

**HUMBOLDT STATE UNIVERSITY
ADVANCEMENT FOUNDATION**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt State University Advancement Foundation
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Humboldt State University Advancement Foundation, a component unit of California State University, Humboldt (HSU), as of and for the year ended June 30, 2014, 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.

Auditors' 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 auditors' 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 Advancement Foundation as of June 30, 2014, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 6 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt State University Advancement Foundation's basic financial statements. The schedule of net position, the schedule of revenues, expenses, and changes in net position, and other information (supplementary information on pages 25 through 32) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. Such 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 schedules of Humboldt State University Advancement Foundation, referred to above, are 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 12, 2014, on our consideration of Humboldt State University Advancement 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Humboldt State University Advancement Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
September 12, 2014

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2014

This section of the annual financial report of Humboldt State University Advancement Foundation (the Foundation) presents the Foundation's discussion and analysis of the financial performance of the Foundation for the fiscal year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

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 statement of net position; the statement of revenues, expenses, and changes in net position; and the statement 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.

Statement of Net Position – The statement of net position includes 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.

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows – The statement of cash flows presents the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows and, therefore, presents 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. At the request of the Board of Directors of the Foundation, there are reclassifications to the prior year financial statement balances to display more relevant detail with regards to the financial statement line items.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
Management's Discussion and Analysis
June 30, 2014

Condensed Summary of Net Position

	<u>June 30</u>		Change (in millions)
	<u>2014</u>	<u>2013</u>	
Assets:			
Current assets	\$ 3,798,910	\$ 4,309,970	\$ (0.51)
Other noncurrent assets	32,003,222	27,230,751	4.77
Total Assets	<u>35,802,132</u>	<u>31,540,721</u>	<u>4.26</u>
Liabilities:			-
Current liabilities	187,293	463,698	(0.28)
Long-term debt obligations, net of current portion	2,566,395	2,000,000	0.57
Total liabilities	<u>2,753,688</u>	<u>2,463,698</u>	<u>0.29</u>
Net Position:			-
Invested in capital assets, net of related debt		-	-
Restricted, nonexpendable	16,861,170	16,185,794	0.68
Restricted, expendable	13,265,774	10,055,488	3.21
Unrestricted	<u>2,921,500</u>	<u>2,835,741</u>	<u>0.09</u>
Total net position	<u>\$ 33,048,444</u>	<u>\$ 29,077,023</u>	<u>\$ 3.97</u>

Assets

Current Assets

Total current assets decreased \$0.51 million primarily due to a decrease in the Local Agency Investment Fund (LAIF) savings account. The decrease of funds resulted from transfer of funds into the US Bank Investment Account.

Long-term Assets

Long-term assets increased \$4.77 million; the current investment gain of \$3.08 million was the most significant change. There was also an addition of 11 new endowments to the pool which is a result of both transfers from the University and new endowment gifts to the Foundation.

Liabilities

Current Liabilities

Total current liabilities decreased \$0.28 million primarily due to timing of when payments were made at year-end. Accrued liabilities include payments related to a business management services agreement of \$0.08 million and an accrued liability of \$0.10 million for administrative cost recovery fees.

Long-Term Liabilities

Long-term liabilities consist of a California State University Risk Management Authority (CSURMA) loan granted to the Foundation on August 26, 2008. The proceeds of \$2,535,000 financed the acquisition of property located in Arcata, California. The loan is unsecured. All principal and any remaining unpaid interest was due and

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Management's Discussion and Analysis

June 30, 2014

payable on October 31, 2013. The principal loan balance was paid down by \$535,000 during the prior year and the due date was extended on the remaining \$2 million loan balance until October 2017.

The loan is non-amortizing, with interest due and payable quarterly. Principal may be prepaid at any time during the term of the loan. The loan may be assigned to another auxiliary related to the University upon request of the campus President and approval of the CSURMA Chair and Treasurer.

Additionally, long-term liabilities increased by \$0.59 million from the prior year. This increase related to the Foundation's acquisition of a building and simultaneous capital lease of the building to Humboldt State University. Details of this transaction are disclosed in the Notes to Financial Statements under note 10.

Net Position

Total net position increased \$3.97 million from the prior year. The Foundation's net position as of June 30, 2014, consists of:

Restricted for: non-expendable – endowments - \$16,861,170

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 - \$13,265,774

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 - \$2,921,500

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 ADVANCEMENT FOUNDATION

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June 30, 2014

Condensed Summary of Revenues, Expenses, and Changes in Net Position

	Year ended June 30		Change (in millions)
	2014	2013	
Total operating revenues	\$ 461,633	\$ 399,150	\$ 0.06
Total operating expenses	(1,450,682)	(1,063,330)	(0.39)
Operating loss	(989,049)	(664,180)	(0.32)
Nonoperating revenues (expenses):			
Gifts	3,917,708	4,107,115	(0.19)
Non-endowment investment income (loss), net	207,579	114,442	0.09
Endowment investment income (loss), net	3,078,482	1,904,951	1.17
Interest expense	(34,454)	(16,347)	(0.02)
Other nonoperating revenue, net	147,604	140,927	0.01
Net nonoperating revenues (expenses)	7,316,919	6,251,088	1.07
Income before other additions	6,327,870	5,586,908	0.74
Additions to permanent endowments	605,195	120,956	0.48
Net transfers to other campus entities	(2,961,644)	(320,289)	(2.64)
Increase in net position	3,971,421	5,387,575	(1.42)
Beginning net position	29,077,023	23,689,448	5.39
Ending net position	\$ 33,048,444	\$ 29,077,023	\$ 3.97

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, student services, and institutional support.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include gifts, investment income, endowment income, and interest expense. Net nonoperating revenue of \$7.32 million increased \$1.07 million from the prior year due to the following factors:

Gifts decreased \$0.19 million to \$3.92 million, of which \$2.47 million was from private contributions.

Net non-endowment investment income increased \$0.09 million and net endowment investment income increased \$1.17 million, due to a general upturn in the financial market.

Additions to permanent endowments increased \$0.48 million. The Foundation received \$0.07 million for the establishment of new endowments in the current year.

Net transfers to other campus entities increased \$2.64 million. During the prior year, the Foundation received and recorded transfers of state and auxiliary trusts and endowments totaling \$2.00 million. The transfer of funds into the organization greatly offset transfers out to other campus entities in the prior year, resulting in an increased net transfer out to other campus entities when compared to the prior year.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

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June 30, 2014

Advancement Foundation Policies and Procedures

On March 22, 2013, the Foundation Board approved the revised investment policy and procedure. 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 the earning distribution policy and procedure. 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. Until there are twelve full quarters of history, the average total market value calculation will include as many quarters as possible. 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.

Factors Impacting Future Periods

The economy has been very volatile the past few years, but is finally showing signs of improvements. The fair market value of the total endowment balance is greater than the corpus as of June 30, 2014. 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.

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 the title to a building ("the museum building") which was simultaneously leased to the University using a long-term 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 it 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 long-term 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 long-term portion is reflected as Redwood Capital Bank lease obligation.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Statement of Net Position June 30, 2014

Assets	2014
Current assets	
Cash and cash equivalents	\$ 457,158
Short-term investments	3,120,421
Pledges receivable, current	86,215
Capital lease receivable, current	22,571
Interest receivable	2,006
Other receivable	110,539
Total current assets	<u>3,798,910</u>
Long-term assets	
Pledges receivable, noncurrent	87,215
Endowment investments	26,166,024
Long-term investments	4,671,743
Land	474,135
Capital lease receivable	566,395
Other assets	37,710
Total long-term assets	<u>32,003,222</u>
Total assets	<u>35,802,132</u>
Liabilities	
Current liabilities	
Accounts payable	10,656
Other payable	176,637
Total current liabilities	<u>187,293</u>
Long-term liabilities	
Redwood Capital Bank lease obligation	566,395
CSURMA loan payable	2,000,000
Total liabilities	<u>2,753,688</u>
Net position	
Restricted for: nonexpendable - endowments	16,861,170
Restricted for: expendable - other	13,265,774
Unrestricted	2,921,500
Total net position	<u>\$ 33,048,444</u>

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2014

	<u>2014</u>
Revenues:	
Operating revenues:	
Indirect cost - trusts	\$ 48,645
Cost recovery	388,629
Other operating revenues	24,359
Total operating revenues	<u>461,633</u>
Expenses:	
Operating expenses:	
Public service	548,930
Academic support	85,477
Student services	134,126
Institutional support	682,149
Total operating expenses	<u>1,450,682</u>
Operating loss	<u>(989,049)</u>
Nonoperating revenues (expenses):	
Gifts	
Contributions	2,260,117
Special events and benefits	158,293
Campus support	51,266
Additions to quasi- and term-endowments	1,448,032
Total Gifts	<u>3,917,708</u>
Non-endowment investment income (loss), net	207,579
Endowment investment income (loss), net	3,078,482
Interest expense	(34,454)
Other nonoperating revenue	147,604
Net nonoperating revenues (expenses)	<u>7,316,919</u>
Income before other additions	6,327,870
Additions to permanent endowments	605,195
Net transfers to other campus entities	(2,961,644)
Increase in net position	<u>3,971,421</u>
Net position:	
Net position at beginning of year	29,077,023
Net position at end of year	<u>\$ 33,048,444</u>

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Statement of Cash Flows
Year ended June 30, 2014

	2014
Cash flows from operating activities:	
Received for administrative services	\$ 416,342
Payments to vendors and suppliers	(1,387,478)
Transfers to other campus entities	(3,318,617)
Net cash provided by (used in) operating activities	(4,289,753)
Cash flows from noncapital financing activities:	
Noncapital gifts and endowments received	4,534,560
Net cash provided by (used in) noncapital financing	4,534,560
Cash flows from capital and related financing activities:	
Interest paid on debt and leases	(34,454)
Net cash provided by (used in) capital and related	(34,454)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	5,114,154
Investment income	818,878
Purchase of investments and related fees	(5,810,793)
Net cash provided by (used in) investing activities	122,239
Net increase (decrease) in cash and cash equivalents	332,592
Cash and cash equivalents at beginning of year	124,566
Cash and cash equivalents at end of year	\$ 457,158
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating (loss)	\$ (989,049)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Transfers to other campus entities	(3,318,617)
Change in assets and liabilities:	
Receivables, net	(9,801)
Other assets	(30,283)
Accounts payable and accrued liabilities	63,204
Unearned revenue	(5,207)
Net cash provided by (used in) operating activities	\$ (4,289,753)
Supplemental schedule of noncash transactions:	
Assets acquired through a gift	\$ 73,843
Assets acquired for long-term debt	600,000
Change in fair value of investments	1,714,535

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

(1) Organization

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

Summary of Significant Accounting Policies

(a) Basis of Presentation

Pursuant to the requirements established by The California State University system, the Foundation has adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62). GASB No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, that do not conflict with GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

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 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) Classification of Current and Long-term 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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

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 long-term.

(c) 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 Foundation considers amounts included in the Local Agency Investment Fund (LAIF) to be investments.

(d) 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.

(e) Investments

Investments are reflected at fair value using quoted market prices when available, except for a real estate investment which is reported at historical cost. 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 long-term investments.

(f) Endowment Investments

Endowment investments consist of approximately 170 individual funds established for a variety of purposes. Endowment investments are reflected at fair value using quoted market prices when available, except for a plot of land recorded as a real estate investment, which in accordance with GASB 52, is reflected at fair value based on an appraisal. The endowments include true endowment funds, 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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

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 is classified as restricted nonexpendable.

(g) 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 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.

(h) 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 ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

(i) *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 open audit periods are 2010 through 2012. 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, 2014.

(j) *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, 2014 are classified in the accompanying statement of net position as follows:

	<u>2014</u>
Cash and cash equivalents	\$ 457,158
Short-term investments	3,120,421
Long-term investments	4,671,743
Endowment investments	<u>26,166,024</u>
Total investments	<u>33,958,188</u>
Total cash, cash equivalents, and investments	<u>\$ 34,415,346</u>

(a) *Cash and Cash Equivalents*

At June 30, 2014, cash and cash equivalents consist of demand deposits held at a commercial bank. Total cash and cash equivalents of \$457,158 had a corresponding carrying balance with the commercial bank of \$508,580. The difference between the book balance and the corresponding bank balance is related to outstanding checks.

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, 2014, the Foundation's uninsured cash balance was \$258,580. The Foundation has incurred no losses related to these accounts.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

(b) Short-term Investments

At June 30, 2014, the Foundation's short-term investment portfolio consists entirely 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, 2014, cash in LAIF was \$3,120,421.

(c) Long-term Investments

Long-term investments consist of the Hydrogen Demonstration Trust asset portfolio held by US Bank, a real estate property managed by the Foundation located on Samoa Boulevard in Arcata California, and 18 shares of Baywood Country Club stock. These investments are considered non-endowed investments.

<u>Investment type</u>	<u>2014</u>
Hydrogen Demonstration Trust	\$ 2,137,510
Samoa Real Estate Property	2,533,016
Baywood Stock	1,217
Total long-term investments	<u>\$ 4,671,743</u>

The Foundation currently leases the Samoa Property to the University. The lease agreement is effective until August 28, 2018; however, the University may terminate the lease at any time by giving written notice at least thirty (30) days prior to the date when such termination shall become effective. For the year ending June 30, 2014, \$138,600 was collected in rent payments and included in other nonoperating revenues.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

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

	<u>2014</u>
Interest, dividends, and other income	\$ 44,259
Realized gain/(loss)	69,705
Unrealized gain/(loss)	125,119
Fees	<u>(31,504)</u>
Total non-endowment investment income/(loss), net	<u>\$ 207,579</u>

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

(d) Endowment investments

Endowment investments consist of pooled master investment accounts held by US Bank 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.

<u>Investment type</u>	<u>2014</u>
Endowment pooled investments	\$ 26,166,024
Schatz tree farm land	<u>474,135</u>
Total endowment investments	<u>\$ 26,640,159</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

Endowment income/(loss) on endowment investments consists of the following:

	2014
Interest, dividends, and other income	\$ 626,251
Realized gain/(loss)	1,290,599
Unrealized gain/(loss)	1,599,781
Fees	<u>(438,149)</u>
Total endowment investment income/(loss), net	<u>\$ 3,078,482</u>

The endowment investment accounts are connected to master investment accounts. The master investment accounts record all changes in the market value of the 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 master investment accounts.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) authorizes the spending of corpus 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 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. 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 year ending June 30, 2014, the Board of Directors authorized a distribution rate of 4%.

If the endowments’ market value is above corpus then the net investment appreciation, realized and unrealized, is reported in the restricted for: expendable – other or unrestricted net position category 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.

Endowment distributions of \$708,559 were made in the current year. The Board of Directors of the Foundation has approved a distribution for the upcoming fiscal year ending June 30, 2015.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

(e) Composition of Investments

	2014	
	Current Unrestricted	Noncurrent Restricted
State of California Local Agency Investment Fund (LAIF)	\$ 3,120,421	\$ -
Equity securities	-	11,466,889
Fixed income securities (Treasury notes, GNMA's)	-	6,811,291
Land and other real estate	-	5,881,123
Mutual funds	-	7,072,326
Money market funds	-	80,273
Total investments	3,120,421	31,311,902
Less endowment investments	-	(26,640,159)
Total non-endowment investments	\$ 3,120,421	\$ 4,671,743

(f) Investment Costs and Fair Market Value

All investments are stated at their fair market value other than the Samoa real estate investment which is reported at historical cost based on the purchase price on August 29, 2008.

The fair value of all investments other than the Schatz tree farm land and Baywood Country Club stock are based on the current market value reported from the financial institution where they are held. These values are based on quoted market prices if available, then using quotes that are observable in the market or if the quotes are unobservable in the market then the value reflects assumptions based on the best information available.

The fair value of the Schatz tree farm land is based on an independent appraisal performed on July 15, 2008, with an internal review to update the fair value as of June 30, 2014. The fair value of the Baywood Country Club stock is based on estimated current selling price per share.

	2014	
	Cost	Fair Value
State of California Local Agency Investment Fund (LAIF)	\$ 3,120,421	\$ 3,120,421
Equity securities	8,641,269	11,466,889
Fixed income securities (Treasury notes, GNMA's)	6,802,324	6,811,291
Land and other real estate	5,964,382	5,881,123
Mutual funds	5,920,208	7,072,326
Money market funds	80,273	80,273
Total investments	\$ 30,528,877	\$ 34,432,323

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

(g) Investment Risk

The Foundation invests in various types of investment securities. Investment securities are exposed to various 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.

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, 2014, the Foundation had 92% of its long-term investments with US Bank, the Foundation's investment bank. The investments are managed by the Foundation's consultant, RV Kuhns & Associates. US Bank carries \$25 million coverage for loss due to fraudulent acts and \$25 million coverage for errors and omissions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The Foundation has mutual funds and fixed income securities that are subject to interest rate risk. The risk is mitigated by investing in a diversified portfolio.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Foundation investment policy contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2014, 92% of the Foundation's investments are in an external investment pool and are invested in a diversified portfolio. The portfolio includes fixed income funds. The credit quality ratings of these funds range from AA to A2.

(3) Pledges Receivable

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

	2014	
	Current	Noncurrent
To be collected by:		
Fiscal year ending June 30, 2015	\$ 86,215	\$ -
Fiscal years ending June 30, 2016 - June 30, 2017	-	87,215
	86,215	87,215
Less allowance for doubtful accounts	-	-
Total pledges receivable, net	\$ 86,215	\$ 87,215

(4) Interest and Other Receivable

Interest and other receivable at June 30, 2014, consists of the following:

	2014		
	Current	Noncurrent	Total
Operations endowment fees receivable	\$ 103,976	\$ -	\$ 103,976
KHSU radio station underwriting fees	6,563	-	6,563
Total other receivables	110,539	-	110,539
Operations interest receivable on LAIF account	2,006	-	2,006
Total	\$ 112,545	\$ -	\$ 112,545

The operations endowment fee receivable is thirty-seven and one half basis points of the market value of invested funds. This is an administrative fee charged each quarter to recover costs incurred by the Foundation to operate.

There is no allowance for uncollectible accounts deemed necessary for the year ended June 30, 2014.

(5) Other Assets

The Foundation records an interest in three 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.

(6) Current Liabilities

As of June 30, 2014, current liabilities total \$187,293, consisting of \$8,308 in payables due from the Foundation to the University in support of the University's operations as well as payables due to external vendors. \$56,752 is due from the Foundation to the Humboldt State Sponsored Programs Foundation (Sponsored Programs) for reimbursement of payroll expenses related to Sponsored Programs processing payroll on behalf of the Foundation. \$99,663 is a liability from endowment funds to the Foundation

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

Operations. In addition \$22,571 is recorded as the current portion of the lease obligation discussed in Note 10.

(7) Long-term Liabilities

Long-term liabilities of \$2,000,000 as of June 30, 2014, consist of The California State University Risk Management Authority (CSURMA) loan. All principal and any remaining unpaid interest will be due and payable on October 31, 2017. The loan is non-amortizing, with interest due and payable quarterly. The interest rate charged is equal to the monthly interest rate CSURMA earns from investments held in the Systemwide Investment Fund Trust (SWIFT) pool. Principal may be prepaid at any time during the term of the loan. For the year ended June 30, 2014, the Foundation paid \$34,454 in interest expense.

At June 30, 2012, the CSURMA loan was \$2,535,000 and all principal and any remaining unpaid interest was due and payable on October 31, 2013. In February 2013, the CSURMA loan was revised and on March 1, 2013, the Foundation paid \$535,000 toward the principal, bringing the loan balance to \$2,000,000. At this time the loan was extended to be due and payable on October 31, 2017.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion	Long-term Portion
CSURMA loan	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000

Long-term debt principal obligations and estimated interest mature in the following fiscal years:

	Principal	Interest	Total
Year ending June 30:			
2015	\$ -	\$ 19,600	\$ 19,600
2016	-	19,600	19,600
2017	-	19,600	19,600
2018	2,000,000	6,500	2,006,500
	<u>\$ 2,000,000</u>	<u>\$ 65,300</u>	<u>\$ 2,065,300</u>

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.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
Notes to Financial Statements
June 30, 2014

For the year ended June 30, 2014, operating expenses by natural classification consists of the following:

2014					
Functional Classification	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total</u>
Public Service	\$ 233,861	\$ 102,460	\$ -	\$ 212,609	\$ 548,930
Academic Support	-	-	73,750	11,727	85,477
Student Services	19,351	1,210	10,375	103,189	134,126
Institutional Support	<u>33,492</u>	<u>1,985</u>	<u>23,226</u>	<u>623,446</u>	<u>682,149</u>
	<u>\$ 286,705</u>	<u>\$ 105,655</u>	<u>\$ 107,351</u>	<u>\$ 950,971</u>	<u>\$ 1,450,682</u>

(8) Calculation of Net Position

The change in net position is as follows:

	<u>Restricted for: Expendable - Other</u>	<u>Restricted for: Nonexpendable - Endowments</u>	<u>Unrestricted</u>	<u>Total</u>
Beginning net position as of June 30, 2013	\$ 10,055,488	\$ 16,185,794	\$ 2,835,741	\$ 29,077,023
Current year increase in net position	<u>3,210,286</u>	<u>675,376</u>	<u>85,759</u>	<u>3,971,421</u>
Ending net position as of June 30, 2014	<u>\$ 13,265,774</u>	<u>\$ 16,861,170</u>	<u>\$ 2,921,500</u>	<u>\$ 33,048,444</u>

Calculation of net position restricted for nonexpendable endowments

	<u>2014</u>
Endowment investments	\$ 26,640,159
Other adjustments:	
Quasi- and term-endowments that are restricted expendable or unrestricted	(6,321,007)
Payables due from permanent endowments to operations	(99,663)
Permanent endowment appreciation included in restricted expendable net position	(3,352,575)
Permanent endowment appreciation included in unrestricted net position	(5,744)
Net position - Restricted for: nonexpendable - endowments per SNP	<u>\$ 16,861,170</u>

(9) Transactions with Related Entities

The Foundation maintains an agreement with the University for business management services. The Foundation paid the University \$800,000 for the year ended June 30, 2014.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

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 \$1,294,000 in donations to the University or auxiliaries. This amount is included in contributions, fundraising, and transfers from/to other campus entities on the statement of revenues, expenses and changes in net position. Of the \$1,294,000 in donations for the year ended June 30, 2014, \$39,000 was for Associated Students, \$20,000 was for the University Center, \$285,000 was for Sponsored Programs Foundation and \$950,000 was for the University.

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, 2014:

	<u>2014</u>
Payments to University for salaries of University personnel working on contracts, grants and other programs	\$ 136,893
Payments to University for other than salaries of University personnel	400,854
Payments received from University for services, space, and programs	303,561
Gifts-in-kind to the University from Auxiliary Organizations	231,567
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	1,909,416
Accounts (payable to) University	(2,073)
Accounts receivable from University	4,313
Other transfers to University Center	146,182
Other transfers to Associated Students	40,445
Other transfers to Sponsored Programs Foundation	981,569

(10) 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 long-term 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 long-term portion is shown as Capital lease receivable on the face of the Statement of Net Position.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2014

The current portion of the obligation is reported with other payables and the long-term portion is reflected as Redwood Capital Bank lease obligation.

HUMBOLDT STATE UNIVERSITY
Schedule of Net Position
June 30, 2014
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 457,158
Short-term investments	3,120,421
Accounts receivable, net	2,006
Leases receivable, current portion	22,571
Notes receivable, current portion	—
Pledges receivable, net	86,215
Prepaid expenses and other assets	110,539
Total current assets	<u>3,798,910</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	566,395
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	87,215
Endowment investments	26,640,159
Other long-term investments	4,671,743
Capital assets, net	—
Other assets	37,710
Total noncurrent assets	<u>32,003,222</u>
Total assets	<u>35,802,132</u>
Deferred outflows of resources:	
Unamortized loss on refunding(s)	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	10,656
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Unearned revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	22,571
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	154,066
Total current liabilities	<u>187,293</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	2,566,395
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	<u>2,566,395</u>
Total liabilities	<u>2,753,688</u>
Deferred inflows of resources:	
Intra-entity transfers of future revenues	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	—
Restricted for:	
Nonexpendable – endowments	16,861,170
Expendable:	
Scholarships and fellowships	
Research	
Loans	
Capital projects	—
Debt service	
Other	13,265,774
Unrestricted	2,921,500
Total net position	<u>\$ 33,048,444</u>

See the accompanying auditors' report and note to supplementary information

HUMBOLDT STATE UNIVERSITY

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$	-
Grants and contracts, noncapital:		
Federal		-
State		-
Local		-
Nongovernmental		-
Sales and services of educational activities		-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		-
Other operating revenues		461,633
Total operating revenues		461,633

Expenses:

Operating expenses:

Instruction		-
Research		-
Public service		548,930
Academic support		85,477
Student services		134,126
Institutional support		682,149
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		-
Depreciation and amortization		-
Total operating expenses		1,450,682
Operating income (loss)		(989,049)

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		3,917,708
Investment income (loss), net		207,579
Endowment income (loss), net		3,078,482
Interest Expenses		(34,454)
Other nonoperating revenues (expenses)		147,604
Net nonoperating revenues (expenses)		7,316,919

Income (loss) before other additions		6,327,870
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State appropriations, capital		-
Transfers from/to other campus entities		(2,961,644)
Additions (reductions) to permanent endowments		605,195
Increase (decrease) in net position		3,971,421

Net position:

Net position at beginning of year, as previously reported		29,077,023
Restatements		-
Net position at beginning of year, as restated		29,077,023
Net position at end of year	\$	33,048,444

See the accompanying auditors' report and note to supplementary information.

HUMBOLDT STATE UNIVERSITY
Other Information
June 30, 2014
(for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2014:	
	Portion of restricted cash and cash equivalents related to endowments	\$ -
	All other restricted cash and cash equivalents	-
	Total restricted cash and cash equivalents	\$ -

2.1 Composition of investments at June 30, 2014:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	3,120,421	-	3,120,421	-	-	-	3,120,421
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	11,466,889	11,466,889	11,466,889
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	6,811,291	6,811,291	6,811,291
Land and other real estate	-	-	-	-	5,881,123	5,881,123	5,881,123
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	7,072,326	7,072,326	7,072,326
Money Market funds	-	-	-	-	80,273	80,273	80,273
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>3,120,421</u>	<u>-</u>	<u>3,120,421</u>	<u>-</u>	<u>31,311,902</u>	<u>31,311,902</u>	<u>34,432,323</u>
Less endowment investments (enter as negative number)	-	-	-	-	(26,640,159)	(26,640,159)	(26,640,159)
Total investments	<u>3,120,421</u>	<u>-</u>	<u>3,120,421</u>	<u>-</u>	<u>4,671,743</u>	<u>4,671,743</u>	<u>7,792,164</u>

2.2 Investments held by the University under contractual agreements at June 30, 2014:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2014:	-	-	-	-	-	-	-
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2.3 Restricted current investments at June 30, 2014 related to:

	Amount
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2014	\$ -

2.4 Restricted noncurrent investments at June 30, 2014 related to:

	Amount
Endowment investments	\$ 26,640,159
Hydrogen Demonstration Trust	2,137,510
Samoa Real Estate Property	2,533,016
Baywood Stock	1,217
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2014	\$ 31,311,902

HUMBOLDT STATE UNIVERSITY
 Other Information
 June 30, 2014
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3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	-	-	-	-	-	-	-	-
Total capital assets	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-
Total capital assets, net	\$ -	-	-	-	-	-	-	-

See the accompanying auditors' report and note to supplementary information.

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	\$ —
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ —</u>

4 Long-term liabilities activity schedule:

	Balance 30-Jun-13	Prior period adjustments	Reclassifications	Balance 30-Jun-13 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Note Payable related to SRB	—	—	—	—	—	—	—	—	—
Other:									
California State University Risk Management Loan	2,000,000	—	—	2,000,000	—	—	2,000,000	—	2,000,000
Redwood Capital Bank lease obligation	—	—	—	—	600,000	(11,034)	588,966	22,571	566,395
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	2,000,000	—	—	2,000,000	600,000	(11,034)	2,588,966	22,571	2,566,395
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	2,000,000	—	—	2,000,000	600,000	(11,034)	2,588,966	22,571	2,566,395
Total long-term liabilities	\$ 2,000,000	—	—	2,000,000	600,000	(11,034)	2,588,966	22,571	2,566,395

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020 - 2024	-	-	—
2025 - 2029	-	-	—
2030 - 2034	-	-	—
2035 - 2039	-	-	—
2040 - 2044	-	-	—
2045 - 2049	-	-	—
2050 - 2054	-	-	—
2055 - 2059	-	-	—
2060 - 2064	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

See the accompanying auditors' report and note to supplementary information.

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6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
	Year ending June 30:								
2015	\$ -	-	-	22,571	36,960	59,531	22,571	36,960	59,531
2016	-	-	-	23,257	36,274	59,531	23,257	36,274	59,531
2017	-	-	-	23,965	35,566	59,531	23,965	35,566	59,531
2018	-	-	-	2,024,694	21,737	2,046,431	2,024,694	21,737	2,046,431
2019	-	-	-	25,445	14,486	39,931	25,445	14,486	39,931
2020 - 2024	-	-	-	139,314	60,342	199,656	139,314	60,342	199,656
2025 - 2029	-	-	-	161,829	37,826	199,655	161,829	37,826	199,655
2030 - 2034	-	-	-	167,891	11,797	179,688	167,891	11,797	179,688
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	2,588,966	254,988	2,843,954	2,588,966	254,988	2,843,954

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ -	-	-
Capitalized lease obligations - current portion	-	-	-
Capitalized lease obligations, net of current portion	-	-	-
Long-term debt obligations - current portion	(22,571)	-	(22,571)
Long-term debt obligations, net of current portion	(2,566,395)	-	(2,566,395)
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)	-	-	-
Debt related to property held as restricted expendable investment	2,000,000	-	2,000,000
Debt related to property held as a capital lease receivable	588,966	-	588,966
Add description	-	-	-
Add description	-	-	-
Net position - net investment in capital asset	\$ -	-	-
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ -	-	-
Endowment investments	26,640,159	-	26,640,159
Other adjustments: (please list)	-	-	-
Quasi and term endowments that are restricted, expendable or unrestricted	(6,321,007)	-	(6,321,007)
Payables due from permanent endowments to operations	(99,663)	-	(99,663)
Permanent endowment appreciation moved to restricted expendable net position	(3,352,575)	-	(3,352,575)
Permanent endowment appreciation moved to unrestricted net position	(5,744)	-	(5,744)
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - Restricted for nonexpendable - endowments per SNP	\$ 16,861,170	-	16,861,170

See the accompanying auditors' report and note to supplementary information.

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8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 136,983
Payments to University for other than salaries of University personnel	400,854
Payments received from University for services, space, and programs	303,561
Gifts-in-kind to the University from discretely presented component units	231,567
Gifts (cash or assets) to the University from discretely presented component units	1,909,416
Accounts (payable to) University (enter as negative number)	(2,073)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	4,313
Other amounts receivable from University	-

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$	—
Contributions during the year		—
Increase (decrease) in net OPEB obligation (NOO)		—
NOO - beginning of year		—
NOO - end of year	\$	—

10 Pollution remediation liabilities under GASB Statement No. 49:

Description		Amount
Add description	\$	—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Total pollution remediation liabilities	\$	—
Less: current portion		—
Pollution remediation liabilities, net of current portion		—

See the accompanying auditors' report and note to supplementary information.

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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	<u>Net Position Class</u>	<u>Amount Dr. (Cr.)</u>
Net position as of June 30, 2013, as previously reported		\$ 29,077,023
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		<u>\$ 29,077,023</u>

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	<u>Debit</u>	<u>Credit</u>
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ —	—
Net position class: _____		
2 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
3 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
4 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
5 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
6 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
7 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
8 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
9 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
10 (breakdown of adjusting journal entry)	—	—

See the accompanying auditors' report and note to supplementary information.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Note to Supplementary Information

June 30, 2014

NOTE 1 – SUPPLEMENTARY SCHEDULES

As an auxiliary organization of The California State University (CSU), Humboldt State University Advancement 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.



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

Board of Directors
Humboldt State University Advancement Foundation
Arcata, California

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 Advancement Foundation, a component unit of California State University, Humboldt (HSU), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Humboldt State University Advancement Foundation's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humboldt State University Advancement 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 Humboldt State University Advancement Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Humboldt State University Advancement 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.

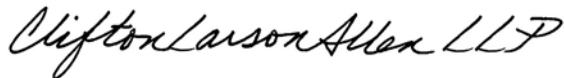
Board of Directors
Humboldt State University Advancement Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt State University Advancement 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 result 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Bellevue, Washington
September 12, 2014