

**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, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt State University Advancement Foundation
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Humboldt State University Advancement Foundation, a component unit of Humboldt State University (HSU), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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 Advancement Foundation as of June 30, 2018 and 2017, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt State University Advancement Foundation's basic financial statements. The schedule of net position, the schedule of revenues, expenses and changes in net position, and other information (supplementary information) as listed in the table of contents are 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 relate 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 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 13, 2018, on our consideration of Humboldt State University Advancement Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Humboldt State University Advancement 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 Humboldt State University Advancement Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 13, 2018

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2018 and 2017

This section of the annual financial report of Humboldt State University Advancement Foundation (the Foundation) presents the Foundation's discussion and analysis of the financial performance of the Foundation for the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

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

The financial statements include the 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 ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 8,203,621	\$ 4,916,073	\$ 4,815,373
Noncurrent assets	<u>32,176,323</u>	<u>34,744,906</u>	<u>31,609,751</u>
Total Assets	<u>\$ 40,379,944</u>	<u>\$ 39,660,979</u>	<u>\$ 36,425,124</u>
Liabilities:			
Current liabilities	\$ 2,222,235	\$ 2,465,664	\$ 380,505
Long-term debt obligations, net of current position	<u>469,035</u>	<u>494,479</u>	<u>2,519,173</u>
Total Liabilities	<u>\$ 2,691,270</u>	<u>\$ 2,960,143</u>	<u>\$ 2,899,678</u>
Net Position:			
Restricted for: nonexpendable - endowments	\$ 25,616,687	\$ 22,506,956	\$ 21,553,359
Restricted for: expendable - other	8,131,967	11,164,261	8,617,677
Unrestricted	<u>3,940,020</u>	<u>3,029,619</u>	<u>3,354,410</u>
Total net position	<u>\$ 37,688,674</u>	<u>\$ 36,700,836</u>	<u>\$ 33,525,446</u>

Assets

Current Assets

From 2017 to 2018, total current assets increased by \$3.29 million. A combination of an improvement in the general cash account balance and the reclassification of a noncurrent asset land held for sale to a current asset comprised the increase in total current assets. From 2016 to 2017, total current assets increased by \$0.10 million primarily due to additional funds held in trust on behalf of campus programs with an associated increase in the Advancement Foundation's investment in their Local Agency Investment Fund (LAIF) savings account.

Other Noncurrent Assets

From 2017 to 2018, noncurrent assets decreased by \$2.57 million as a result of the reclassification of noncurrent asset land held for sale to a current asset. From 2016 to 2017, noncurrent assets increased \$3.14 million due to an increase in endowment investments and increase in earnings due to investment performance.

Liabilities

Current Liabilities

Total current liabilities decreased by \$0.24 million from 2017 to 2018 due to a decrease in checks issued in excess of bank balances and modest increases in accounts payable and year-end accruals from Foundation accounts. Current liabilities also include \$0.10 million for administrative cost recovery fees and \$2 million for the pledge payable to campus related to the Samoa property. Total current liabilities

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2018 and 2017

increased by \$2.09 million from 2016 to 2017 mainly due to an increase in year-end accruals from Foundation accounts and a year ending negative cash balance.

Noncurrent Liabilities

At June 30, 2018 noncurrent liabilities include \$0.47 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 10. At June 30, 2017 noncurrent liabilities related to the same transaction totaled \$.49 million.

Net Position

During the 2017 to 2018 fiscal year, total net position increased \$0.99 million. The Foundation's net position as of June 30, 2018 consists of:

Restricted for: non-expendable – endowments - \$25,616,687

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 - \$8,131,967

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 - \$3,940,020

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2018 and 2017

Operating Results

The Foundation's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
Total operating revenues	\$ 585,353	\$ 908,379	\$ 522,764
Total operating expenses	<u>(3,160,707)</u>	<u>(2,946,476)</u>	<u>(2,420,504)</u>
Operating loss	<u>(2,575,354)</u>	<u>(2,038,097)</u>	<u>(1,867,740)</u>
Nonoperating revenues (expenses):			
Total gifts	3,497,938	2,854,331	2,341,121
Non-endowment investment income (loss), net	63,522	202,613	12,527
Endowment investment income (loss), net	1,912,768	3,556,092	(436,634)
Interest expense	(57,908)	(44,007)	(45,714)
Other nonoperating revenue, net	<u>30,734</u>	<u>159,836</u>	<u>155,274</u>
Non nonoperating revenues (expenses)	<u>5,447,054</u>	<u>6,728,865</u>	<u>2,026,574</u>
Income before other additions	2,871,700	4,690,768	128,834
Additions to permanent endowments	419,235	956,466	281,918
Net transfers to other campus entities	<u>(2,303,097)</u>	<u>(2,471,844)</u>	<u>(865,380)</u>
Increase (decrease) in net position	987,838	3,175,390	(454,628)
Net position at beginning of year	<u>36,700,836</u>	<u>33,525,446</u>	<u>33,980,074</u>
Net position at end of year	<u>\$ 37,688,674</u>	<u>\$ 36,700,836</u>	<u>\$ 33,525,446</u>

Operating Revenues and Expenses

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

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include gifts, investment income, rental income, endowment income, and interest expense. During the 2016-17 fiscal year, net nonoperating revenue increased by \$4.7 million to \$6.73 million. During 2017-18 net nonoperating revenue of \$5.44 million decreased \$1.28 million from the prior year due to the following factors:

During the fiscal year ended in June 2018, gifts increased \$0.6 million to \$3.49 million. Gifts increased \$0.5 million during the year ended June 2017 to \$2.85 million. 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 2017 to 2018, investment earnings on endowed funds decreased \$1.6 million to \$1.91 million, reflecting general market performance. During 2016-17 there was an increase of \$4.0 million compared to the prior year's loss, for a June 30, 2017 total of \$3.56 million in investment earnings on endowed funds.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Management's Discussion and Analysis

June 30, 2018 and 2017

Advancement Foundation Policies and Procedures

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

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

Factors That Will Affect the Future

The fair market value of the total endowment balance is greater than the corpus as of June 30, 2018. The Foundation's Board takes an active role in managing the Foundation's investments. However volatility in the economy impacts the Foundation's investment portfolio and could impact the Foundation's ability to support the University.

Capital Lease Transaction

During the year ended June 30, 2014, the Foundation entered into a three-party transaction with a private bank and Humboldt State University which resulted in the Foundation acquiring 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.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
Statements of Net Position
June 30, 2018 and 2017

Assets	2018	2017
Current assets		
Cash and cash equivalents	\$ 1,033,310	\$ 33,431
Short-term investments	6,874,290	4,637,885
Interest receivable	20,594	11,334
Prepaid expenses	152	-
Pledges receivable	64,838	43,361
Capital lease receivable - current	25,445	24,694
Other receivable	184,992	165,368
Total current assets	<u>8,203,621</u>	<u>4,916,073</u>
Noncurrent assets		
Pledges receivable, noncurrent	72,369	52,412
Endowment investments	29,539,338	29,568,196
Noncurrent investments	1,241,486	1,317,581
Land and capital assets	771,237	779,222
Capital lease receivable	469,035	494,479
Other assets	82,858	-
Land held for resale	-	2,533,016
Total noncurrent assets	<u>32,176,323</u>	<u>34,744,906</u>
Total assets	<u>\$ 40,379,944</u>	<u>\$ 39,660,979</u>
Liabilities and Net Position		
Current liabilities		
Checks issued in excess of bank balances	\$ -	\$ 271,164
Accounts payable	44,986	21,481
Accrued salaries and benefits payable	37,559	36,032
Capitalized lease obligations, current portion	25,445	24,694
Depository accounts, current portion	2,000	2,000
Other liabilities	112,245	110,293
Other liabilities - pledge payable	2,000,000	2,000,000
Total current liabilities	<u>2,222,235</u>	<u>2,465,664</u>
Long-term liabilities		
Redwood Capital Bank	469,035	494,479
Total liabilities	<u>2,691,270</u>	<u>2,960,143</u>
Net position		
Restricted for: nonexpendable - endowment	25,616,687	22,506,956
Restricted for: expendable - other	8,131,967	11,164,261
Unrestricted	3,940,020	3,029,619
Total net position	<u>37,688,674</u>	<u>36,700,836</u>
Total liabilities and net position	<u>\$ 40,379,944</u>	<u>\$ 39,660,979</u>

See accompanying notes

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2018 and 2017

	2018	2017
Revenues:		
Operating revenues:		
Indirect cost - trusts	\$ 155,297	\$ 152,109
Cost recovery	419,825	401,775
Other operating revenues	10,231	354,495
Total operating revenues	585,353	908,379
Expenses:		
Operating expenses:		
Public service	836,684	692,814
Academic support	240,705	435,089
Scholarships and fellowships	358,886	346,340
Student services	382,851	141,543
Institutional support	131,321	616,395
Auxiliary enterprises	555,020	3,855
Instructional	428,212	462,313
Research	227,028	248,127
Total operating expenses	3,160,707	2,946,476
Operating loss	(2,575,354)	(2,038,097)
Nonoperating revenues (expenses):		
Gifts		
Contributions	2,984,848	2,561,463
Fundraising	149,903	195,150
Campus support	135,000	-
Additions (reductions) to quasi and term-endowments	228,187	97,718
Total gifts	3,497,938	2,854,331
Investment income, net	63,522	202,613
Endowment income (loss), net	1,912,768	3,556,092
Interest expense	(57,908)	(44,007)
Other nonoperating revenue	30,734	159,836
Net nonoperating revenues	5,447,054	6,728,865
Income before other additions	2,871,700	4,690,768
Additions to permanent endowments	419,235	956,466
Transfers to other campus entities	(2,303,097)	(2,471,844)
Increase (decrease) in net position	987,838	3,175,390
Net position:		
Net position at beginning of year	36,700,836	33,525,446
Net position at end of year	\$ 37,688,674	\$ 36,700,836

See accompanying notes

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
Statements of Cash Flows
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Received for administrative services	\$ 226,534	\$ 953,749
Payments to vendors and suppliers	33,522	(2,422,454)
Transfers to other campus entities	(639,220)	(654,769)
Net cash used in operating activities	<u>(379,164)</u>	<u>(2,123,474)</u>
Cash flows from noncapital financing activities:		
Noncapital gifts and endowments received	1,501,603	2,561,462
Net cash provided by noncapital financing activities	<u>1,501,603</u>	<u>2,561,462</u>
Cash flows from capital and related financing activities:		
Principal and interest paid on debt and leases	(82,601)	(2,067,971)
Purchase of capital assets	124,463	(309,079)
Net cash used in capital and related financing activities	<u>41,862</u>	<u>(2,377,050)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	8,017,875	2,066,796
Investment income	1,624,143	1,049,458
Purchase of investments and related fees	(9,806,440)	(1,460,962)
Net cash provided by (used in) investing activities	<u>(164,422)</u>	<u>1,655,292</u>
Net increase (decrease) in cash and cash equivalents	999,879	(283,770)
Cash and cash equivalents at beginning of year	33,431	317,201
Cash and cash equivalents at end of year	<u>\$ 1,033,310</u>	<u>\$ 33,431</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (2,575,351)	\$ (2,038,097)
Change in assets and liabilities:		
Receivables, net	(102,482)	55,300
Prepaid expenses	-	(6,000)
Other assets	2,540,849	(111,207)
Accounts payable and accrued liabilities	(242,180)	(23,470)
	<u>\$ (379,164)</u>	<u>\$ (2,123,474)</u>
Supplemental schedule of noncash transactions:		
Change in fair value of investments	\$ (102,476)	\$ 2,663,213

See accompanying notes

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(1) Organization

Humboldt State University Advancement 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.

During the fiscal year ended June 30, 2016, a new entity, the Humboldt State University Real Estate Holdings Corporation was created as a supporting organization of the Foundation to accept, hold and manage certain real property on behalf of the Foundation and the University. The articles of incorporation of Real Estate Holdings Corporation restrict distributions to Humboldt State University Advancement Foundation solely. As of June 30, 2017 the Real Estate Holdings Corporation (REH) received a grant from the Sponsored Program Foundation for \$350,000 for the initial funding of the property management business unit. The board of directors approved the \$300,000 purchase of property at 570 Granite Avenue in Arcata. Escrow closed in January 2017. The property is currently rented. In 2016-17 REH also booked two other properties that were held by the Foundation in prior years: the Trinity Annex and the Samoa Property. The Samoa Property is a current investment whose value is offset by a pledge payable to HSU. The Trinity Annex property was originally purchased by the HSUAF 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 HSUAF Endowment. During the 2017-18 year, the campus exercised its option to purchase the Trinity Annex, which cleared the note receivable in the HSUAF Endowment fund and the note payable recorded in REH. The transactions between the Foundation and REH have been eliminated to prevent duplication in these financial statements.

Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(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

During the year ended June 30, 2017, the Foundation implemented a policy change requiring that disbursement of most contributed funds be made from accounts held by the Foundation for the benefit of the University. In the year ended June 30, 2016 and in prior years, these contributions were transferred to the University and disbursements were reported as expenses on their consolidated financial statements. This policy change resulted in a marked increase in amounts reported by the Foundation as operating expenses on the Statement of Revenues, Expenses and Changes in Net Position. There is a corresponding decrease in the amount reported as transfers to other campus entities. Management believes this provides greater assurance that contributions are expended consistent with donor intent.

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

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

(d) Cash and Cash Equivalents

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(1) Organization (Continued)

Summary of Significant Accounting Policies (Continued)

(e) Pledges Receivable

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

(f) Investments

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

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

(g) Endowment Investments

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

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

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

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(1) Organization (Continued)

Summary of Significant Accounting Policies (Continued)

(h) Capital Assets

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

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

(i) Net Position

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

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

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

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

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

(j) Classification of Revenues and Expenses

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

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(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 open audit periods are 2015 through 2017. 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, 2018 and 2017.

(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.

(m) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to reclassify \$3,378,165 of restricted expendable to restricted non-expendable (\$2,570,526) and unrestricted (\$807,640) net positions.

(2) Cash and Cash Equivalents and Investments

The Foundation's cash and cash equivalents and investments as of June 30, 2018 and 2017 are classified in the accompanying statement of net position as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,033,310	\$ 33,431
Short-term investments	6,874,290	4,637,885
Long-term investments	1,241,486	1,317,581
Endowment investments	<u>29,539,338</u>	<u>29,568,196</u>
Total investments	<u>37,655,114</u>	<u>35,523,662</u>
Total cash, cash equivalents, and investments	<u>\$ 38,688,424</u>	<u>\$ 35,557,093</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

(a) Cash and Cash Equivalents

At June 30, 2018 and 2017, cash and cash equivalents consisted of petty cash and demand deposits held at a commercial bank totaling \$1,033,310 and \$33,331 respectively. These deposits had carrying balances with the commercial bank of \$1,051,107 and \$33,331. 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, 2018 and 2017, the Foundation's uninsured cash balances were \$762,028 and \$0. The Foundation has incurred no losses related to these accounts.

(b) Short-term Investments

At June 30, 2018 and 2017, 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, 2018 and 2017, cash invested in LAIF was \$4,340,057 and \$4,637,885.

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, 2018, GASB requires the asset to remain in the same class of asset as when acquired.

18 shares of Baywood Country Club stock is also classified as a short term investment.

(c) Noncurrent Investments

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

<u>Investment Type</u>	<u>2018</u>	<u>2017</u>
Hydrogen Demonstration Trust	\$ 1,241,486.00	1,317,581.00
Total long-term Investments	\$ 1,241,486.00	1,317,581.00

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

(c) Noncurrent Investments (Continued)

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

	<u>2018</u>		<u>2017</u>
Interest, dividends, and other income	\$ 26,615	\$	50,587
Realized gain/(loss)	23,996		122,299
Unrealized gain/(loss)	15,518		63,417
Fees	<u>(22,801)</u>		<u>(33,690)</u>
Total non-endowment investment income/(loss), net	\$ <u>43,328</u>	\$	<u>202,613</u>

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

(d) Endowment Investments

Endowment investments consist of 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.

<u>Investment Type</u>	<u>2018</u>		<u>2017</u>
Endowment pooled investments	\$ 29,065,203	\$	29,094,061
Schatz tree farm land	474,135		474,135
Total endowment investments	\$ <u>29,539,338</u>	\$	<u>29,568,196</u>

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

	<u>2018</u>		<u>2017</u>
Interest, dividends, and other income	\$ 793,957	\$	734,506
Realized gain	850,453		270,099
Unrealized gain/(loss)	326,343		2,599,796
Fees	<u>(57,985)</u>		<u>(48,309)</u>
Total endowment investment income/(loss), net	\$ <u>1,912,768</u>	\$	<u>3,556,092</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

(d) *Endowment Investments (Continued)*

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

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

The Foundation annually reviews its endowment funds taking into account the required prudence evaluation as guided by UPMIFA which requires considering the donor’s intent, contractual agreements with donors, as well as several economic factors. For the fiscal years ending June 30, 2018 and 2017, the Board of Directors authorized distribution rates of 4.5% and 4.4%, respectively.

If the endowments’ market value is above corpus then the net investment appreciation, realized and unrealized, is reported in the restricted non-expendable endowment row on the statement of net position until appropriated for spending pursuant to donor agreements. If the endowments’ market value is below corpus then the net investment depreciation, realized and unrealized, is reported in the restricted for: nonexpendable - endowment net position category on the statement of net position. As of June 30, 2018 and 2017 there were 1 and 1 true endowment accounts, respectively, for which the fair market values are below the corpus in the amounts of \$281,641.85 and \$169.

Endowment earnings distributions of \$1,248,152 and \$1,404,959 were made in the years ended June 30, 2018 and 2017. The Board of Directors of the Foundation has approved the planned distribution for the upcoming fiscal year ending June 30, 2019 at a rate of 4.5%.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

(e) Investments Reported at Fair Market Value

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

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

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

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

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

As of June 30, 2018 and 2017 the Investments included within the Foundation's financial statements are classified as follows.

Level 1 - \$31,583,822 (83%) at June 30, 2018 and \$30,724,164 (86%) at June 30, 2017

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 - \$3,537,080 (.10%) at June 30, 2018 and \$3,123,281 (9%) at June 30, 2017

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

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

Level 3 - \$2,534,233(7%) at June 30, 2018 and \$1,676,217 (5%) at June 30, 2017

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, 2018 and 2017.

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, 2018 and 2017, 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 ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

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

For the Fiscal Year Ended June 30, 2018

	Fair Value Measurements Using			
	06/30/2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 4,628,275	\$ 4,628,275	\$ -	\$ -
Mutual Funds - Equity	16,984,980	15,217,417	1,767,562	-
Mutual Funds - Fixed Assets	6,598,988	6,598,988	-	-
Mutual Funds - Balanced	5,139,142	5,139,142	-	-
Real Estate Investment Trusts	1,769,518	-	1,769,518	-
Equities - Stock	1,217	-	-	1,217
Real Estate	2,533,016	-	-	2,533,016
Total	\$ 37,655,135	\$ 31,583,822	\$ 3,537,080	\$ 2,534,233

For the Fiscal Year Ended June 30, 2017

	Fair Value Measurements Using			
	06/30/2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 5,187,481	\$ 5,187,481	\$ -	\$ -
Mutual Funds - Equity	11,707,657	11,707,657	-	-
Mutual Funds - Fixed Assets	7,948,245	7,948,245	-	-
Mutual Funds - Balanced	7,526,310	5,880,781	1,645,529	-
Real Estate Investment Trusts	1,477,752	-	1,477,752	-
Equities - Stock	1,217	-	-	1,217
Real Estate	1,675,000	-	-	1,675,000
Total	\$ 35,523,662	\$ 30,724,164	\$ 3,123,281	\$ 1,676,217

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(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, 2018 and 2017 these were:

June 30, 2018		
Asset	Fair Value	% of Total
AMERICAN EUROPACIFIC GROWTH F2	\$ 2,019,965	6.03%
BLACKROCK GLOBAL ALLOCATION FD	3,033,565	9.05%
DFA INTL SMALL CAP	1,856,215	5.54%
DFA US SMALL CAP	1,949,334	5.82%
DODGE & COX	1,880,389	5.61%
PARNASSUS ENDEAVOR FUND	1,807,484	5.39%
PIMCO TOTAL RETURN FUND INST	3,304,088	9.86%
T. ROW PRICE INST L C VALUE	1,798,849	5.37%
VANGUARD 500 INDEX ADMIRAL	1,895,177	5.65%
VANGUARD TOT INT ST IDX ADM	2,010,003	6.00%
VANGUARD TOTAL BOND MARKET INDEX ADM	3,294,900	9.83%
VANGUARD INFLATION PROTECTED ADM	2,105,577	6.28%
INTECH MANAGED LARGE CAP GROWTH	1,767,562	5.27%
RREEF AMERICA	1,783,768	5.32%
SAMOA PROPERTY	2,533,016	7.56%

June 30, 2017		
Asset	Fair Value	% of Total
AMERICAN EUROPACIFIC GROWTH F2	\$ 1,875,200	5.53%
BLACKROCK GLOBAL ALLOCATION FD	2,555,991	7.54%
DODGE & COX	1,919,855	5.66%
PIMCO ALL ASSET FUND INSTITU	3,323,459	9.81%
PIMCO TOTAL RETURN FUND INST	3,119,798	9.21%
VANGUARD 500 INDEX ADMIRAL	1,900,273	5.61%
VANGUARD SHORT TER BOND INDEX	1,737,525	5.13%
VANGUARD TOTAL BOND MARKET INDEX ADM	3,090,922	9.12%
SAMOA PROPERTY	2,533,016	7.47%

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 ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(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, 2018 and 2017, the Foundation had 95% and 90% 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, 2018 and 2017 are as follows.

Fixed Income Securities:

		2018	2017
Vanguard Total Bond	Rated Aa2	\$ 3,294,900	\$ 2,583,971
PIMCO Total Return	Rated A1	3,304,088	3,340,925
Total		<u>\$ 6,598,988</u>	<u>\$ 5,924,896</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, 2018, 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 assets held within the Foundation's portfolio at June 30, 2018 are:

Vanguard Total Bond	Average Duration	6.10 Years
PIMCO Total Return	Effective Duration	4.06 Years

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(3) Pledges Receivable

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

	2018	
	Current	Noncurrent
To be collected by:		
Fiscal year ending June 30, 2019	\$ 64,837	\$ -
Fiscal years ending after June 30, 2019	<u>-</u>	<u>72,369</u>
Total	64,837	72,369
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total pledges receivable, net	\$ <u><u>64,837</u></u>	\$ <u><u>72,369</u></u>
	2017	
	Current	Noncurrent
To be collected by:		
Fiscal year ended June 30, 2018	\$ 43,361	\$ -
Fiscal years ending after June 30, 2018	<u>-</u>	<u>52,412</u>
Total	43,361	52,412
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total pledges receivable, net	\$ <u><u>43,361</u></u>	\$ <u><u>52,412</u></u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(4) Interest and Other Receivable

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

	2018		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Online contributions - deposits in transit	\$ 20,340	\$ -	\$ 20,340
Expenses reimbursable by outside agencies	59,515	-	59,515
Endowment quarterly service charge	<u>105,136</u>	<u>-</u>	<u>105,136</u>
Total other receivables	184,992	-	184,992
Operations interest receivable on LAIF account	<u>20,594</u>	<u>-</u>	<u>20,594</u>
Total	<u>\$ 205,586</u>	<u>\$ -</u>	<u>\$ 205,586</u>
	2017		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Online contributions - deposits in transit	\$ 4,004	\$ -	\$ 4,004
Expenses reimbursable by outside agencies	157,014	-	157,014
KHSU radio station underwriting fees	<u>4,350</u>	<u>-</u>	<u>4,350</u>
Total other receivables	165,368	-	165,368
Operations interest receivable on LAIF account	<u>11,334</u>	<u>-</u>	<u>11,334</u>
Total	<u>\$ 176,702</u>	<u>\$ -</u>	<u>\$ 176,702</u>

The operations endowment fee receivable is thirty-seven and one half basis points (0.00375) of the market value of invested funds at June 30, 2018. This is an administrative fee charged each quarter to recover costs incurred by the Foundation for operations.

There is no allowance for uncollectible accounts deemed necessary for the years ended June 30, 2018 or 2017.

(5) Other Assets

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(6) Capital Assets

The change in capital assets for the year ended June 30, 2018 is as follows:

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

	Balance 6/30/2016	Additions	Disposals	Transfers	Balance 6/30/2017
Land and Land Improvements	\$ -	\$ 69,543	\$ -	\$ 474,135	\$ 543,678
Buildings	-	239,536	-	-	239,536
Accumulated Depreciation	-	(3,992)	-	-	(3,992)
Total	\$ -	\$ 305,087	\$ -	\$ 474,135	\$ 779,222

(7) Current Liabilities

As of June 30, 2018 and 2017, current liabilities totaled \$2,222,235 and \$2,465,664, respectively. \$37,559 is due from the Foundation to the Humboldt State Sponsored Programs Foundation (Sponsored Programs) for reimbursement of payroll expenses related to Sponsored Programs processing payroll on behalf of the Foundation. \$2,000 are deposits from 570 Granite Avenue. \$2,000,000 is a pledge payable to the University of the net proceeds from real estate held for sale. In addition \$25,445 is recorded as the current portion of the lease obligation discussed in Note 10. Additional amounts are payable to various vendors for services provided prior to the end of the fiscal year.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(8) Noncurrent Liabilities

Noncurrent liabilities of \$469,035 and \$494,479 as of June 30, 2018 and 2017, consist of a capital lease related to the Natural History Museum Building with final maturity at December 2033. In June 2017, the CSURMA loan was taken over by the University and is no longer a liability to the Foundation. For the years ended June 30, 2018 and 2017, the Foundation paid \$15,237 and \$28,040 in interest expense.

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

	Balance			Balance	Current	Long-term
	June 30, 2016	Additions	Reductions	June 30, 2017	Portion	Portion
CSURMA loan	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -	\$ -	\$ -
Capital Lease Payable	543,138	-	(23,965)	519,173	24,693	494,480
Total	\$ 2,543,138	\$ -	\$ (2,023,965)	\$ 519,173	\$ 24,693	\$ 494,480

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

Year Ending June:	Principal	Interest	Total
2019	\$ 25,445	\$ 14,486	\$ 39,931
2020	26,219	13,712	39,931
2021	27,016	12,915	39,931
2022	27,838	12,093	39,931
2023 and After	387,962	71,236	459,198
	\$ 494,480	\$ 124,442	\$ 618,922

(9) Calculation of Net Position

The change in net position is as follows:

Calculation of net position restricted for nonexpendable endowments

	2018	2017
Endowment investments	\$ 29,539,338	\$ 29,567,853
Quasi- and term- endowments that are restricted expendable or unrestricted	(4,449,286)	(10,058,347)
Payables due from permanent endowments to operations for administrative fees	(83,835)	(155,157)
Permanent endowment appreciation included in restricted expendable net position	-	3,152,607
Other Assets included in Restricted Non Expendable Endowment Funds	610,470	-
Net position - Restricted for: non expendable - endowments per SNP	\$ 25,616,687	\$ 22,506,956

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(9) Calculation of Net Position (Continued)

Calculation of total net position

	Restricted for: Expendable - other	Restricted for: Nonexpendable - Endowments	Unrestricted	Total
Beginning net position as of July 1, 2016	\$ 8,617,677	\$ 21,553,359	\$ 3,354,410	\$ 33,525,446
2016-17 increase in net position	2,546,584	953,597	(324,791)	3,175,390
Ending net position as of June 30, 2017	11,164,261	22,506,956	3,029,619	36,700,836
Current year increase in net position	(3,032,294)	3,109,731	910,401	987,838
Ending net position as of June 30, 2018	\$ <u>8,131,967</u>	\$ <u>25,616,687</u>	\$ <u>3,940,020</u>	\$ <u>37,688,674</u>

(10) Transactions with Related Entities

The Foundation maintains an agreement with the University for business management services. The Foundation paid the University \$279,000 and \$230,000 for the years ended June 30, 2018 and 2017.

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 \$391,452.35 in donations to the University or auxiliaries. In the prior year \$1,294,964 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 \$391,452.35 in donations transferred during the year ended June 30, 2018, \$532.15 was for Associated Students, \$7,725.35 was for the University Center, \$0 was for Sponsored Programs and \$383,195 was for the University (scholarships, athletics scholarships and student clubs). Of the \$1,294,964 in donations for the year ended June 30, 2017, \$25,048 was for Associated Students, \$7,080 was for the University Center, \$827,150 was for Sponsored Programs Foundation and \$435,687 was for the University.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(10) Transactions with Related Entities (Continued)

The accompanying financial statements also include the following transactions with the University and related auxiliary organizations as of and for the year ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Payments to University for salaries of University Personnel working on contracts, grants, and other programs	\$ 149,508	\$ 214,797
Payments to University for other than salaries of University Personnel	520,736	797,061
Payments received from University for services, space, and programs	291,157	325,974
Gifts-in-kind to the University from Auxiliary Organizations	124,463	-
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	1,106,464	987,380
Accounts payable to University	(15,784)	-
Other amounts Payable to the University	(2,000,000)	(2,000,000)
Accounts receivable from University	7,747	12,307
Accounts receivable from Sponsored Programs Foundation	6,013	3,487
Other transfers to University Center	13,340	43,378
Other transfers to Sponsored Programs Foundation	1,082,700	465,389
Accounts Payable to Sponsored Programs Foundation	(37,559)	-

(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 with final maturity of December 2033. The transaction created a liability in the amount of the fair market value of the building, \$600,000. In lieu of cash payments, the bank agreed to accept payment in the form of monthly rent credits on a lease of a second building ("the new bank building") that is owned by the University. To reimburse the University for making the payment to the bank on its behalf, the Foundation agreed to credit the University's rent owed on the museum building lease in the same amount as the rent credit the University gives to the bank.

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

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

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

<u>Year Ending June 30,</u>		
2019	\$	39,931
2020		39,931
2021		39,931
2022		39,931
2023		39,931
Thereafter		<u>419,267</u>
Total Lease Payments		618,922
Less: Amount Representing Interest		<u>(124,442)</u>
Present Value of Minimum Lease Payments		494,480
Less: Current Maturity		<u>(25,445)</u>
Net noncurrent Portion	\$	<u><u>469,035</u></u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(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, 2018 and 2017, operating expenses by natural classification consists of the following:

2018					
Functional Classification	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total</u>
Instruction	\$ 26,134	\$ 273	\$ 12,525	\$ 389,280	\$ 428,212
Research	-	-	-	227,028	227,028
Public Service	291,531	169,242	-	375,911	836,684
Academic Support	63,713	42,982	3,900	130,110	240,705
Student Services	-	-	1,000	381,851	382,851
Institutional Support	5,317	-	1,000	125,005	131,321
Scholarships & Fellowsh	-	-	12,259	346,627	358,886
Auxiliary Enterprises	-	-	-	555,020	555,020
	<u>\$ 386,694</u>	<u>\$ 212,497</u>	<u>\$ 30,684</u>	<u>\$ 2,530,832</u>	<u>\$ 3,160,707</u>

2017					
Functional Classification	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total</u>
Instruction	\$ 58,047	\$ 843	\$ 8,645	\$ 394,778	\$ 462,313
Research	-	-	-	248,127	248,127
Public Service	279,011	119,896	-	293,907	692,814
Academic Support	94,734	41,195	2,500	296,660	435,089
Student Services	-	-	-	141,543	141,543
Institutional Support	-	-	-	616,395	616,395
Scholarships & Fellowsh	14,941	155	7,000	324,243	346,340
Auxiliary Enterprises	-	-	-	3,855	3,855
	<u>\$ 446,733</u>	<u>\$ 162,089</u>	<u>\$ 18,145</u>	<u>\$ 2,319,509</u>	<u>\$ 2,946,477</u>

Humboldt State University Advancement Foundation

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 1,033,310
Short-term investments	6,874,290
Accounts receivable, net	205,586
Capital lease receivable, current portion	25,445
Notes receivable, current portion	—
Pledges receivable, net	64,838
Prepaid expenses and other current assets	<u>152</u>
Total current assets	<u>8,203,621</u>

Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	82,858
Capital lease receivable, net of current portion	469,035
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	72,369
Endowment investments	29,539,338
Other long-term investments	1,241,486
Capital assets, net	771,237
Other assets	<u>—</u>
Total noncurrent assets	<u>32,176,323</u>
Total assets	<u>40,379,944</u>

Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	<u>—</u>
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:	
Accounts payable	44,986
Accrued salaries and benefits	37,559
Accrued compensated absences, current portion	—
Unearned revenues	—
Capital lease obligations, current portion	25,445
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	2,000
Other liabilities	<u>2,112,245</u>
Total current liabilities	<u>2,222,235</u>

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	469,035
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	<u>—</u>
Total noncurrent liabilities	<u>469,035</u>
Total liabilities	<u>2,691,270</u>

Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	<u>—</u>
Total deferred inflows of resources	<u>—</u>

Net Position:

Net investment in capital assets	276,757
Restricted for:	—
Nonexpendable – endowments	25,616,687
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	8,131,967
Unrestricted	3,663,263
Total net position	<u>\$ 37,688,674</u>

See accompanying note on supplementary information

Humboldt State University Advancement Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2018
(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		155,297
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		(1,469)
Scholarship allowances (enter as negative)		—
Other operating revenues		431,525
		431,525
Total operating revenues		585,353

Expenses:

Operating expenses:

Instruction		428,212
Research		227,028
Public service		836,684
Academic support		240,705
Student services		382,851
Institutional support		131,322
Operation and maintenance of plant		—
Student grants and scholarships		358,886
Auxiliary enterprise expenses		547,035
Depreciation and amortization		7,985
		7,985
Total operating expenses		3,160,707
Operating income (loss)		(2,575,354)

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		2,995,384
Investment income (loss), net		63,522
Endowment income (loss), net		1,912,768
Interest expense		(57,908)
Other nonoperating revenues (expenses) - excl. interagency transfers		180,637
Other nonoperating revenues (expenses) - interagency transfers		(2,303,097)
		(2,303,097)
Net nonoperating revenues (expenses)		2,791,306
Income (loss) before other revenues (expenses)		215,952

State appropriations, capital

Grants and gifts, capital		—
Additions (reductions) to permanent endowments		124,463
		647,423
Increase (decrease) in net position		987,838

Net position:

Net position at beginning of year, as previously reported		36,700,836
Restatements		—
		36,700,836
Net position at beginning of year, as restated		36,700,836
Net position at end of year		37,688,674

See accompanying note on supplementary information

Humboldt State University Advancement Foundation

Other Information

June 30, 2018

(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2018:

Portion of restricted cash and cash equivalents related to endowments	\$ —
All other restricted cash and cash equivalents	—
Total restricted cash and cash equivalents	\$ —

2.1 Composition of investments at June 30, 20CY:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	4,340,057	—	4,340,057	—	—	—	4,340,057
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	28,723,109	28,723,109	28,723,109
Money Market funds	—	—	—	—	288,197	288,197	288,197
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	1,217	—	1,217	—	—	—	1,217
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	2,533,016	—	2,533,016	—	1,769,518	1,769,518	4,302,534
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	6,874,290	—	6,874,290	—	30,780,824	30,780,824	37,655,114
Less endowment investments (enter as negative number)	—	—	—	—	(29,539,338)	(29,539,338)	(29,539,338)
Total investments	6,874,290	—	6,874,290	—	1,241,486	1,241,486	8,115,776

2.2 Investments held by the University under contractual agreements at June 30, 20CY:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	\$ —
---	------

2.3 Restricted current investments at June 30, 20CY related to:

Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 20CY	\$ —

See accompanying note on supplementary information

Humboldt State University Advancement Foundation

Other Information

June 30, 2018

(for inclusion in the California State University)

2.4 Restricted noncurrent investments at June 30, 20CY related to:

	Amount
Endowment investment	\$ 29,539,338
Scholarships	—
Inflation reserves	—
University projects	—
Hydrogen pool	1,241,486
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 20CY	\$ 30,780,824

2.5 Fair value hierarchy in investments at June 30, 20CY:

	Fair Value Measurements Using				
	Total	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)
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	4,340,057	—	—	—	4,340,057
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	28,723,109	26,955,547	1,767,562	—	—
Money Market funds	288,197	288,197	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	1,217	—	—	1,217	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:	—	—	—	—	—
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	4,302,534	—	4,302,534	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	37,655,114	27,243,744	6,070,096	1,217	4,340,057

Humboldt State University Advancement Foundation

Other Information

June 30, 2018

(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 20CY:

	Balance June 30, 20PY	Prior period Adjustments	Reclassifications	Balance June 30, 20PY (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 20CY
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 543,678	—	—	543,678	—	—	—	543,678
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	543,678	—	—	543,678	—	—	—	543,678
Depreciable/amortizable capital assets:								
Buildings and building improvements	239,536	—	—	239,536	—	—	—	239,536
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	239,536	—	—	239,536	—	—	—	239,536
Total capital assets	783,214	—	—	783,214	—	—	—	783,214
Less accumulated depreciation/amortization:								
Buildings and building improvements	(3,992)	—	—	(3,992)	(7,985)	—	—	(11,977)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(3,992)	—	—	(3,992)	(7,985)	—	—	(11,977)
Total capital assets, net	779,222	—	—	779,222	(7,985)	—	—	771,237

See accompanying note on supplementary information

Humboldt State University Advancement Foundation

Other Information
June 30, 2018
(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 20CY:

Depreciation and amortization expense related to capital assets	\$ 7,985
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 7,985</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 20PY	Prior period adjustments	Reclassifications	Balance June 30, 20PY (restated)	Additions	Reductions	Balance June 30, 20CY	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:	519,173	—	—	519,173	—	(24,693)	494,480	25,445	469,035
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	519,173	—	—	519,173	—	(24,693)	494,480	25,445	469,035
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:	—	—	—	—	—	—	—	—	—
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 519,173	—	—	519,173	—	(24,693)	494,480	25,445	469,035

5 Future minimum lease payments - Capital lease obligations:

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
2019	—	—	25,445	14,486	25,445	14,486
2020	—	—	26,219	13,712	26,219	13,712
2021	—	—	27,016	12,915	27,016	12,915
2022	—	—	27,838	12,093	27,838	12,093
2023	—	—	28,684	11,247	28,684	11,247
2024 - 2028	—	—	157,052	42,603	157,052	42,603
2029 - 2033	—	—	143,729	15,995	143,729	15,995
2034 - 2038	—	—	58,497	1,399	58,497	1,399
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum lease payments	—	—	494,480	124,450	494,480	124,450
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum lease payments	—	—	494,480	124,450	494,480	124,450
Unamortized net premium (discount)	—	—	—	—	—	—
Total capital lease obligations	—	—	494,480	124,450	494,480	124,450
Less: current portion	—	—	—	—	—	—
Capital lease obligations, net of current portion	—	—	494,480	124,450	494,480	124,450

See accompanying note on supplementary information

Humboldt State University Advancement Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

6 Long-term debt obligations schedule:

Year ending June 30:	Auxiliary revenue bonds		All other long-term debt obligations		Total long-term debt obligations	
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum payments	—	—	—	—	—	—
Unamortized net premium (discount)	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—
Less: current portion	—	—	—	—	—	—
Long-term debt obligations, net of current portion	—	—	—	—	—	—

7

Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 771,237
Capital lease obligations, current portion	(25,445)
Capital lease obligations, net of current portion	(469,035)
Long-term debt obligations, current portion	—
Long-term debt obligations, net of current portion	—
Portion of outstanding debt that is unspent at year-end (enter as positive num)	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Net investment in capital assets	<u>\$ 276,757</u>
	OK

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ —
Endowment investments	29,539,338
Other adjustments: (please list)	—
Quasi and Term Endowments that are Restricted Expendable/Unrs	(4,449,286)
Endowment Service Charge owed by true endowments to gen fund	(83,835)
Other Assets included in Restricted Non Expendable Funds	610,470
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments	<u>\$ 25,616,687</u>

Humboldt State University Advancement Foundation

Other Information

June 30, 2018

(for inclusion in the California State University)

8 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	<u>149,508</u>
Payments to University for other than salaries of University personnel		520,736
Payments received from University for services, space, and programs		291,157
Gifts-in-kind to the University from discretely presented component units		124,463
Gifts (cash or assets) to the University from discretely presented component units		1,106,464
Accounts (payable to) University (enter as negative number)		(15,784)
Other amounts (payable to) University (enter as negative number)		(2,000,000)
Accounts receivable from University (enter as positive number)		7,747
Other amounts receivable from University		—

9 Other postemployment benefits (OPEB) liability

Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

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

Humboldt State University Advancement Foundation

Other Information

June 30, 2018

(for inclusion in the California State University)

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

Net Position Class	Amount
	Dr. (Cr.)
	\$ 36,700,836
Net position as of June 30, 20PY, as restated	\$ 36,700,836

Net position as of June 30, 20PY, as previously reported

Prior period adjustments:

- 1 (list description of each adjustment)
- 2 (list description of each adjustment)
- 3 (list description of each adjustment)
- 4 (list description of each adjustment)
- 5 (list description of each adjustment)
- 7 (list description of each adjustment)

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

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

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	26,134	273	12,525	389,280	—	428,212
Research	—	—	—	227,028	—	227,028
Public service	291,531	169,242	—	375,911	—	836,684
Academic support	63,713	42,982	3,900	130,110	—	240,705
Student services	—	—	1,000	381,851	—	382,851
Institutional support	5,317	—	1,000	117,020	7,984	131,321
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	12,259	346,627	—	358,886
Auxiliary enterprise expenses	—	—	—	555,020	—	555,020
Depreciation and amortization	—	—	—	—	—	—
Total	386,695	212,497	30,684	2,522,847	7,984	3,160,707

See accompanying note on supplementary information

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Notes to Supplementary Information

June 30, 2018 and 2017

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.



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

Board of Directors
Humboldt State University Advancement Foundation
Arcata, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Humboldt State University Advancement Foundation, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Humboldt State University Advancement Foundation's basic financial statements, and have issued our report thereon dated September 13, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 13, 2018