HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2013

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Humboldt State University Center
Board of Directors
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Humboldt State University Center Board of Directors (University Center) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the University Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, 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 financial position of the business-type activities of University Center as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, University Center adopted Governmental Accounting Standards Board (GASB) financial reporting as of and for the fiscal year ending June 30, 2013. Previously, University Center utilized Financial Accounting Standards Board financial reporting.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise University Center's basic financial statements. The schedule of net position, the schedule of revenues, expenses and changes in net position, and other information (supplementary information on pages 21-29) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 26, 2013, on our consideration of University Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Center's internal control over financial reporting and compliance.

Hunter, Hunter & Hunt

September 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS
Management's Discussion and Analysis
Year Ended June 30, 2013

This section of the Humboldt State University Center Board of Directors (University Center) annual financial report presents management's overview and analysis of the financial activities of the University Center for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Introduction to the Basic Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standard Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. This standard is applicable to University Center because it is a component unit of California State University, Humboldt (HSU). Consistent with HSU, University Center has adopted the business-type activity (BT) reporting model to represent its activities.

The financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain complete understanding of the financial picture of University Center.

Statement of Net Position: The Statement of Net Position includes all assets, liabilities and net position. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions on the net position of University Center.

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

Statement of Cash Flows: The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's operating activities.

Reporting Entity: The financial statements of HSU will be separated between HSU and its component units. The latter are separate Internal Revenue Code (IRC) Section 501(c)(3) non-profit auxiliary organizations whose financial information will be presented in a discrete column and in the footnotes of HSU's financial statements. Consequently, these auxiliaries must comply with the same governmental rulings and present their individual separate audited financial statements in the same format.

Analytical Overview

A summary of key financial statement information is presented below:

	2013	2012	Increase (Decrease)	Percent Change
Assets:				
Current assets	$ 8,746,634	$ 7,948,460	$ 798,174	10.0%
Capital assets, net of accumulated depreciation	1,119,037	1,019,416	99,621	9.77%
Restricted cash and cash equivalents	3,336,007	4,892,557	(1,556,550)	(31.81%)
Total Assets	$13,201,678	$13,860,433	$ (658,755)	(4.75%)
Liabilities:				
Current liabilities	$ 876,406	$ 847,849	$ 28,557	3.37%
Non-current liabilities	3,091,497	4,624,343	(1,532,846)	(33.15%)
Total Liabilities	3,967,903	5,472,192	(1,504,289)	(27.49%)
Net Position:				
Net investment in capital assets	1,119,037	0	1,119,037	-
Unrestricted	8,114,738	8,388,241	(273,503)	(3.26%)
Total Net Position	9,233,775	8,388,241	845,534	10.08%
Total Liabilities and Net Position	$13,201,678	$13,860,433	$ (658,755)	(4.75%)

Statement of Net Position Variance Analysis Between 2013 and 2012

Current assets increased by $798,174. Current assets include: cash and cash equivalents, unreserved cash in Local Agency Investment Fund (LAIF), accounts receivable, prepaid expenses, inventory and other current assets. The increase is largely due to a reduction in the other postemployment benefits (OPEB) obligation which reduced the amount of cash that must be reserved to cover the obligation.

Capital assets, net, increased by $99,621, which was the result of new equipment purchases of $27,727 and dining improvements to the J dining facilities of $471,351, of which $171,391 was transferred out of work in progress, offset by depreciation expense of $228,495.

Restricted cash and cash equivalents decreased by $1,556,550 primarily as a result of a $1,200,000 contribution to reduce the OPEB obligation.

The University Center has a cash balance of $914,022 in the checking account and $10,926,020 held in LAIF of which $3,336,007 is restricted to fund OPEB obligations. This combined total of unrestricted cash of $8,504,034 is approximately 61.30% of the operating revenue of the 2012-13 fiscal year. This balance allows the University Center the ability to fund ongoing repair and maintenance projects, the ability to weather an unforeseen circumstance or expense, and provides adequate operating capital.

Current liabilities increased by $28,557. Current liabilities include: accounts payable, unearned revenue, current portion of OPEB obligations and other current liabilities. Increases in accrued liabilities and unearned revenues were offset by decreases in the current portion of OPEB obligations.

Non-current liabilities decreased by $1,532,846. The noncurrent liabilities represent the OPEB obligation and net pension cost liability that are required to be recognized and booked in accordance with the parameters of GASB Statement No. 45. The decrease in obligation was a result of a change of reporting methods in the current year as well as the University Centers efforts to fund the liability with contributions to the VEBA Trust.

The obligation, along with the current portion of the OPEB obligation, has been offset by a restriction of cash shown in total assets.

The GASB 45 requirement to recognize postemployment benefit liability, as determined by an actuarial study dated July 1, 2012, found the unfunded actuarial liability to be $3,865,770. University Center has approved participation in the newly developed VEBA Trust developed by the California State University Auxiliary Organizations Association. University Center approved and transferred $1,200,000 to the VEBA trust in the current year and $600,000 in the prior year to partially meet this obligation. University Center continues to designate funds towards this obligation.

Net position increased by $845,534 reflecting the cumulative net change in assets and liabilities for the year.

Operating Results
Years Ended June 30, 2013 and 2012

	2013	2012	Change	Percent Change
Revenues:				
Operating revenues:				
Dining sales	$10,790,052	$10,619,638	$ 170,414	1.60%
Bookstore sales	0	702,260	(702,260)	(100.00%)
CenterArts sales	963,224	1,092,284	(129,060)	(11.82%)
Center Activities sales	444,583	419,729	24,854	5.92%
Student fees	960,000	975,000	(15,000)	(1.54%)
Other revenues	714,338	548,543	165,795	30.22%
Total Operating Revenues	13,872,197	14,357,454	(485,257)	(3.38%)
Expenses:				
Operating expenses	12,933,266	13,057,950	(124,684)	(0.95%)
Depreciation	228,495	192,578	35,917	18.65%
Total Operating Expenses	13,161,761	13,250,528	(88,767)	(0.67%)
Operating Income	710,436	1,106,926	(396,490)	(35.82%)
Non-Operating Revenues (Expenses)				
Investment income	36,647	51,301	(14,654)	(28.57%)
Contribution to HSU	(315,850)	(1,051,045)	735,195	69.95%
Postretirement related changes other than net periodic pension cost	414,301	(421,893)	836,194	198.20%
Total Non-Operating Revenue/(Expenses)	135,098	(1,421,637)	1,556,735	109.50%
Increase (decrease) in net position	845,534	(314,711)	1,160,245	368.67%
Net Position at beginning of year	8,388,241	8,702,952	(314,711)	(3.62%)
Net Position at ending of year	$ 9,233,775	$ 8,388,241	$ 845,534	10.08%

Revenue and Expense Variance Analysis Between 2013 and 2012

Operating revenues are sales from operations and student fee monies. Sales from operations are comprised of dining services (The "J" and the Cupboard in the Residence Halls, The Depot, Library Cafe, Hilltop Marketplace and College Creek Marketplace), outsourced bookstore operations to Follett Inc. and student programming services for Center Activities, Student Recreation Center, Humboldt Bay Aquatic Center and CenterArts.

Current year operating revenues decreased by $485,257. This decrease was the result of having received a $200,136 return of an unemployment insurance deposit (resulting from a change in the unemployment insurance provider) in the prior year. Prior year bookstore sales included $209,095 in residual bookstore sales earned in July, 2011, before leasing the bookstore to Follett and $493,165 of bookstore commission revenue.

Current year *operating expenses* consist of auxiliary enterprise expenses of $12,933,266 and depreciation expense of $228,495. Prior year operating expenses consisted of auxiliary enterprise expenses of $13,057,950 and depreciation expense of $192,578. Current year operating expenses decreased by $88,767. The majority of the savings were incurred in the area of supplies and non-capital equipment when compared to the prior year. There was a slight increase in salary and benefit expenses which offset these savings.

Investment income was $ 36,647 which was a decrease of $14,654 over the prior year. Investment income is comprised of interest from LAIF. The decrease from the prior year is primarily due to market fluctuation.

Contribution to HSU decreased $735,195. The University Center paid HSU $315,850 to support its obligation to the West Gym project, while in the previous year University Center's commitment was for $1,051,045. The current year payment was the remaining balance that had been committed to the project and there is no future commitment to HSU at this time.

Postretirement related changes other than net periodic pension cost of $414,301 were the result of compliance with the reporting requirements of GASB Statement No. 45 on July 1, 2012.

Net assets increased by $845,534 for the year ended June 30, 2013, as a result of an increase in operating revenues and decrease in operating expenditures.

Factors Impacting Future Periods

The California State University continues to face uncertain State funding due to the budget situation in the State of California. As such, HSU continues to face potential challenges in managing its enrollment, especially in areas of recruitment and retention. Lower enrollment numbers would likely have a negative impact on the revenue of the University Center. Management continues to monitor operating costs in the University Center and review its operations and make adjustments accordingly.

BASIC FINANCIAL STATEMENTS

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Statement of Net Position
Proprietary Fund
June 30, 2013

Assets:		
Current assets:		
Cash and cash equivalents	$	914,022
Short-term investments		7,590,012
Accounts receivable, net		122,582
Inventories		111,762
Prepaid expenses		8,256
Total current assets		8,746,634
Noncurrent assets:		
Restricted cash and cash equivalents		3,336,007
Capital assets, net		1,119,037
Total noncurrent assets		4,455,044
Total assets		13,201,678
Liabilities		
Current liabilities:		
Accounts payable		85,411
Accrued salaries and benefits payable		52,814
Accrued compensated absences		112,001
Current postemployment benefits obligation		244,510
Unearned revenues		175,388
Other liabilities		206,282
Total current liabilities		876,406
Noncurrent liabilities:		
Other postemployment benefits obligation		2,519,421
Net pension cost liability		572,076
Total noncurrent liabilities		3,091,497
Total liabilities		3,967,903
Net position:		
Net investment in capital assets		1,119,037
Unrestricted		8,114,738
Total net position	$	9,233,775

See accompanying notes

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2013

Revenues:		
Operating revenues:		
Revenue from operations	$	12,912,197
Student fees		960,000
Total operating revenues		13,872,197
Expenses:		
Operating expenses:		
Cost of sales		4,613,211
Salaries & wages		3,711,619
Employee benefits		1,391,188
Rent		621,658
Depreciation		228,495
Advertising & promotion		17,032
Repairs & maintenance		516,476
Utilities		228,814
Communications		70,717
Bank service charges		164,184
Outside professional services		30,198
Dues & subscriptions		5,596
Business & professional meetings		26,979
Insurance		71,679
Services from other funds		131,788
Supplies & services		210,746
Event costs		803,033
Vehicle		16,530
Operating contributions to Humboldt State University		200,061
Other & miscellaneous		101,757
Total operating expenses		13,161,761
Operating income		710,436
Nonoperating revenues (expenses):		
Investment income		36,647
Nonoperating contributions to Humboldt State University		(315,850)
Postretirement related changes other than net periodic pension cost		414,301
Nonoperating revenues (expenses), net		135,098
Increase (decrease) in net position		845,534
Net position:		
Net position at beginning of year		8,388,241
Net position at end of year	$	9,233,775

See accompanying notes

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

Cash flows from operating activities		
Cash received from customers	$	13,915,665
Cash payments to suppliers for operations		(7,465,905)
Cash payments to employees for services		(4,791,492)
Cash payments for general and administrative expenses		(363,044)
Net cash provided (used) by operating activities		1,295,224
Cash flows from capital financing activities		
Acquisition of capital assets		(328,116)
Net cash provided (used) by capital activities		(328,116)
Cash flows from noncapital financing activities		
Contributions for HSU		(315,850)
Net cash provided (used) by capital activities		(315,850)
Cash flows from investing activities		
Contribution to postemployment benefit obligation		(1,425,171)
Investment income		36,647
Net cash provided (used) by investing activities		(1,388,524)
Net increase (decrease) in cash and cash equivalents		(737,266)
Cash and cash equivalents, beginning of the year		12,577,307
Cash and cash equivalents, end of the year	$	11,840,041
Reconciliation to cash per Statement of Net Position		
Cash and cash equivalents	$	914,022
Short-term investment (cash equivalent)		7,590,012
Restricted cash		3,336,007
Total cash and cash equivalents, end of year	$	11,840,041
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$	710,436
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		228,495
Noncash other postretirement benefits cost		323,332
Changes in operating assets and liabilities:		
Accounts receivables		16,496
Inventories		1,518
Prepaid expenses		3,096
Accounts payable		(12,072)
Accrued salaries and benefits		2,645
Accrued compensated absenses		7,672
Deferred revenue		26,972
Pension cost liability		(40,410)
Other liabilities		27,044
Total adjustments		584,788
Net cash provided (used) by operating activities	$	1,295,224

See accompanying notes

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt State University Center Board of Directors (University Center) have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The summary of significant accounting policies is presented to assist in understanding University Center's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

University Center is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and the California State University System. As an affiliated organization component unit of HSU, University Center's financial data is included in HSU's financial statements. University Center is a nonprofit corporation formed to promote the welfare of HSU and its students and employees.

Nature of Activities

The primary activities of University Center are to develop, finance and operate the College Union, bookstore (currently under outside management), and dining services on the HSU campus. During the fiscal year ending June 30, 2013, University Center provided management services to the Northern Humboldt Recreation and Park District. University Center is primarily supported by student fees and dining sales, and contracted revenues from students at HSU.

University Center has a management agreement with Follett Higher Education Group, Inc. (Follett) which gives Follett the exclusive right to operate the bookstore on campus and the internet for the University Center. The agreement has an initial termination date of June 30, 2018.

Basis of Presentation

University Center has determined that it should apply generally accepted accounting principles applicable to governmental entities based on an amendment to the articles of incorporation and bylaws that has clarified University Center's relationship as a component unit of HSU.

As of July 1, 2012, University Center adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62) which 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:

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

GASB No. 62 also supersedes GASB No. 20, thereby eliminating the election provided in GASB No. 20 for enterprise funds and governments engaged in business-type activities to apply post-

November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements. Adoption of GASB No. 62 had no impact on the basic financial statements.

As of July 1, 2012, University Center adopted the following:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which specifies that certain assets and liabilities should be reported as deferred outflows and inflows of resources.

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

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. University Center has elected to use the proprietary fund reporting model for special-purpose governments engaged only in business-type activities. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. In accordance with the business-type activities reporting model, University Center prepares its statement of cash flows using the direct method.

Accounts Receivable

University Center provides a reserve for uncollectible accounts that is based upon a review of outstanding receivables. Accounts receivable considered uncollectible are charged against the reserve account in the year they are deemed to be uncollectible. No reserve for uncollectible accounts was deemed necessary as of June 30, 2013.

Reserved Cash

The Board of Directors has reserved cash in the amount of $3,336,007 to be used for pension and postretirement health benefits.

Cash and Cash Equivalents

University Center considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. Amounts included in the Local Agency Investment Fund (LAIF) are considered to be investments.

Capital Assets

Capital assets are recorded at cost less depreciation calculated by the straight-line method. Building improvements are depreciated over a five- to twenty-year life. Equipment, furniture, and fixtures are depreciated over a five- to ten-year life. Work in progress represents expenditures for facility improvements not placed in service during the year.

University Center capitalizes acquisitions of equipment that have a useful life greater than one year and are in excess of $5,000, improvements in excess of $10,000, and intangible property in excess of $5,000.

At June 30, 2013, $208,651 of equipment is used by University Center but is not recorded on the statement of net position because title is held by an outside granting agency. Additionally, University Center uses office facilities and equipment which are the property of the California State University. No lease payments are required for the use of these facilities.

Unearned Revenues

Unearned revenues consist of unamortized contribution revenue and amounts collected in advance for season tickets and class registrations. Unearned contribution revenue of $71,428 represents the unamortized portion of $100,000 received from Follett to be amortized over a seven-year term on a straight line basis.

Income Taxes

University Center qualifies as a tax exempt organization under the applicable sections of the Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Inventories

The food and beverage inventory is stated at cost, using the first-in, first-out (FIFO) method. At June 30, 2013, the cost of the food and beverage inventory was $111,762.

Pension and Postretirement Health Benefits Liabilities

University Center recognizes the underfunded status of defined benefit pension and other postretirement plans as a liability in the statement of net position and recognizes changes in the funded status in the year in which the changes occur in unrestricted net position, unless a minimum amortization is required to be included as a component of net periodic postretirement benefit cost in accordance with applicable accounting standards.

Revenue Recognition

Student Fees - Student union fees are recorded when received from the revenue bond program.

Revenue from operations - All revenue from operations including, but not limited to, bookstore commissions, food sales, and vending, is recorded when earned.

Investment Income - Investment income is recorded at the time it is earned.

Classification of Revenues and Expenses

University Center 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 University Center'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 expense in accordance with GASB Statement No. 35. These nonoperating activities include net investment income, nonoperating contributions to HSU, and postretirement related changes other than net periodic pension cost.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. University Center reports two categories of net position, as follows:

Net Investment in Capital Assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Unrestricted Net Position - consists of all other net position that does not meet the definition of the above component and is available for general use by University Center.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. University Center's net position categories do not include restricted net position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CHANGES TO BEGINNING NET POSITION

To comply with GASB standards, University Center made net position reclassifications to incorporate the net investment in capital assets category. Changes to beginning net assets are as follows:

	Unrestricted	Net Investment In Capital Assets	Total
Beginning net position previously reported under FASB	$ 8,388,241	$ -	$ 8,388,241
Reclassification to report under GASB	(1,019,416)	1,019,416	-
Revised beginning net position	$ 7,368,825	$ 1,019,416	$ 8,388,241

NOTE 3 - CASH AND CASH INVESTMENTS

University Center 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, 2013, University Center's uninsured and uncollateralized cash balance was $658,740.
Custodial credit risk is the risk that in the event of the failure of a counterparty, University Center would not be able to recover the value of its investments that are in the possession of an outside party. Financial instruments that potentially subject University Center to custodial risk are investments in excess of amounts insured by the FDIC. No policy exists related to custodial risk specifically. University Center's investment policy does not prohibit deposits in single institutions that expose University Center to custodial credit risk. Management believes the organization is not exposed to any significant credit risk related to cash.

University Center's short-term investment portfolio consists entirely of investments in 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. It 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, 2013, cash in LAIF was $10,926,019. Of this amount, $3,336,007 is reserved for pension and postretirement health benefits.

NOTE 4 - CAPITAL ASSETS

The change in capital assets for the year ended June 30, 2013, is as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Equipment & furniture	$ 1,298,671	$ 27,727	$ (53,245)	$ 1,273,153
Building & improvements	2,253,986	471,351	-	2,725,337
Work in progress	171,391	429	(171,391)	429
Accumulated depreciation	(2,704,632)	(228,495)	53,245	(2,879,882)
Capital assets, net	$ 1,019,416	$ 271,012	$ (171,391)	$ 1,119,037

Depreciation expense for the year ended June 30, 2013, was $228,495.

NOTE 5 - COMPENSATED ABSENCES

Compensated absences consist of vacation leave earned by employees based on services rendered. Employees may accumulate up to 400 hours of vacation depending on years of service. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with the employee. Therefore, a liability for sick leave benefits is not accrued.

NOTE 6 - PENSION PLAN

University Center participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which provides retirement and disability benefits for salaried employees. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to University Center in accordance with reporting standards established by the GASB. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814. The CalPERS statement of investment policy dated December 14, 2009, provides a description of investment policies, strategies and other factors and is available at http://www.calpers.ca.gov/eip-docs/investments/policies/invo-policy-statement/total-fund-statement.pdf.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The asset allocation and market value of assets shown below reflect the values of the Public Employers' Retirement Fund (PERF) in its entirety as of June 30, 2011, the most recent information available. University Center participates in the Miscellaneous 2% at 55 Risk Pool whose assets are part of PERF and are invested accordingly.

Asset Class	Market Value ($ Billion)	Current Allocation
Short-Term Investments	7.9	3.3%
Domestic Equity	56.3	23.5%
International Equity	60.4	25.2%
Domestic Debt	49.2	20.6%
International Debt	3.9	1.6%
Inflation Linked	8.1	3.4%
Real Estate	19.1	8.0%
Alternative investments	34.4	14.4%
Total fund	$ 239.3	100.0%

At the date University Center began participating in the cost-sharing plan, a liability was determined by CalPERS for each of the cost-sharing plan participants, called a "side fund liability," which was established to account for each organization's share of the Pool's unfunded liability. The side fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on Plan assets in accordance with generally accepted accounting principles.

Amounts recognized in the statement of net position at June 30, 2013, consist of:

Pension liability	$ 572,076

The following table sets forth the calculation of the University Center's side fund liability as of June 30, 2013:

Accrued employee benefit cost related to side fund liability:		
Balance at beginning of year	$	612,486
Service cost		122,081
Actual employer contributions		(216,464)
Interest cost		53,973
Side fund liability at year end	$	572,076

Service cost was calculated using 8.242% of payroll for the year ended June 30, 2013. The contribution rate to CalPERS was 14.614% of $1,481,211 actual payroll of for the year ended June 30, 2013. The contribution rate is projected to be 15.49% for fiscal year 2013-14, which includes agencies that have elected the 2% at 55 risk pool plan. The side fund is credited on an annual basis with the actuarial investment return assumption. This assumption was 7.5% for the year ended June 30, 2013.

University Center's contributions to CalPERS for each of the last three fiscal years is as follows:

Year Ending June 30	Required Contribution	Percent Contributed
2011	$ 232,978	100%
2012	209,514	100%
2013	216,464	100%

The employees' contributions were $99,354 for the year ended June 30, 2013. Contributions expected to be paid to the plan by the University Center during the next fiscal year are $281,906.

The net pension cost liability is a significant estimate and it is at least reasonably possible that the estimate will change within one year of the date of the financial statements and the effect of that change could be material.

NOTE 7 - INCOME TAXES

University Center is exempt from federal and state income taxes under IRC Section 501(c)(3) and California Revenue and Taxation Code Section 23701, except for amounts based on unrelated business income. Unrelated business income is derived from a contract with the North Humboldt Recreation and Park District. For the fiscal year ending June 30, 2013, no income tax is due on unrelated business income. Further, the Internal Revenue Service has determined that University Center is not a private foundation within the meaning of IRC Section 509(a).

The open audit periods are 2009 through 2011. University Center has analyzed the tax positions taken for filing with the Internal Revenue Service and the State of California. The organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the financial statements. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013.

NOTE 8 - OPERATING LEASES

University Center leases its facilities under several operating leases from HSU (See Note 1). Following is a summary of operating leases and renewal options:

	Contingent Annual Rental	Expiration Date	Renewal Options
Jolly Giant Commons - food service facilities	7% of gross sales	June 30, 2015	None
Hilltop Marketplace – formerly known as BSS Marketplace	ranges from 6-7% of gross sales	June 30, 2017	5 years
South Campus & College Creek Marketplaces	7% of gross sales	June 30, 2015	None
Giant's Cupboard - food service facility	7% of gross sales	June 30, 2015	None

Following is a summary by property of rental expense under all operating leases:

Jolly Giant Commons (HSU)	$	352,282
Hilltop Marketplace - formerly known as BSS Marketplace (HSU)		8,943
South Campus & College Creek Marketplaces (HSU)		157,792
Giant's Cupboard (HSU)		102,641
Total	$	621,658

As of June 30, 2013, University Center owes HSU rental expense of $4,436.

NOTE 9 - POSTRETIREMENT HEALTH BENEFITS

University Center provides medical coverage through the CalPERS medical plan. Benefited employees hired prior to July 1, 2006, who are eligible to retire from CalPERS, are 100% vested. Benefited employees hired on or after July 1, 2006, are 50% vested at age 50 if they have 10 years of service. With every additional year of service the vesting increases by 5% reaching 100% for employees who are age 50 or older who have at least 20 years of service. The University Center's premium contribution cannot be less than what is defined by CalPERS Section 22892(b).

Beginning in the fiscal year ended June 30, 2012, University Center participated in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association) and contributed $600,000. The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. During the fiscal year ended June 30, 2013, University Center contributed $1,200,000.

The Auxiliaries Multiple Employer VEBA seeks an average total annual return net of fees and expenses of 3.0% plus the Consumer Price Index for All Urban Consumers: U.S. City Average – All Items. To achieve its return objectives, the Auxiliaries Multiple Employer VEBA's investment portfolio is allocated among a number of asset classes.

University Center implemented GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as of July 1, 2012, and has recorded the cost and obligation of these benefits in the financial statements. The beginning Other Postemployment Benefit (OPEB) obligation was established as of July 1, 2012, the effective date University Center applying generally accepted accounting principles applicable to governmental entities. To comply with the reporting requirements of GASB Statement No. 45, the prior liability of $4,280,071 was reduced by $414,301.

Annual OPEB Cost and Net OPEB Obligation

University Center's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of University Center's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution	$ 4,079,431	
Adjustment to ARC (related to GASB conversion)	(3,988,045)	
Annual required contribution, net of adjustment		$ 91,386
Interest on net OPEB obligation		231,946
Annual OPEB cost		323,332
Actual contributions:		
Premiums paid		(225,171)
VEBA contribution		(1,200,000)
Total actual contributions		(1,425,171)
Decrease in net OPEB obligation		(1,101,839)
Net OPEB obligation, beginning of year		3,865,770
Net OPEB obligation- end of year		$ 2,763,931
Current OPEB obligation		$ 244,510
Noncurrent OPEB obligation		2,519,421
Total OPEB obligation		$ 2,763,931

University Center's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Cumulative Net OPEB Obligation
June 30, 2013	$ 323,332	441%	$2,763,931

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 13.4% funded. The actuarial accrued liability for benefits was $4,465,184 and the unfunded actuarial accrued liability (UAAL) was $3,865,770. The covered payroll (annual payroll of active employees covered by the plan) was $1,073,400, and the ratio of the UAAL to the covered payroll was 360%.

As of June 30, 2013, the market value of the plan assets was $1,866,191. It is University Center's plan to continue funding this liability in the coming year.

Actuarial valuations of an ongoing benefit plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below, presents the first year of information for the actuarial value of plan assets. In subsequent years, the schedule of funding progress will provide information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses) which is the current expected long-term investment returns on plan assets, the maximum annual healthcare cost trend of 4.0 percent, an annual payroll increase of 2.75 percent, and an inflation factor of 2.75 percent per year. The initial UAAL was fully amortized at transition on July 1, 2012.

Required Supplementary Information: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)— Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of Payroll ([a-b]/c)
07/01/12	$ 4,465,184	$ 599,414	$3,865,770	13.4%	$ 1,073,400	360%

The year ended June 30, 2012, represented the year of implementation of GASB Statement No. 45. In future years, as actuarial valuations become available, three-year trend information will be provided.

NOTE 10 - RELATED PARTY TRANSACTIONS

Management Services

University Center provides accounting and/or other management services to HSU Associated Students (AS). Based on agreements, University Center earned $146,500 from AS for services during the year ended June 30, 2013. As of June 30, 2013, AS owes $501 to UC, which is included in accounts receivable.

Leases

University Center has lease agreements with HSU that are described in Note 8.

During the year ended June 30, 2013, University Center contributed $315,850 of cash to the HSU West Gym Improvement Project. As part of ongoing operations, University Center contributed $200,061 of dining goods and services to HSU during the year ended June 30, 2013.

OTHER SUPPLEMENTARY INFORMATION

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Schedule of Net Position
June 30, 2013
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	$ 914,022
Short-term investments	7,590,012
Accounts receivable, net	122,582
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	120,018
Total current assets	8,746,634
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	3,336,007
Capital assets, net	1,119,037
Other assets	-
Total noncurrent assets	4,455,044
Total assets	13,201,678
Deferred outflows of resources:	
Unamortized loss on refunding(s)	-
Total deferred outflows of resources	-
Liabilities:	
Current liabilities:	
Accounts payable	85,411
Accrued salaries and benefits payable	52,814
Accrued compensated absences– current portion	112,001
Unearned revenue	175,388
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Self-insurance claims liability - current portion	-
Depository accounts	-
Other liabilities	450,792
Total current liabilities	876,406
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Self-insurance claims liabilities, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	2,519,421
Other liabilities	572,076
Total noncurrent liabilities	3,091,497
Total liabilities	3,967,903
Deferred inflows of resources:	
Deferred service concession arrangement receipts	-
Total deferred inflows of resources	-
Net Position:	
Net investment in capital assets	1,119,037
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-
Unrestricted	8,114,738
Total net position	$ 9,233,775

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

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2013
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $_______)	$ 960,000
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $_______)	12,912,197
Other operating revenues	-
Total operating revenues	13,872,197
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	12,933,266
Depreciation and amortization	228,495
Total operating expenses	13,161,761
Operating income (loss)	710,436
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	-
Investment income (loss), net	36,647
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	98,451
Net nonoperating revenues (expenses)	135,098
Income (loss) before other additions	845,534
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	845,534
Net position:	
Net position at beginning of year, as previously reported	8,388,241
Restatements	-
Net position at beginning of year, as restated	8,388,241
Net position at end of year	$ 9,233,775

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2013
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2013:

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, 2013:

	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)	7,590,012	-	7,590,012	-	3,336,007	3,336,007	10,926,019
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:						-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	7,590,012	-	7,590,012	-	3,336,007	3,336,007	10,926,019
Less endowment investments (enter as negative number)						-	-
Total investments	$ 7,590,012	$ -	$ 7,590,012	$ -	$ 3,336,007	$ 3,336,007	$ 10,926,019

2.2 Investments held by the University under contractual agreements at June 30, 2013:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2013:	-	-	-	-	-	-	-

2.3 Restricted current investments at June 30, 2013 related to:

	Amount
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2013	$ —

2.4 Restricted noncurrent investments at June 30, 2013 related to:

	Amount
Endowment investment	$ —
Cash reserved for postretirement health benefits	3,336,007
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2013 $	$ 3,336,007

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

3.1 Composition of capital assets at June 30, 2013:

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	171,391	-	-	171,391	429	-	(171,391)	429
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	171,391	-	-	171,391	429	-	(171,391)	429
Depreciable/amortizable capital assets:								
Buildings and building improvements	2,253,986	-	-	2,253,986	299,960	-	171,391	2,725,337
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	1,298,671	-	-	1,298,671	27,727	(53,245)	-	1,273,153
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	3,552,657	-	-	3,552,657	327,687	(53,245)	171,391	3,998,490
Total capital assets	3,724,048	-	-	3,724,048	328,116	(53,245)	-	3,998,919
Less accumulated depreciation/amortization:								
Buildings and building improvements	(1,664,363)	-	-	(1,664,363)	(141,188)	-	-	(1,805,551)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(1,040,269)	-	-	(1,040,269)	(87,307)	53,245	-	(1,074,331)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(2,704,632)	-	-	(2,704,632)	(228,495)	53,245	-	(2,879,882)
Total capital assets, net	$ 1,019,416	$ -	$ -	$ 1,019,416	$ 99,621	$ -	$ -	$ 1,119,037

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2013:

Depreciation and amortization expense related to capital assets	$ 228,495
Amortization expense related to other assets	—
Total depreciation and amortization	$ 228,495

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

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2013
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2012	Prior period adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current portion	Long-term portion
Accrued compensated absences	$ 104,329	$ —	$ —	$ 104,329	$ 98,225	$ (90,553)	$ 112,001	$ 112,001	$ —
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium on capitalized lease obligations	—	—	—	—	—	—	—	—	
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Note Payable related to SRB	—	—	—	—	—	—	—	—	—
Other:									
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	
Unamortized loss on refunding	—	—	—	—	—	—	—	—	
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	$ 104,329	$ —	$ —	$ 104,329	$ 98,225	$ (90,553)	$ 112,001	$ 112,001	$ —

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:	$	$	$
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	—	—	—
2018			
2019 - 2023	—	—	—
2024 - 2028	—	—	—
2029 - 2033	—	—	—
2034 - 2038	—	—	—
2039 - 2043	—	—	—
2044 - 2048	—	—	—
2049 - 2053	—	—	—
2054 - 2058	—	—	—
2059 - 2063	—	—	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			$ —

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2013
(for inclusion in the California State University)

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2014	$ —	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—
2019 - 2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
Total	$ —	—	—	—	—	—	—	—	—

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	$ 1,119,037	$ —	$ 1,119,037
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Net position- net investment in capital assets	$ 1,119,037	$ —	$ 1,119,037
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	$ —	$ —	$ —
Endowment investments	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	$ —	$ —	$ —

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2013
(for inclusion in the California State University)

8 Transactions with Related Entities

		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$	480,378
Payments to University for other than salaries of University personnel		885,680
Payments received from University for services, space, and programs		751,250
Gifts-in-kind to the University from Auxiliary Organizations		200,061
Gifts (cash or assets) to the University from recognized Auxiliary Organizations		—
Accounts (payable to) University (enter as negative number)		(15,985)
Other amounts (payable to) University (enter as negative number)		(9,724)
Accounts receivable from University		20,925
Other amounts receivable from University		48,165

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	$	(90,969)
Contributions during the year		(1,425,171)
Increase (decrease) in net OPEB obligation (NOO)		(1,516,140)
NOO - beginning of year		4,280,071
NOO - end of year	$	2,763,931

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 remedition liabilities, net of current portion	$	—

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

	Net Position Class		Amount Dr. (Cr.)
Net position as of June 30, 2012, as previously reported		$	8,388,241
Prior period adjustments:			
1 (list description of each adjustment)			—
2 (list description of each adjustment)			—
3 (list description of each adjustment)			—
4 (list description of each adjustment)			—
5 (list description of each adjustment)			—
6 (list description of each adjustment)			—
7 (list description of each adjustment)			—
8 (list description of each adjustment)			—
9 (list description of each adjustment)			—
10 (list description of each adjustment)			—
Net position as of June 30, 2012, as restated		$	8,388,241

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

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2013
(for inclusion in the California State University)

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

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

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2013

NOTE 1 – SUPPLEMENTARY SCHEDULES

As an auxiliary organization of the California State University (CSU), Humboldt State University Center Board of Directors (University Center) 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 University Center's financial statements and the supplementary schedules for CSU.

ADDITIONAL INFORMATION

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

To the Board of Directors
Humboldt State University Center

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 Center Board of Directors (University Center), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise University Center's basic financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered University Center'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 University Center's internal control. Accordingly, we do not express an opinion on the effectiveness of University Center'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 University Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hunter, Hunter & Hunt

September 26, 2013