532 was for Associated Students, \$7,725 was for the University Center, \$0 was for Sponsored Programs Foundation and \$383,195 was for the University.

## HUMBOLDT STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

June 30, 2019 and 2018

#### (10) Transactions with Related Entities (Continued)

The accompanying financial statements also include the following transactions with the University and related auxiliary organizations as of and for the year ended June 30, 2019 and 2018:

	2019	2018
Payments to University for salaries of University Personnel working on contracts, grants, and other programs	\$ 164,782	\$ 149,508
Payments to University for other than salaries of University Personnel	824,766	520,736
Payments received from University for services, space, and programs	8,172	291,157
Gifts-in-kind to the University from Auxiliary Organizations	30,000	124,463
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	1,127,723	1,106,464
Accounts payable to University	(7,902)	(15,784)
Other amounts payable to the University	(2,000,000)	(2,000,000)
Accounts receivable from University	-	7,747
Accounts receivable from Sponsored Programs Foundation	-	6,013
Other transfers to University Center	53,682	13,340
Other transfers to Sponsored Programs Foundation	1,093,868	1,082,700
Accounts Payable to Sponsored Programs Foundation	-	(37,559)
Other transfers to Associated Students	5,144	-
Other receipts from Sponsored Programs	3,080	-

#### (11) Capital Lease Receivable and related Redwood Capital Bank lease obligation

During the year ended June 30, 2014, the Foundation entered into a three-party transaction with a private bank and Humboldt State University, a related party, which resulted in the Foundation acquiring the title to a building (“the museum building”) which was simultaneously leased to the University using a noncurrent capital lease. The transaction created a liability in the amount of the fair market value of the building, \$600,000. In lieu of cash payments, the bank agreed to accept payment in the form of monthly rent credits on a lease of a second building (“the new bank building”) that is owned by the University. To reimburse the University for making the payment to the bank on its behalf, the Foundation agreed to credit the University’s rent owed on the museum building lease in the same amount as the rent credit the University gives to the bank.

The current portion of the capital lease receivable is reflected as Capital Lease Receivable, current and the noncurrent portion is shown as Capital lease receivable on the face of the Statement of Net Position. The current portion of the obligation is reported with other payables and the noncurrent portion is reflected as Redwood Capital Bank lease obligation.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Notes to Financial Statements

June 30, 2019 and 2018

**(11) Capital Lease Receivable and related Redwood Capital Bank lease obligation (Continued)**

The following is a schedule of future minimum lease payments pursuant to the capital lease together with the present value of the new minimum lease payments:

Year Ending June 30,		
2020	\$	39,931
2021		39,931
2022		39,931
2023		39,931
2024		39,931
Thereafter		<u>379,345</u>
Total Lease Payments		<u>579,000</u>
Less: Amount Representing Interest		<u>(109,965)</u>
Present Value of Minimum Lease Payments		469,035
Less: Current Maturity		<u>(26,219)</u>
Net noncurrent Portion	\$	<u><u>442,816</u></u>

**(12) Classification of Operating Expenses**

The Foundation has elected to report operating expenses by functional classification in the statement of revenues, expenses, and changes in net position, and to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2019 and 2018, operating expenses by natural classification consists of the following:

	<u>2019</u>				
	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total</u>
Functional Classification					
Instruction	\$ 30,717	\$ 196	-	\$ 304,814	\$ 335,727
Research	-	-	-	200,800	200,800
Public Service	72,927	112,168	-	235,416	420,511
Academic Support	47,997	17,581	-	268,352	333,930
Student Services	9,764	-	-	585,234	594,998
Institutional Support	17,347	2,577	-	108,001	127,925
Scholarships & Fellowships			16,695	238,009	254,704
Auxiliary Enterprises				545,259	545,259
Depreciation	-	-	-	16,531	16,531
	<u>\$ 178,752</u>	<u>\$ 132,522</u>	<u>\$ 16,695</u>	<u>\$ 2,502,416</u>	<u>\$ 2,830,385</u>

	<u>2018</u>				
	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total</u>
Functional Classification					
Instruction	\$ 26,134	\$ 273	\$ 12,525	\$ 389,280	\$ 428,212
Research	-	-	-	227,028	227,028
Public Service	291,531	169,242	-	375,911	836,684
Academic Support	63,713	42,982	3,900	130,110	240,705
Student Services	-	-	1,000	381,851	382,851
Institutional Support	5,317	-	1,000	125,005	131,321
Scholarships & Fellowships	-	-	12,259	346,627	358,886
Auxiliary Enterprises	-	-	-	555,020	555,020
Depreciation	-	-	-	7,985	7,985
	<u>\$ 386,694</u>	<u>\$ 212,497</u>	<u>\$ 30,684</u>	<u>\$ 2,538,817</u>	<u>\$ 3,168,692</u>



**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
Schedule of Net Position  
June 30, 2019  
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 671,219
Short-term investments	7,079,744
Accounts receivable, net	186,568
Capital lease receivable, current portion	26,219
Notes receivable, current portion	—
Pledges receivable, net	66,605
Prepaid expenses and other current assets	500
Total current assets	8,030,855
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	266,410
Capital lease receivable, net of current portion	442,816
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	53,237
Endowment investments	30,294,243
Other long-term investments	1,268,683
Capital assets, net	1,776,678
Other assets	—
Total noncurrent assets	34,102,067
Total assets	42,132,923
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	10,689
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	—
Capital lease obligations, current portion	26,219
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	2,350
Other liabilities	2,119,050
Total current liabilities	2,158,308
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	442,816
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	442,816
Total liabilities	2,601,124
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	1,302,543
Restricted for:	—
Nonexpendable – endowments	26,506,160
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	7,950,587
Unrestricted	3,772,509
Total net position	\$ 39,531,799

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2019  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	6,828
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	79,735
Scholarship allowances (enter as negative)	—
Other operating revenues	592,464
	<hr/>
Total operating revenues	679,027
Expenses:	
Operating expenses:	
Instruction	335,727
Research	200,800
Public service	420,511
Academic support	333,930
Student services	594,998
Institutional support	127,925
Operation and maintenance of plant	—
Student grants and scholarships	254,704
Auxiliary enterprise expenses	545,259
Depreciation and amortization	16,531
	<hr/>
Total operating expenses	2,830,385
	<hr/>
Operating income (loss)	(2,151,358)
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	2,152,107
Investment income (loss), net	300,272
Endowment income (loss), net	1,148,075
Interest expense	(14,486)
Other nonoperating revenues (expenses) - excl. interagency	112
Other nonoperating revenues (expenses) - interagency tra	(1,851,128)
	<hr/>
Net nonoperating revenues (expenses)	1,734,952
	<hr/>
Income (loss) before other revenues (expense)	(416,406)
State appropriations, capital	—
Grants and gifts, capital	1,051,971
Additions (reductions) to permanent endowments	1,207,560
	<hr/>
Increase (decrease) in net position	1,843,125
Net position:	
Net position at beginning of year, as previously reported	37,688,674
Restatements	—
Net position at beginning of year, as restated	37,688,674
Net position at end of year	\$ <u>39,531,799</u>

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
Other Information  
June 30, 2019  
(for inclusion in the California State University)

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	0
All other restricted cash and cash equivalents	0
<b>Noncurrent restricted cash and cash equivalents</b>	<u>0</u>
Current cash and cash equivalents	671,219
<b>Total</b>	<u><u>\$ 671,219</u></u>

**2.1 Composition of investments:**

	Current	Noncurrent	Total
Money market funds	0	1,885,025	<b>1,885,025</b>
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds			-
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds		26,551,325	<b>26,551,325</b>
Exchange traded funds			-
Equity securities	1,217	0	<b>1,217</b>
Alternative investments:			
Private equity (including limited partnerships)			-
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)	2,533,016	3,126,577	<b>5,659,593</b>
Commodities			-
Derivatives			-
Other alternative investment types		0	-
Other external investment pools (excluding SWIFT)			-
Other investments		474,135	<b>474,135</b>
State of California Local Agency Investment Fund (LAIF)	4,545,511		<b>4,545,511</b>
State of California Surplus Money Investment Fund (SMIF)			-
<b>Total investments</b>	<u>7,079,744</u>	<u>32,037,062</u>	<u>39,116,806</u>
Less endowment investments (enter as negative number)	-	(30,768,378)	<b>(30,768,378)</b>
<b>Total investments, net of endowments</b>	<u><u>\$ 7,079,744</u></u>	<u><u>1,268,684</u></u>	<u><u>8,348,428</u></u>

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**

Other Information

June 30, 2019

(for inclusion in the California State University)

**2.2 Fair value hierarchy in investments:**

	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Net Asset Value (NAV)</b>
Money market funds	\$ 1,885,025	1,885,025			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	-				
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	26,551,325	24,392,926	2,158,399		
Exchange traded funds	-				
Equity securities	1,217		1,217		
Alternative investments:					
Private equity (including limited partnerships)	-				
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	5,659,592		3,126,576	2,533,016	
Commodities	-				
Derivatives	-				
Other alternative investment types	-				
Other external investment pools (excluding SWIFT)	-				
Other investments	474,135				474,135
State of California Local Agency Investment Fund (LAIF)	4,545,511	0	0	0	4,545,511
State of California Surplus Money Investment Fund (SMIF)	-	0	0	0	
<b>Total investments</b>	<b>\$ 39,116,805</b>	<b>26,277,951</b>	<b>5,286,192</b>	<b>2,533,016</b>	<b>5,019,646</b>

**2.3 Investments held by the University under contractual agreements:**

	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):			\$ -

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
Other Information  
June 30, 2019  
(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements	\$ 543,678				543,678	724,756			1,268,434
Works of art and historical treasures	-				-				-
Construction work in progress (CWIP)	-				-				-
Intangible assets:									
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Intangible assets in progress (PWIP)	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total non-depreciable/non-amortizable capital assets</b>	<b>543,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543,678</b>	<b>724,756</b>	<b>-</b>	<b>-</b>	<b>1,268,434</b>
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements	239,536				239,536	297,215			536,751
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	-				-				-
Personal property:									
Equipment	-				-				-
Library books and materials	-				-				-
Intangible assets:									
Software and websites	-				-				-
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	<b>239,536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,536</b>	<b>297,215</b>	<b>-</b>	<b>-</b>	<b>536,751</b>
<b>Total capital assets</b>	<b>783,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>783,214</b>	<b>1,021,971</b>	<b>-</b>	<b>-</b>	<b>1,805,185</b>
<b>Less accumulated depreciation/amortization:</b>									
Buildings and building improvements	(11,977)				(11,977)	(16,531)			(28,508)
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	-				-				-
Personal property:									
Equipment	-				-				-
Library books and materials	-				-				-
Intangible assets:									
Software and websites	-				-				-
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	<b>(11,977)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,977)</b>	<b>(16,531)</b>	<b>-</b>	<b>-</b>	<b>(28,508)</b>
<b>Total capital assets, net</b>	<b>\$ 771,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>771,237</b>	<b>1,005,440</b>	<b>-</b>	<b>-</b>	<b>1,776,677</b>

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
Other Information  
June 30, 2019  
(for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense:**

Depreciation and amortization expense related to capital assets	\$ 16,531
Amortization expense related to other assets	
<b>Total depreciation and amortization</b>	<b>\$ 16,531</b>

**4 Long-term liabilities:**

	Balance June 30, 2018	Prior Period Adjustments/Reclass ifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
<b>1. Accrued compensated absences</b>	\$ -		-			-		-
<b>2. Claims liability for losses and loss adjustment expenses</b>	-		-			-		-
<b>3. Capital lease obligations:</b>								
Gross balance	494,480		494,480		(25,445)	469,035	26,219	442,816
Unamortized net premium/(discount)	-		-			-	-	-
<b>Total capital lease obligations</b>	<b>494,480</b>	-	<b>494,480</b>	-	<b>(25,445)</b>	<b>469,035</b>	<b>26,219</b>	<b>442,816</b>
<b>4. Long-term debt obligations:</b>								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:								
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-		-	-	-	-	-	-
<b>Sub-total long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
<b>Total long-term debt obligations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total long-term liabilities</b>	<b>\$ 494,480</b>	<b>-</b>	<b>494,480</b>	<b>-</b>	<b>(25,445)</b>	<b>469,035</b>	<b>26,219</b>	<b>442,816</b>

**5 Capital lease obligations schedule:**

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2020			-	26,219	13,713	39,932	26,219	13,713	39,932
2021			-	27,016	12,915	39,931	27,016	12,915	39,931
2022			-	27,838	12,093	39,931	27,838	12,093	39,931
2023			-	28,684	11,247	39,931	28,684	11,247	39,931
2024			-	29,557	10,374	39,931	29,557	10,374	39,931
2025 - 2029			-	161,829	37,826	199,655	161,829	37,826	199,655
2030 - 2034			-	167,892	11,797	179,689	167,892	11,797	179,689
2035 - 2039			-	-		-	-	-	-
2040 - 2044			-	-		-	-	-	-
2045 - 2049			-	-		-	-	-	-
Thereafter			-	-		-	-	-	-
<b>Total minimum lease payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>469,035</b>	<b>109,965</b>	<b>579,000</b>	<b>469,035</b>	<b>109,965</b>	<b>579,000</b>
Less: amounts representing interest									(109,965)
<b>Present value of future minimum lease payments</b>									<b>469,035</b>
Unamortized net premium/(discount)									-
<b>Total capital lease obligations</b>									<b>469,035</b>
Less: current portion									(26,219)
<b>Capital lease obligations, net of current portion</b>									<b>\$ 442,816</b>

See accompanying note on supplementary information.

**HUMBOLDT STATE UNIVERSITY FOUNDATION**  
 Other Information  
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**6 Long-term debt obligations schedule:**

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2020			-			-			-
2021			-			-			-
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025 - 2029			-			-			-
2030 - 2034			-			-			-
2035 - 2039			-			-			-
2040 - 2044			-			-			-
2045 - 2049			-			-			-
Thereafter			-			-			-
<b>Total minimum payments</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum payments</b>									-
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									-
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>\$ -</b>

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	164,782
Payments to University for other than salaries of University personnel	824,766
Payments received from University for services, space, and programs	8,172
Gifts-in-kind to the University from discretely presented component units	30,000
Gifts (cash or assets) to the University from discretely presented component units	1,127,723
Accounts (payable to) University	(7,902)
Other amounts (payable to) University	(2,000,000)
Accounts receivable from University	-
Other amounts receivable from University	-

**8 Restatements/Prior period adjustments:**

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

		Debit/(Credit)
Transaction #1	Enter transaction description	
Transaction #2	Enter transaction description	

See accompanying note on supplementary information.

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**9 Natural classifications of operating expenses:**

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	30,717	196				304,814	-	335,727
Research						200,800	-	200,800
Public service	72,927	112,168				235,416	-	420,511
Academic support	47,997	17,581				268,352	-	333,930
Student services	9,764	-				585,234	-	594,998
Institutional support	17,347	2,577				108,001	-	127,925
Operation and maintenance of plant							-	-
Student grants and scholarships	-	-	-	-	254,704		-	254,704
Auxiliary enterprise expenses						545,259	-	545,259
Depreciation and amortization							16,531	16,531
<b>Total operating expenses</b>	<b>\$ 178,752</b>	<b>132,522</b>	<b>-</b>	<b>-</b>	<b>254,704</b>	<b>2,247,876</b>	<b>16,531</b>	<b>2,830,385</b>

**10 Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)  
Deferred outflows - net pension liability  
Deferred outflows - net OPEB liability  
Deferred outflows - others:

Total deferred outflows - others                   -  
**Total deferred outflows of resources** \$ -

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements  
Deferred inflows - net pension liability  
Deferred inflows - net OPEB liability  
  
Deferred inflows - unamortized gain on debt refunding(s)  
Deferred inflows - nonexchange transactions  
Deferred inflows - others:

Total deferred inflows - others                   -  
**Total deferred inflows of resources** \$ -

See accompanying note on supplementary information.



**HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION**

Note to Supplementary Information

June 30, 2019

**NOTE 1 – SUPPLEMENTARY SCHEDULES**

As an auxiliary organization of The California State University (CSU), Humboldt State University Foundation (Foundation) is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in reporting format between the Foundation's financial statements and the supplementary schedules for CSU.

## **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 *Government Auditing Standards***

To the Board of Directors  
Humboldt State University Foundation

We have audited, in accordance with the 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, the financial statements of the business-type activities of Humboldt State University Foundation (the Foundation), a component unit of Humboldt State University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mass Adams LLP*

Medford, Oregon  
September 11, 2019