

**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, 2020 and 2019

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-30
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Net Position	31
Schedule of Revenues, Expenses, and Changes in Net Position	32
Other Information	33-38
Note to Supplementary Information	39
ADDITIONAL INFORMATION:	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40-41



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") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation'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 respective financial position of the business-type activities of Humboldt State University Foundation as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 7. 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 an opinion 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 notes to the supplementary information (collectively supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 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 15, 2020 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 the Foundation's internal control over financial reporting and compliance.

Mass Adams LLP

Medford, Oregon
September 15, 2020

HUMBOLDT STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2020, 2019 and 2018

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, 2020 and 2019. 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, 2020, 2019 and 2018

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 8,099,541	\$ 8,030,855	\$ 8,203,621
Noncurrent assets	<u>35,351,022</u>	<u>34,102,067</u>	<u>32,176,323</u>
Total Assets	<u>\$ 43,450,563</u>	<u>\$ 42,132,923</u>	<u>\$ 40,379,944</u>
Liabilities:			
Current liabilities	\$ 2,225,654	\$ 2,158,308	\$ 2,222,235
Long-term debt obligations, net of current posit	<u>415,800</u>	<u>442,816</u>	<u>469,035</u>
Total Liabilities	<u>\$ 2,641,454</u>	<u>\$ 2,601,124</u>	<u>\$ 2,691,270</u>
Net Position:			
Restricted for: nonexpendable - endowments	\$ 27,758,034	\$ 26,506,160	\$ 25,616,687
Restricted for: expendable - other	8,485,220	7,950,587	8,131,967
Unrestricted	<u>4,565,855</u>	<u>5,075,052</u>	<u>3,940,020</u>
Total net position	<u>\$ 40,809,109</u>	<u>\$ 39,531,799</u>	<u>\$ 37,688,674</u>

Assets

Current Assets

From 2019 to 2020, total current assets decreased by \$0.068 million. A combination of a decrease in the general cash account balance due to the timing of payments offset by an increase in other receivables comprised the decrease in total 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.

Other Noncurrent Assets

From 2019 to 2020, noncurrent assets increased by \$1.25 million. And increase in the endowment balance and an increase in noncurrent investments accounted for the increase. From 2018 to 2019, noncurrent assets increased by \$1.93 million. The transfer of four properties from the Sponsored Programs Foundation to the Humboldt State University Real Estate Holdings Corporation (REH), a supporting organization of the Foundation, and an increase in the endowment balance comprised the increase.

Liabilities

Current Liabilities

Total current liabilities increased by \$0.067 million from 2019 to 2020. Increases in accounts payable and other accrued payables comprised the increases. 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.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2020, 2019 and 2018

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 2019 to 2020 fiscal year, total net position increased \$1.28 million. The Foundation's net position as of June 30, 2020 consists of:

Restricted for: non-expendable – endowments - \$27,283,899

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 - \$8,485,220

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 - \$3,288,388

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.

Net investment in capital assets – restricted - \$474,135

Represents property known as the Schatz Tree Farm, a gift of a demonstration tree farm operation for the benefit of the instructional and research needs of the students and faculty of Humboldt State University and as an example for owners of small timberland parcels.

Net investment in capital assets – unrestricted - \$1,277,467

Represents property held by Real Estate Holdings and includes four residential rental properties and an undeveloped parcel of land.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2020, 2019 and 2018

Operating Results

The Foundation's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Total operating revenues	\$ 699,831	\$ 679,027	\$ 585,353
Total operating expenses	(2,926,337)	(2,830,385)	(3,160,707)
Operating loss	(2,226,506)	(2,151,358)	(2,575,354)
Nonoperating revenues (expenses):			
Total gifts	2,146,273	3,159,657	3,497,938
Non-endowment investment income, net	109,709	300,272	63,522
Endowment investment income, net	722,285	1,148,075	1,912,768
Interest expense	(13,712)	(14,486)	(57,908)
Other nonoperating revenue (expense), net	(743,493)	36,786	30,734
Non nonoperating revenues (expenses)	2,221,062	4,630,304	5,447,054
Income (loss) before other additions	(5,444)	2,478,946	2,871,700
Additions to permanent endowments	2,047,110	1,207,560	419,235
Net transfers to other campus entities	(764,356)	(1,843,380)	(2,303,097)
Increase in net position	1,277,310	1,843,126	987,838
Net position at beginning of year	39,531,799	37,688,674	36,700,836
Net position at end of year	\$ 40,809,109	\$ 39,531,799	\$ 37,688,674

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. During 2018-19 net operating revenue of \$679 thousand increased \$0.09 million from the prior year. During 2019-20 net operating revenue of \$699 thousand increased \$0.02 million from the prior year.

Operating expenses are reported by functional program which are public service, academic support, scholarships and fellowships, student services, and institutional support. During 2018-19 net operating expenses of \$2.81 million decreased \$0.34 million from the prior year. During 2019-20 net operating expenses of \$2.92 million increased \$0.11 million from the prior year.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include gifts, investment income, rental income, endowment income, and interest expense. During 2018-19 net nonoperating revenue of \$4.62 million decreased \$0.82 million from the prior year. During 2019-20 net nonoperating revenue of \$2.22 million decreased \$2.41 million from the prior year due to the following factors:

During the fiscal year ended in June 2020, gifts decreased \$1.01 million to \$2.15 million. Gifts decreased \$0.33 million to \$3.15 million during the year ended June 2019. 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 2019 to 2020, investment earnings on endowed funds decreased \$0.42 million to \$0.73 million, reflecting general market performance. From 2018 to 2019, investment earnings on endowed funds decreased \$0.76 million to \$1.14 million, reflecting general market performance.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2020, 2019 and 2018

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, 2020. 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.

The declaration by the World Health Organization (WHO) on March 11, 2020 of a global pandemic due to a new strain of coronavirus (COVID-19 outbreak) triggered volatility in financial markets with a significant negative impact on the global economy. The Foundation's investment portfolio has incurred significant volatility in fair value. However, as the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that might be recognized in subsequent periods, cannot be determined.

HUMBOLDT STATE UNIVERSITY FOUNDATION
Statements of Net Position
June 30, 2020 and 2019

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ 335,099	\$ 671,219
Short-term investments	7,189,566	7,079,744
Interest receivable	15,708	31,859
Prepaid expenses	-	500
Pledges receivable	131,458	66,605
Capital lease receivable - current	27,016	26,219
Other receivable	400,694	154,709
Total current assets	<u>8,099,541</u>	<u>8,030,855</u>
Noncurrent assets		
Pledges receivable, noncurrent	30,589	53,237
Endowment pooled investments	31,592,921	30,294,243
Noncurrent investments	1,277,661	1,268,683
Land and capital assets, net	1,751,601	1,776,678
Capital lease receivable	415,801	442,816
Other assets	282,449	266,410
Total noncurrent assets	<u>35,351,022</u>	<u>34,102,067</u>
Total assets	<u>\$ 43,450,563</u>	<u>\$ 42,132,923</u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 73,090	\$ 10,689
Accrued salaries and benefits payable	8,848	-
Capitalized lease obligations, current portion	27,016	26,219
Depository accounts, current portion	2,350	2,350
Other liabilities	114,350	119,050
Other liabilities - pledge payable	2,000,000	2,000,000
Total current liabilities	<u>2,225,654</u>	<u>2,158,308</u>
Long-term liabilities		
Capitalized lease obligations	415,800	442,816
Total liabilities	<u>2,641,454</u>	<u>2,601,124</u>
Net position		
Restricted for: nonexpendable - endowments	27,283,899	26,032,025
Restricted for: expendable - other	8,485,220	7,950,587
Unrestricted	3,288,388	3,772,509
Net investment in capital assets - restricted	474,135	474,135
Net investment in capital assets - unrestricted	1,277,467	1,302,543
Total net position	<u>40,809,109</u>	<u>39,531,799</u>
Total liabilities and net position	<u>\$ 43,450,563</u>	<u>\$ 42,132,923</u>

See accompanying notes

HUMBOLDT STATE UNIVERSITY FOUNDATION
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020 and 2019

Revenues:	<u>2020</u>	<u>2019</u>
Operating revenues:		
Indirect cost - trusts	\$ 181,766	\$ 156,921
Cost recovery	427,153	414,520
Other operating revenues	90,912	107,586
Total operating revenues	<u>699,831</u>	<u>679,027</u>
Expenses:		
Operating expenses:		
Public service	325,811	420,511
Academic support	433,968	333,930
Scholarships and fellowships	333,885	254,704
Student services	156,526	594,998
Institutional support	158,025	127,925
Auxiliary enterprises	688,363	545,259
Instructional	442,693	335,727
Research	361,990	200,800
Depreciation	25,076	16,531
Total operating expenses	<u>2,926,337</u>	<u>2,830,385</u>
Operating loss	<u>(2,226,506)</u>	<u>(2,151,358)</u>
Nonoperating revenues (expenses):		
Gifts		
Contributions	1,810,926	3,204,078
Fundraising	55,586	102,150
Campus support	236,834	(7,747)
Additions (reductions) to quasi- and term-endowments	42,927	(138,824)
Total gifts	<u>2,146,273</u>	<u>3,159,657</u>
Investment income, net	109,709	300,272
Endowment income, net	722,285	1,148,075
Interest expense	(13,712)	(14,486)
Other nonoperating revenue (expense)	(743,493)	36,786
Net nonoperating revenues	<u>2,221,062</u>	<u>4,630,304</u>
Income (loss) before other additions and transfers	(5,444)	2,478,946
Additions to permanent endowments	2,047,110	1,207,560
Transfers to other campus entities	(764,356)	(1,843,380)
Increase in net position	<u>1,277,310</u>	<u>1,843,126</u>
Net position:		
Net position at beginning of year	39,531,799	37,688,674
Net position at end of year	<u>\$ 40,809,109</u>	<u>\$ 39,531,799</u>

See accompanying notes

HUMBOLDT STATE UNIVERSITY FOUNDATION
Statements of Cash Flows
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Received for administrative services	\$ 430,778	\$ 432,875
Payments to vendors and suppliers	(2,528,412)	(2,520,530)
Transfers to other campus entities	(298,770)	(265,841)
Net cash (used in) operating activities	<u>(2,396,404)</u>	<u>(2,353,496)</u>
Cash flows from noncapital financing activities:		
Noncapital gifts and endowments received	2,669,549	1,551,811
Net cash provided by (used in) noncapital financing activities	<u>2,669,549</u>	<u>1,551,811</u>
Cash flows from capital and related financing activities:		
Principal and Interest paid on debt and leases	(39,931)	(39,331)
Purchases of capital assets	-	29,999
Net cash (used in) capital and related financing activities	<u>(39,931)</u>	<u>(9,332)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,594,267	2,427,319
Investment income	3,305,993	1,540,120
Purchase of investments and related fees	(5,469,593)	(3,517,913)
Net cash provided by (used in) investing activities	<u>(569,334)</u>	<u>449,526</u>
Net (decrease) in cash and cash equivalents	(336,120)	(362,091)
Cash and cash equivalents at beginning of year	671,219	1,033,310
Cash and cash equivalents at end of year	<u><u>\$ 335,099</u></u>	<u><u>\$ 671,219</u></u>
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (2,226,506)	\$ (2,151,358)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	25,076	16,531
Change in assets and liabilities:		
Receivables	(262,023)	(153,270)
Other assets	500	(348)
Accounts payable and accrued liabilities	66,549	(65,051)
Net cash (used in) operating activities	<u><u>\$ (2,396,404)</u></u>	<u><u>\$ (2,353,496)</u></u>
Supplemental schedule of noncash transactions:		
Assets acquired through a gift	\$ -	\$ 1,021,972
Change in fair value of investments	\$ (2,454,967)	\$ 782,112

See accompanying notes

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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, Real Estate Holdings (REH) 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 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 Government Accounting Standards Board (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, 2020

(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 these procedures provide 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 are considered part of the Foundation’s endowment investments. The Foundation considers amounts included in the Local Agency Investment Fund (LAIF) to be investments.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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).

(g) Endowment Pooled 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, 2020

(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.

Net investment in capital assets – restricted – net position in this category consists of the Schatz Tree Farm, a demonstration tree farm held in perpetuity for the benefit of Humboldt State University.

Net investment in capital assets – unrestricted – net position in this category consists of residential rental property held by Real Estate Holdings.

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, 2020

(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, 2020 and 2019.

(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, 2020 and 2019 are classified in the accompanying statement of net position as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 335,099	\$ 671,219
Short-term investments	7,189,566	7,079,744
Noncurrent investments	1,277,662	1,268,683
Endowment pooled investments	31,592,921	30,768,378
Total investments	<u>40,060,148</u>	<u>39,116,805</u>
Total cash, cash equivalents, and investments	<u>\$ 40,395,248</u>	<u>\$ 39,788,024</u>

(a) Cash and Cash Equivalents

At June 30, 2020 and 2019, cash and cash equivalents consisted of petty cash and demand deposits held at a commercial bank totaling \$335,099 and \$671,219 respectively. These deposits had carrying balances with the commercial bank of \$341,042 and \$686,873. 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, 2020 and 2019, the Foundation's uninsured cash balances were \$63,543 and \$406,667. The Foundation has incurred no losses related to these accounts.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(2) Cash and Cash Equivalents and Investments (continued)

(b) Short-term Investments

At June 30, 2020 and 2019, 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, 2020 and 2019, cash invested in LAIF was \$4,655,332 and \$4,545,511.

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, 2020, GASB requires the asset to remain in the same class of asset as when acquired. The property was valued at June 30, 2020 and 2019, at \$2,533,016 and \$2,533,016. The 18 shares of Baywood Golf and Country Club stock is also classified as a short term investment. The stock was valued at June 30, 2020 and 2019 at \$1,217 and \$1,217.

(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>2020</u>	<u>2019</u>
Hydrogen Demonstration Trust	\$ 1,277,661	\$ 1,268,683
Total noncurrent Investments	<u>\$ 1,277,661</u>	<u>\$ 1,268,683</u>

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

	<u>2020</u>	<u>2019</u>
Interest, dividends, and other income	\$ 27,589	\$ 25,736
Realized gain/(loss)	104,227	21,314
Unrealized gain/(loss)	(101,414)	2,147
Fees	<u>(21,457)</u>	<u>(22,001)</u>
Total non-endowed noncurrent investment income/(loss), net	<u>\$ 8,945</u>	<u>\$ 27,196</u>

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, 2020 and 2019, investment income was \$109,709 and \$300,272.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(2) Cash and Cash Equivalents and Investments (continued)

(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.

<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
Endowment pooled investments	\$ 31,592,921	\$ 30,294,243
Land and Capital Assets (Tree Farm portion)	474,135	474,135
Total endowment investments	<u>\$ 32,067,056</u>	<u>\$ 30,768,378</u>

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

	<u>2020</u>	<u>2019</u>
Interest, dividends, and other income	\$ 675,176	\$ 631,310
Realized gain	2,565,415	508,466
Unrealized gain/(loss)	(2,454,967)	95,451
Fees	(63,339)	(87,152)
Total endowment investment income/(loss), net	<u>\$ 722,285</u>	<u>\$ 1,148,075</u>

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.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

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

(d) Endowment Investments (continued)

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 ended June 30, 2020 and 2019, the Board of Directors authorized distribution rates of 4.5%.

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, 2020 five true endowment accounts have fair market value below the corpus in the amounts of \$34, \$101, \$518, \$230, and \$5,451.

Endowment earnings distributions of \$1,135,485 and \$1,074,466 were made in the years ended June 30, 2020 and 2019. The Board of Directors of the Foundation has approved the planned distribution for the upcoming fiscal year ending June 30, 2021 at a rate of 4.4%.

(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.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

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

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

As of June 30, 2020 and 2019 the Investments included within the Foundation's financial statements are classified as follows.

Level 1 - \$29,731,689 (84%) at June 30, 2020 and \$26,277,950 (77%) at June 30, 2019

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 - \$3,140,110 (9%) at June 30, 2020 and \$5,286,192 (16%) at June 30, 2019

Investments included in this level include 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.

Level 3 - \$2,533,016 (7%) at June 30, 2020 and \$2,533,016 (7%) at June 30, 2019

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, 2020 and 2019.

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, 2020 and 2019, 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, 2020

(2) Cash and Cash Equivalents and Investments (continued)

(e) Investments Reported at Fair Market Value (continued)

For the Fiscal Year Ended June 30, 2020

	Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	06/30/2020			
Money Market Funds	\$ 1,901,689	\$ 1,901,689	\$ -	\$ -
Mutual Funds - Equity	18,786,573	18,786,573	-	-
Mutual Funds - Fixed Income	6,325,208	6,325,208	-	-
Mutual Funds - Balanced	2,718,219	2,718,219	-	-
Real Estate Investment Trust: Equities - Stock	3,138,893 1,217	-	3,138,893 1,217	-
Real Estate	2,533,016	-	-	2,533,016
Total	\$ 35,404,815	\$ 29,731,689	\$ 3,140,110	\$ 2,533,016

For the Fiscal Year Ended June 30, 2019

	Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	06/30/2019			
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 Trust: Equities - Stock	3,126,576 1,217	-	3,126,576 1,217	-
Real Estate	2,533,016	-	-	2,533,016
Total	\$ 34,097,158	\$ 26,277,950	\$ 5,286,192	\$ 2,533,016

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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, 2020 and 2019 these were:

June 30, 2020		
Asset	Fair Value	% of Total
PIMCO:Tot Rtn;Inst (PTTRX)	3,165,206	9.90%
Vanguard Tot Bd;Adm (VBTLX)	3,160,002	9.37%
RREEF America REIT II (CF)	3,138,893	9.37%
Brown Adv Sust Gro;Inst (BAFWX)	2,962,056	8.08%
Parnassus:Endeavor;Inst (PFPWX)	2,944,557	7.65%
T Rowe Price I LgCp Val (TILCX)	2,774,123	7.61%
Vanguard Infl-Prot;Adm (VAIPX)	2,718,220	7.60%
American Funds EuPc;F3 (FEUPX)	2,577,944	6.83%
Dodge & Cox Intl Stock (DODFX)	2,516,680	6.72%
Vanguard Tot I S;Adm (VTIAX)	2,506,928	6.64%
WF Deposit Account	1,901,689	6.61%
Samoa Property	2,533,016	7.15%

June 30, 2019		
Asset	Fair Value	% of Total
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%

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, 2020

(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, 2020 and 2019, the Foundation had 93% and 95%, respectively, 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, 2020 and 2019 are as follows.

Fixed Income Securities:

		<u>2020</u>	<u>2019</u>
Vanguard Total Bond	Rated Aa2	\$ 3,160,002	\$ 2,960,426
PIMCO Total Return	Rated Aa3	3,165,206	2,959,186
Total		<u>\$ 6,325,208</u>	<u>\$ 5,919,612</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, 2020, 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, 2020 are:

Vanguard Total Bond	Effective Duration	6.45 Years
PIMCO Total Return	Effective Duration	5.26 Years

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(3) Pledges Receivable

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

	2020	
	Current	Noncurrent
To be collected by:		
Fiscal year ending June 30, 2021	\$ 131,458	\$ -
Fiscal years ending after June 30, 2021	-	30,589
Total	131,458	30,589
Less allowance for doubtful accounts	-	-
Total pledges receivable, net	\$ 131,458	\$ 30,589
	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	\$ 66,605	\$ 53,237

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(4) Interest and Other Receivable

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

	2020		
	Current	Noncurrent	Total
Online contributions - deposits in transit	\$ 5,969	\$ -	\$ 5,969
Expenses reimbursable by outside agencies	281,025	-	281,025
Endowment quarterly service charge	113,700	-	113,700
Total other receivables	400,694	-	400,694
Operations interest receivable on LAIF account	15,708	-	15,708
Total	\$ 416,402	\$ -	\$ 416,402
	2019		
	Current	Noncurrent	Total
Online contributions - deposits in transit	\$ 2,131	\$ -	\$ 2,131
Expenses reimbursable by outside agencies	44,260	-	44,260
Endowment quarterly service charge	108,318	-	108,318
Total other receivables	154,709	-	154,709
Operations interest receivable on LAIF account	31,859	-	31,859
Total	\$ 186,568	\$ -	\$ 186,568

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, 2020. 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, 2020 or 2019.

(5) Other Assets

The Foundation records an interest in 19 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, 2020

(6) Capital Assets

The change in capital assets for the years ended June 30, 2020 and 2019 is as follows:

	Balance 6/30/2019	Additions	Disposals	Transfers	Balance 6/30/2020
Land and Land Improvements	\$ 1,268,434	\$ -	\$ -	\$ -	\$ 1,268,434
Buildings	536,751	-	-	-	536,751
Accumulated Depreciation	(28,507)	(25,076)	-	-	(53,583)
Total	<u>\$ 1,776,678</u>	<u>\$ (25,076)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,751,601</u>

	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>

(7) Current Liabilities

As of June 30, 2020 and 2019, current liabilities totaled \$2,225,654 and \$2,158,308, respectively. The total includes \$2,350 for deposits from 570 Granite Avenue and \$2,000,000 for a pledge payable to the University of the net proceeds from real estate held for sale. In addition, \$27,016 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.

(8) Noncurrent Liabilities

Noncurrent liabilities of \$415,800 and \$442,816 as of June 30, 2020 and 2019, consist of a capital lease related to the Natural History Museum building. For the years ended June 30, 2020 and 2019, the Foundation paid \$13,712 and \$14,486 in interest expense.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion	Long-term Portion
Capital Lease Payable	\$ 469,035	\$ -	\$ (26,219)	\$ 442,816	\$ 27,016	\$ 415,800
Total	<u>\$ 469,035</u>	<u>\$ -</u>	<u>\$ (26,219)</u>	<u>\$ 442,816</u>	<u>\$ 27,016</u>	<u>\$ 415,800</u>

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

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(8) Noncurrent Liabilities (continued)

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

Year Ending June:	Principal	Interest	Total
2021	\$ 27,016	\$ 12,915	\$ 39,931
2022	27,838	12,093	39,931
2023	28,684	11,247	39,931
2024	29,557	10,374	39,931
2025 and After	329,721	49,623	379,344
	<u>\$ 442,816</u>	<u>\$ 96,252</u>	<u>\$ 539,069</u>

(9) Calculation of Net Position

The change in net position is as follows:

Calculation of net position restricted for nonexpendable endowments

	2020	2019
Endowment pooled investments	\$ 31,592,921	\$ 30,294,243
Quasi- and term- endowments that are restricted expendable or unrestricted	(4,312,820)	(4,420,021)
Payables due from permanent endowments to operations for administrative fees	(84,861)	(86,990)
Other Assets included in restricted non expendable endowment funds	562,794	718,928
Net position - restricted for: non expendable - endowments per SNP	<u>\$ 27,758,034</u>	<u>\$ 26,506,160</u>

Calculation of total net position

	Restricted for: Expendable - Other	Restricted for: Nonexpendable - Endowments	Unrestricted	Total
Beginning net position as of July 1, 2018	\$ 8,131,967	\$ 25,616,687	\$ 3,940,020	\$ 37,688,674
Adjustment	\$ (7,747)			(7,747)
2018-19 increase (decrease) in capital assets	-	-	1,005,441	1,005,441
2018-19 increase (decrease) in net position	(173,633)	889,473	129,590	845,430
Ending net position as of June 30, 2019	7,950,587	26,506,160	5,075,051	39,531,798
2019-20 increase (decrease) in capital assets			(25,077)	(25,077)
2019-20 increase (decrease) in net position	534,633	1,251,874	(484,119)	1,302,388
Ending net position as of June 30, 2020	<u>\$ 8,485,220</u>	<u>\$ 27,758,034</u>	<u>\$ 4,565,855</u>	<u>\$ 40,809,109</u>

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(10) Transactions with Related Entities

The Foundation maintains an agreement with the University for business management services. The Foundation paid the University \$282,000 and \$284,500 for the years ended June 30, 2020 and 2019.

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 \$820,901 in donations to the University or auxiliaries. In the prior year \$2,280,417 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 \$820,901 in donations transferred during the year ended June 30, 2020, \$11,268 was for Associated Students, \$32,211 was for the University Center, \$168,674 was for Sponsored Programs and \$608,748 was for the University. 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.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Payments to University for salaries of University Personnel working on contracts, grants, and other programs	\$ 283,967	\$ 164,782
Payments to University for other than salaries of University Personnel	1,609,981	824,766
Payments received from University for services, space, and programs	34,453	8,172
Gifts-in-kind to the University from Auxiliary Organizations	-	30,000
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	608,748	1,127,723
Accounts payable to University	(10,432)	(7,902)
Other amounts payable to the University	(2,000,000)	(2,000,000)
Accounts receivable from University	241,541	-
Other transfers to University Center	32,211	53,682
Other transfers to Sponsored Programs Foundation	168,674	1,093,868
Other transfers to Associated Students	11,268	5,144
Other receipts from Sponsored Programs	2,500	3,080

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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.

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,	
2021	\$ 39,931
2022	39,931
2023	39,931
2024	39,931
2025	39,931
Thereafter	<u>339,414</u>
Total Lease Payments	539,069
Less: Amount Representing Interest	<u>(96,252)</u>
Present Value of Minimum Lease Payments	442,816
Less: Current Maturity	<u>(27,016)</u>
Net noncurrent Portion	<u><u>\$ 415,800</u></u>

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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, 2020 and 2019, operating expenses by natural classification consists of the following:

2020					
Functional Classification	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Total
Instruction	\$ 48,867	\$ 239	\$ -	\$ 393,587	\$ 442,693
Research	107,426	55,161	-	199,403	361,990
Public Service	3,141	24	-	322,645	325,811
Academic Support	27,283	6,800	-	399,885	433,968
Student Services	8,168	44	-	148,315	156,526
Institutional Support	8,466	239	-	149,320	158,025
Scholarships & Fellowships	-	-	22,221	311,664	333,885
Auxiliary Enterprises	20,315	1,554	-	666,494	688,363
Depreciation	-	-	-	25,076	25,076
	\$ 223,666	\$ 64,061	\$ 22,221	\$ 2,616,390	\$ 2,926,337
2019					
Functional Classification	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Total
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
	\$ 178,752	\$ 132,522	\$ 16,695	\$ 2,502,416	\$ 2,830,385

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(13) Subsequent Event

On January 30, 2020, the World Health Organization (WHO), announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the COVID-19 outbreak). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. As a result, the Foundation's investment portfolio has incurred significant volatility in fair value. However, because the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that might be recognized in subsequent periods, cannot be determined.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 335,099
Short-term investments	7,189,566
Accounts receivable, net	-
Capital lease receivable, current portion	27,016
Notes receivable, current portion	-
Pledges receivable, net	131,458
Prepaid expenses and other current assets	416,402
Total current assets	<u>8,099,541</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	415,801
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	30,589
Endowment investments	31,592,921
Other long-term investments	1,277,661
Capital assets, net	1,751,601
Other assets	282,449
Total noncurrent assets	<u>35,351,022</u>
Total assets	<u>43,450,563</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	73,090
Accrued salaries and benefits	8,848
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	27,016
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	2,350
Other liabilities	2,114,350
Total current liabilities	<u>2,225,654</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	415,800
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	<u>415,800</u>
Total liabilities	<u>2,641,454</u>
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	<u>-</u>
Net position:	
Net investment in capital assets	1,751,602
Restricted for:	
Nonexpendable – endowments	27,283,899
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	8,485,220
Unrestricted	3,288,388
Total net position	<u>\$ 40,809,109</u>

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(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	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	699,831
Total operating revenues	699,831

Expenses:

Operating expenses:

Instruction	442,693
Research	361,990
Public service	325,810
Academic support	433,968
Student services	156,527
Institutional support	158,025
Operation and maintenance of plant	-
Student grants and scholarships	333,885
Auxiliary enterprise expenses	688,363
Depreciation and amortization	25,076
Total operating expenses	2,926,337

Operating income (loss) **(2,226,506)**

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	2,146,273
Investment income (loss), net	109,709
Endowment income (loss), net	722,285
Interest expense	(13,712)
Other nonoperating revenues (expenses) - excl. interagency transfers	(743,493)

Net nonoperating revenues (expenses) **2,221,062**

Income (loss) before other revenues (expenses) **(5,444)**

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	1,282,754

Increase (decrease) in net position **1,277,310**

Net position:

Net position at beginning of year, as previously reported	39,531,799
Restatements	-

Net position at beginning of year, as restated **39,531,799**

Net position at end of year **\$ 40,809,109**

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

	-
	335,099
	335,099
	\$

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Fair Value
Money market funds		1,901,689.00	1,901,689.00
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		27,830,000	27,830,000
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)	2,533,016	3,138,893	5,671,909
Commodities			-
Derivatives			-
Other alternative investment			-
Other external investment pools			-
CSU Consolidated Investment Pool (formerly SWIFT)			-
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)	4,655,333		4,655,333
Other investments:			-
Total Other investments	7,189,566	32,870,582	40,060,148
Total investments		(31,592,921)	(31,592,921)
Less endowment investments (enter as negative number)			
Total investments, net of endowments	\$ 7,189,566	1,277,661	8,467,227

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 1,901,689	1,901,689			
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	27,830,000	27,830,000			
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)	5,671,909		3,138,893	2,533,016	
Commodities	-				
Derivatives	-				
Other alternative investment	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-				
State of California Local Agency Investment Fund (LAIF)	4,655,333				4,655,333
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:					
Total Other investments	\$ -	-	-	-	-
Total investments	40,060,148	29,731,689	3,140,110	2,533,016	4,655,333

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. CSU Consolidated Investment Pool (formerly SWIFT):		\$ -	-

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION
Notes to Financial Statements
June 30, 2020

(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Residual)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	1,268,434.00				1,268,434				1,268,434
Works of art and historical treasures									
Construction work in progress (CWIP)									
Inangible assets:									
Rights and easements									
Patents, copyrights and trademarks									
Inangible assets in progress (PWIP)									
Licenses and permits									
Other intangible assets:									
Total Other intangible assets									
Total intangible assets									
Total non-depreciable/non-amortizable capital assets	1,268,434				1,268,434				1,268,434
Depreciable/Amortizable capital assets:									
Buildings and building improvements	536,751				536,751				536,751
Improvements, other than buildings									
Infrastructure									
Leasehold improvements									
Personal property:									
Equipment									
Library books and materials									
Instruments									
Software and websites									
Rights and easements									
Patents, copyrights and trademarks									
Licenses and permits									
Other intangible assets:									
Total Other intangible assets									
Total depreciable/amortizable capital assets	536,751				536,751				536,751
Total capital assets	1,805,185				1,805,185				1,805,185

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Residual)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(28,508)				(28,508)				(28,508)
Improvements, other than buildings									
Infrastructure									
Leasehold improvements									
Personal property:									
Equipment									
Library books and materials									
Instruments									
Software and websites									
Rights and easements									
Patents, copyrights and trademarks									
Licenses and permits									
Other intangible assets:									
Total Other intangible assets									
Total accumulated depreciation/amortization	(28,508)				(28,508)				(28,508)
Total accumulated depreciation/amortization	(28,508)				(28,508)				(28,508)
Total capital assets, net	1,776,677				1,776,677				1,776,677

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Residual)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
Total Other intangible assets:									
Total intangible assets	(28,508)				(28,508)				(28,508)
Total accumulated depreciation/amortization	1,776,677				1,776,677				1,776,677

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets
Amortization expense related to other assets
Total depreciation and amortization

\$ 25,076
\$ 25,076

4 Long-term liabilities:

1. Accrued compensated absences
2. Claims liability for losses and loss adjustment expenses

3. Capital lease obligations:

Gross balance
Unamortized net premium (discount)
Total capital lease obligations

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
\$	-	-	-	-	\$	\$	-	-
\$	469,035	-	469,035	-	(26,219)	442,816	27,016	415,800
\$	469,035	-	469,035	-	(26,219)	442,816	27,016	415,800

4. Long-term debt obligations:

- 4.1 Auxiliary revenue bonds (non-SRB related)
- 4.2 Commercial paper
- 4.3 Notes payable (SRB related)
- 4.4 Others:

Total others

Sub-total long-term debt

4.5 Unamortized net bond premium/(discount)

Total long-term debt obligations

Total long-term liabilities

\$	469,035	-	469,035	-	(26,219)	\$ 442,816	27,016	\$ 415,800
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5 Capital lease obligations schedule:

Year ending June 30:	Capital lease obligations related to SRB		All other capital lease obligations		Total capital lease obligations	
	Principal Only	Interest Only	Principal Only	Interest Only	Principal Only	Interest Only

Year ending June 30:

2021	27,016	12,915	39,931	-	27,016	12,915
2022	27,838	12,093	39,931	-	27,838	12,093
2023	28,684	11,247	39,931	-	28,684	11,247
2024	29,357	10,374	39,931	-	29,357	10,374
2025	30,486	9,475	39,931	-	30,486	9,475
2026 - 2030	166,751	52,904	199,655	-	166,751	52,904
2031 - 2035	132,514	7,244	139,758	-	132,514	7,244
2036 - 2040	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total minimum lease payments	442,816	96,252	539,068	-	442,816	96,252
Less: amounts representing interest	-	-	-	-	-	-
Present value of future minimum lease payments	442,816	96,252	539,068	-	442,816	96,252
Unamortized net premium (discount)	-	-	-	-	-	-
Total capital lease obligations	442,816	96,252	539,068	-	442,816	96,252
Less: current portion	-	-	-	-	-	-
Capital lease obligations, net of current portion	442,816	96,252	539,068	-	442,816	96,252

6 Other capital lease obligations:

Unamortized net premium (discount)

Total capital lease obligations

Less: current portion

Capital lease obligations, net of current portion

\$	442,816	96,252	539,068	-	442,816	96,252	539,068
Less: amounts representing interest	-	-	-	-	-	-	-
Present value of future minimum lease payments	442,816	96,252	539,068	-	442,816	96,252	539,068
Unamortized net premium (discount)	-	-	-	-	-	-	-
Total capital lease obligations	442,816	96,252	539,068	-	442,816	96,252	539,068
Less: current portion	-	-	-	-	-	-	-
Capital lease obligations, net of current portion	442,816	96,252	539,068	-	442,816	96,252	539,068

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

(for inclusion in the California State University)

6 Long-term debt obligations schedule:

Year ending June 30:	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments									
Less: amounts representing interest									
Present value of future minimum payments									
Unamortized net premiums/(discount)									
Total long-term debt obligations									
Less: current portion									
Long-term debt obligations, net of current portion									

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	283,967
Payments to University for other than salaries of University personnel	1,609,981
Payments received from University for services, space, and programs	34,453
Gifts-in-kind to the University from discretely presented component units	0
Gifts (cash or assets) to the University from discretely presented component units	608,748
Accounts payable to University (enter as negative number)	(10,432)
Other amounts (payable to) University (enter as negative number)	(2,000,000)
Accounts receivable from University (enter as positive number)	241,541
Other amounts receivable from University (enter as positive number)	0

8 Restatements

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

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

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION
Notes to Financial Statements
June 30, 2020
(for inclusion in the California State University)

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	48,867	239	-	-	-	393,587	-	442,693
Research	107,426	55,161	-	-	-	199,403	-	361,990
Public service	3,141	24	-	-	-	322,645	-	325,810
Academic support	27,283	6,800	-	-	-	399,885	-	433,968
Student services	8,168	44	-	-	-	148,315	-	156,527
Institutional support	8,466	239	-	-	-	149,320	-	158,025
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	20,315	1,554	-	-	333,885	666,494	-	333,885
Auxiliary enterprise expenses	-	-	-	-	-	-	-	688,363
Depreciation and amortization	-	-	-	-	-	-	25,076	25,076
Total operating expenses	\$ 223,666	64,061	-	-	333,885	2,279,649	25,076	2,926,337

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:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

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:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

Total deferred inflows - others

Total deferred inflows of resources

See accompanying note on supplementary information.

HUMBOLDT STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2020

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.

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, 2020, 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 15, 2020.

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 15, 2020