

**HUMBOLDT STATE UNIVERSITY
ADVANCEMENT FOUNDATION**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

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

June 30, 2011 and 2010

With

Report of Certified Public Accountants

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

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June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Humboldt State University Advancement Foundation
Board of Directors
Arcata, California

We have audited the accompanying statements of financial position of the Humboldt State University Advancement Foundation (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humboldt State University Advancement Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of net assets, the schedule of revenues, expenses and changes in net assets, and other information (supplementary information on pages 22-29) are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

Hunter, Hunter & Hunt

September 28, 2011

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF FINANCIAL POSITION June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 102,916	\$ 137,005
Cash and cash equivalents - LAIF Funds	<u>1,154,190</u>	<u>826,338</u>
Total cash	1,257,106	963,343
Interest receivable	1,270	931
Other receivable	<u>80,198</u>	<u>72,854</u>
Total current assets	<u>1,338,574</u>	<u>1,037,128</u>
Long-term assets		
Promises to give	1,788,929	816,445
Stock	1,217	1,217
Investments	23,919,039	20,344,718
Land	<u>507,500</u>	<u>675,000</u>
Total long-term assets	<u>26,216,685</u>	<u>21,837,380</u>
Total assets	<u>\$ 27,555,259</u>	<u>\$ 22,874,508</u>
Liabilities and Net Assets		
Current liabilities		
Payable to HSU	\$ 1,304	\$ 10,351
Other payable	<u>77,486</u>	<u>101,313</u>
Total current liabilities	78,790	111,664
Long-term liabilities		
CSURMA loan payable	<u>2,535,000</u>	<u>2,535,000</u>
Total liabilities	<u>2,613,790</u>	<u>2,646,664</u>
Net assets		
Unrestricted	2,793,116	1,444,689
Temporarily restricted	6,589,740	4,242,352
Permanently restricted	<u>15,558,613</u>	<u>14,540,803</u>
Total net assets	<u>24,941,469</u>	<u>20,227,844</u>
Total liabilities and net assets	<u>\$ 27,555,259</u>	<u>\$ 22,874,508</u>

See accompanying notes..

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF ACTIVITIES

For the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Contributions and gifts	\$ 654,415	\$ 635,884	\$ 1,017,810	\$ 2,308,109
Investment return	219,156	3,298,845	-	3,518,001
Misc income	2,691	-	-	2,691
Total revenues, gains and losses	876,262	3,934,729	1,017,810	5,828,801
Net transfers (to) from other organizations	(149,561)	8,502	-	(141,059)
Losses in excess of corpus of temporarily restricted endowment assets	(4)	4	-	-
Restoration of prior year losses in excess of corpus of temporarily restricted endowments assets	676,470	(676,470)	-	-
Net assets released from restrictions	919,377	(919,377)	-	-
Total revenues, gains, losses and net assets transferred/released from restrictions	2,322,544	2,347,388	1,017,810	5,687,742
Expenses				
Investment fees	394,814	-	-	394,814
Less administration cost recovery	(339,008)	-	-	(339,008)
Net investment fees	55,806	-	-	55,806
Distribution of earnings	536,018	-	-	536,018
Loan interest expense	9,608	-	-	9,608
General and administrative	372,685	-	-	372,685
Total expenses	974,117	-	-	974,117
Change in net assets	1,348,427	2,347,388	1,017,810	4,713,625
Net assets at beginning of year	1,444,689	4,242,352	14,540,803	20,227,844
Net assets at end of year	\$ 2,793,116	\$ 6,589,740	\$ 15,558,613	\$ 24,941,469

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Contributions, gifts and grants	\$ 931,653	\$ 1,478,946	\$ 332,489	\$ 2,743,088
Investment return	155,601	1,630,347	-	1,785,948
Misc income	-	-	-	-
Total revenues, gains and losses	1,087,254	3,109,293	332,489	4,529,036
Net transfers (to) from other organizations	694,750	(1,734,464)	629,971	(409,743)
Reclassification of endowments meeting minimum corpus requirements	-	(85,747)	85,747	-
Losses in excess of corpus of temporarily restricted endowment assets	(32,792)	32,792	-	-
Restoration of prior year losses in excess of corpus of temporarily restricted endowment assets	1,044,047	(1,044,047)	-	-
Net assets released from restrictions	833,341	(833,341)	-	-
Total revenues, gains, losses and net assets transferred/released from restrictions	3,626,600	(555,514)	1,048,207	4,119,293
Expenses				
Investment fees	369,340	-	-	369,340
Less administration cost recovery	(287,885)	-	-	(287,885)
Net investment fees	81,455	-	-	81,455
Distribution of earnings	491,541	-	-	491,541
Loan interest expense	17,720	-	-	17,720
General and administrative	252,944	-	-	252,944
Total expenses	843,660	-	-	843,660
Change in net assets	2,782,940	(555,514)	1,048,207	3,275,633
Net assets at beginning of year, as previously stated	(1,438,790)	4,369,700	14,021,301	16,952,211
Reclassification of beginning net assets	100,539	428,166	(528,705)	-
Net assets at beginning of year, restated	(1,338,251)	4,797,866	13,492,596	16,952,211
Net assets at end of year	\$ 1,444,689	\$ 4,242,352	\$ 14,540,803	\$ 20,227,844

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 4,713,625	\$ 3,275,633
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net noncash investment returns and losses	(3,542,184)	(1,744,775)
Fees paid through liquidation of investments	375,776	435,415
Distribution of earnings through liquidation of investments	536,018	411,035
Transfer to other organization through liquidation of investments	-	1,739,218
Other transfers	1,049	-
Loss on value of land	167,500	-
Promises to give	(972,484)	(812,269)
Donated stock	(75,777)	(96,434)
Other revenue	-	(3,500)
Noncash closing costs	-	1,984
(Increase) decrease in operating assets:		
Interest receivable	(339)	1,219
Other receivable	(7,344)	(12,425)
Increase (decrease) in operating liabilities:		
Payable to HSU	(9,047)	10,043
Other payable	(23,827)	8,860
Contributions received restricted for long term purposes:		
Endowment contributions	(1,017,810)	(332,489)
Net cash provided (used) by operating activities	<u>145,156</u>	<u>2,881,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(869,203)	(2,439,986)
Net cash provided (used) by investing activities	<u>(869,203)</u>	<u>(2,439,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of contributions restricted for long term purposes:		
Endowment fund	1,017,810	332,489
Net cash provided (used) by financing activities	<u>1,017,810</u>	<u>332,489</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	293,763	774,018
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>963,343</u>	<u>189,325</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,257,106</u>	<u>\$ 963,343</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	\$ 11,107	\$ 46,492

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of Humboldt State University Advancement Foundation (Advancement Foundation) is presented to assist in understanding Advancement Foundation'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.

Organization

Advancement Foundation is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and is a component unit of the California State University. Advancement Foundation is a 501(c)(3) nonprofit corporation and exists to support and advance the mission of HSU by securing private support, developing and managing entrepreneurial activities, overseeing philanthropic activities, and managing endowed and other assets as requested by HSU. The Advancement Foundation Board of Directors is composed of community members, alumni and HSU administrators.

Basis of Accounting

The financial statements of Advancement Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give are recognized as revenues or gains in the period made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Unconditional promises to give through irrevocable trusts are recognized as contribution revenue in the period that Advancement Foundation receives notification that the court has found the will of the donor's estate to be valid and all conditions have been substantially met.

Basis of Presentation

Advancement Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

Cash and Cash Equivalents

Advancement Foundation considers all short-term, highly liquid investments, with a maturity date of not more than three months from the date of acquisition to be "cash equivalents." At June 30, 2011 and 2010, "cash and cash equivalents" consisted of cash in checking and cash in the State of California Local Agency Investment Fund (LAIF) investment pool.

Endowments

Endowments consist of approximately 117 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and quasi-endowments.

Quasi-endowments (or funds functioning as endowments) are amounts that Advancement Foundation's Board of Directors has determined should be managed as if they were temporarily restricted or unrestricted endowments. The amounts may come from unrestricted resources, surplus operating funds, unused reserves, or moneys that a donor or other outside entity restricted for a particular purpose. The quasi-endowments are reported as restricted and expendable or as unrestricted, depending on whether there are restrictions on the resources used to create the quasi-endowment.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Advancement Foundation continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Advancement Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

Endowment Return Objectives and Risk Parameters

Advancement Foundation has adopted investment and spending policies to establish a framework for the investment of endowment assets and to ensure that future growth of these assets is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the assets for future generations. Endowment

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assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

The objectives of the investment policy are defined as follows:

The Absolute Objective is to seek an average total annual net return of at least 4.5%, plus the consumer price index. This shall be measured in real rate-of-return terms (i.e. net of inflation) and shall have the longest time horizon for measurement. Actual returns in any given year may vary from this amount.

The Relative Objective is to seek competitive investment performance versus appropriate or relative capital market measures, such as securities indices. This shall be measured as time-weighted rates of return versus capital market indices.

The Comparative Objective is to seek a total rate of return that is above the median performance of similarly managed funds. This shall be measured as performance of the investment manager(s) as compared to a universe of similar investment funds.

To satisfy its long-term rate-of-return objectives, Advancement Foundation relies on a return strategy in which investments are diversified among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Endowment Spending Policy

For the fiscal years ended June 30, 2011 and 2010, it was Advancement Foundation's goal to distribute annually a target net return of 4.5% of the endowments' average total market value during the twelve quarters ending with the last quarter of the previous calendar year. In establishing this policy, Advancement Foundation considered the long-term expected return on its endowments with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term and to provide additional real growth through new gifts and investment return.

For the fiscal years ended June 30, 2011 and 2010, the Board of Directors authorized an actual distribution rate of 3% and 3% of the average total market value during the twelve quarters ending 12/31/09 and 12/31/08, respectively. Earnings shall generally be available for distribution from those participant accounts invested for four or more quarters. Contractual agreements with significant donors may have spending and investment terms that take precedence over the general spending policy.

Estimates

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
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For the Years Ended June 30, 2011 and 2010

Fair Value Measurements

Advancement Foundation defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The following methods and assumptions are used in estimating fair value disclosures for financial instruments:

Cash, cash equivalents, receivables, short-term unconditional promises to give, and other payables:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Endowment and non-endowed investments:

The fair values of investments are based on quoted market prices for those or similar investments excluding property investments and alternative investments.

The fair value of property investments are based on appraisals.

Alternative investments are defined as any investment in private equity, non-listed and market priced absolute return strategies, non-listed and market priced vehicles investing in real estate, non-listed and market priced vehicles investing in commodities, non-listed and market priced vehicles, off-shore vehicles, and non-listed and market priced commingled funds. The fair market value of the market priced real estate investments is determined based on annual appraisals of the underlying properties. The fair market value of the commingled trust is determined based on the stock prices underlying the investment.

Long-term promises to give:

The fair value of the long-term promises to give is based on present value determinations. See Note 2.

Long-term loan:

Fair value approximates carrying value, since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities. See Note 14.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. This may result from unfavorable market fluctuations and continued appropriation for programs that were deemed prudent by the Board of Directors. Deficiencies of this nature are reclassified as unrestricted net assets. Subsequent gains that restore the fair value of the donor-restricted endowment funds to the required level are classified as increases in unrestricted net assets until the required level is reached. See Note 11.

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For the Years Ended June 30, 2011 and 2010

Tax Status

Advancement 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 2007 through 2009. Advancement Foundation has analyzed the tax positions taken for filings 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 effect 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, 2011.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the accompanying statement of activities as investment return.

Advancement Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. The master investment accounts include the realized and unrealized gains and losses and interest and dividend income from the securities as well as the lease income from a real estate investment. These investment returns are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Non-endowed Investments

Advancement Foundation is managing the investment of the Hydrogen Demonstration Trust non-endowed asset portfolio and real estate. See Note 4.

Net Assets

Net assets are classified in the following categories:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations to be maintained permanently by the Advancement Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Advancement Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Recovery of Administration Costs

Advancement Foundation incurs management, accounting, data processing, insurance and related support service expenses. To recover these costs, all funds are charged a quarterly administrative fee. For the year ended June 30, 2011, thirty-seven and one half basis points of the market value of all funds were charged each quarter. For the year ended June 30, 2010, thirty-seven and one half basis points of the market value of all funds were charged each

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For the Years Ended June 30, 2011 and 2010

quarter. For purposes of financial statement presentation, administration cost recovery fees are netted against investment fees.

NOTE 2 - PROMISES TO GIVE:

Advancement Foundation has received both unconditional and conditional promises to give.

Unconditional Promises to Give

Unconditional promises to give consist of charitable remainder trusts, charitable gift annuities, and an endowment promise to give.

The present value of the promises from the charitable remainder trusts were determined by taking into account the donor's birth date, the trust payout rate, the June 2011 Applicable Federal Rate (AFR) of 2.8% from Internal Revenue Service (IRS) Section 7520, and the market value of the trust.

The promises from the charitable gift annuities were calculated by the California State University Foundation who provides annual annuity schedules.

Due to the nature of the promises, the amounts receivable in less than one year, in one to five years, and in more than five years cannot be determined. At June 30, 2011, unconditional promises receivable are considered to be fully collectible and, accordingly, an allowance for uncollectible unconditional promises receivable has not been provided.

Total unconditional promises to give are as follows:

	<u>2011</u>	<u>2010</u>
Charitable remainder trusts	\$ 1,761,698	\$ 812,269
Charitable annuities	7,231	4,176
Endowment promise to give	20,000	-
Total unconditional promises to give	<u>\$ 1,788,929</u>	<u>\$ 816,445</u>

Conditional Promises to Give:

Conditional promises to give are recognized when they are received or are converted to unconditional promises to give. As of June 30, 2011, Advancement Foundation has \$543,020 in conditional promises to give and may be used for any purpose determined by HSU.

NOTE 3 - CONCENTRATION OF RISK:

Advancement Foundation occasionally has a need to maintain a cash balance with a single financial institution in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC).

Advancement Foundation maintains cash in an investment pool with the Local Agency Investment Fund (LAIF). 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

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the Pooled Money Investment Account. The total cash in LAIF at June 30, 2011 and 2010, was \$1,154,190 and \$826,338, respectively.

NOTE 4 - INVESTMENTS:

Long term investments consist of endowment and non-endowment funds managed by investment managers and real estate managed by Advancement Foundation. Investments consist of the following:

Endowment Investments

	<u>2011</u>	<u>2010</u>
Large Cap US Equity, Small/Mid Cap US Equity & Non-US Equity	\$ 12,236,543	\$ 9,941,475
Fixed income	2,292,445	2,393,383
Real estate	2,695,934	2,534,535
All asset strategies	2,085,820	1,490,843
Short term bonds	745,600	218,580
Cash equivalents	50,000	49,980
Total endowment investments	<u>\$ 20,106,342</u>	<u>\$ 16,628,796</u>

For the fiscal year ended June 30, 2011, the investments listed above include \$2,695,934 in market priced real estate investments and \$1,564,458 in a private commingled trust that invests in publicly traded stocks. For the fiscal year ended June 30, 2010, the investments listed above include \$2,534,535 in market priced real estate investments and \$1,204,566 in a private commingled trust that invests in publicly traded stocks.

Non-endowment Investments

	<u>2011</u>	<u>2010</u>
Hydrogen Demonstration funds		
Mutual funds - equity	\$ 750,655	\$ 759,835
Mutual funds - fixed income	413,496	420,094
Mutual funds - balanced	113,397	-
Cash	2,133	2,977
Real estate managed by Advancement Foundation	<u>2,533,016</u>	<u>2,533,016</u>
Total non-endowment investments	<u>\$ 3,812,697</u>	<u>\$ 3,715,922</u>

Total Investments

	<u>2011</u>	<u>2010</u>
Total endowment investments (See Note 7)	\$ 20,106,342	\$ 16,628,796
Total non-endowment investments (See Note 7)	<u>3,812,697</u>	<u>3,715,922</u>
Total investments	<u>\$ 23,919,039</u>	<u>\$ 20,344,718</u>

Return on all investments consisted of the following:

	<u>2011</u>	<u>2010</u>
Endowment & non-endowment investments:		
Interest, dividends & other income	\$ 634,421	\$ 778,435
Rental income	138,600	138,600
Net realized gains/losses carried at fair market value	406,767	(275,431)
Net unrealized gains/losses carried at fair market value	2,500,996	1,143,741

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Unrealized loss on investment in land	(167,500)	-
LAIF interest	4,191	264
Checking account interest	526	339
Total	<u>\$ 3,518,001</u>	<u>\$ 1,785,948</u>

For purposes of the cash flow statement, investment returns reinvested consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest, dividends & non-cash items	\$ 634,421	\$ 876,465
Net realized gains/losses carried at fair market value	406,767	(275,431)
Net unrealized gains/losses carried at fair market value	<u>2,500,996</u>	<u>1,143,741</u>
Total	<u>\$ 3,542,184</u>	<u>\$ 1,744,775</u>

NOTE 5 - LAND:

In June 2005, Advancement Foundation accepted 385 acres of land commonly known as the Schatz Demonstration Tree Farm. The land is a permanently restricted investment to provide a demonstration tree farm operation for the benefit of the instructional and research needs of the students and faculty of HSU and as an example for owners of small timberland parcels. The appraised value of the land was \$715,000 on October 29, 1987, the date of the trust agreement gifting the property to HSU. The land was reappraised at \$675,000 on July 15, 2008.

The reappraised value of \$675,000 includes a building that was built after the first appraisal. Since Advancement Foundation was gifted the land and the building was gifted to another campus organization, the value of the land investment has been reduced to \$507,500 to exclude the \$167,500 appraised value of the building.

NOTE 6 - LOAN PAYABLE:

California State University Risk Management Authority (CSURMA) granted a loan to Advancement Foundation on August 26, 2008. The proceeds of \$2,535,000 financed the acquisition of property located in Arcata, California. The loan is unsecured.

The loan is non-amortizing, with interest due and payable quarterly. The interest rate charged is equal to the rate of interest paid to CSURMA for funds invested with CalTrust. Interest shall accrue on the outstanding loan balance at the rate in effect during the period being accrued. For the fiscal year ended June 30, 2011, Advancement Foundation incurred interest expense of \$9,608 of which \$8,191 was paid and the balance accrued in other payables. The average interest rate was .038%. For the fiscal year ended June 30, 2010, Advancement Foundation incurred interest expense of \$17,720 of which \$14,804 was paid and the balance accrued in other payables. The average interest rate was .058%.

All principal and any remaining unpaid interest will be due and payable on October 31, 2013. Principal may be prepaid at any time during the term of the loan. The loan may be assigned to another auxiliary at HSU upon request of the campus President and approval of the CSURMA Chair and Treasurer.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 7 - ENDOWMENT NET ASSETS:

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2011, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (129,128)	\$ 5,007,483	\$ 14,883,613	\$ 19,761,968
Board-designated endowment funds	586,619	-	-	586,619
Total funds	<u>\$ 457,491</u>	<u>\$ 5,007,483</u>	<u>\$14,883,613</u>	<u>\$ 20,348,587</u>

The changes in endowment net assets for the fiscal year ended June 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (298,437)	\$ 3,061,430	\$ 13,865,803	\$16,628,796
Total investment return	67,090	3,233,648	-	3,300,738
Contributions	217,591	117,831	609,558	944,980
Investment fees	(11,454)	(341,624)	-	(353,078)
Distributions	-	(415,094)	-	(415,094)
Total invested endowments	(25,210)	5,656,191	14,475,361	20,106,342
Non-invested endowment activity:				
Pledges receivable	-	20,000	412,811	432,811
Net transfers	-	8,502	-	8,502
Excess losses of restricted net assets	(4)	4	-	-
Restoration of losses	676,470	(676,470)	-	-
Other endowed activity	<u>(193,765)</u>	<u>(744)</u>	<u>(4,559)</u>	<u>(199,068)</u>
Endowment net assets, end of year	<u>\$ 457,491</u>	<u>\$ 5,007,483</u>	<u>\$14,883,613</u>	<u>\$20,348,587</u>

The nature and amounts of temporary and permanent restrictions at June 30, 2011, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets	\$ 5,007,483	\$ 14,883,613
Non-endowment investments (See Note 4)	3,812,697	-
Non-endowed non-invested activity	304,560	-
Debt on non-endowment investments (See Note 6)	(2,535,000)	-
Unrealized loss on land reclassification	-	167,500
Permanently restricted land, net of unrealized loss (See Note 5)	-	507,500
Total net assets per Statement of Financial Position	<u>\$ 6,589,740</u>	<u>\$ 15,558,613</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2010, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (616,439)	\$ 3,061,430	\$ 13,865,803	\$ 16,310,794
Board-designated endowment funds	<u>318,002</u>	<u>-</u>	<u>-</u>	<u>318,002</u>
Total funds	<u>\$ (298,437)</u>	<u>\$ 3,061,430</u>	<u>\$ 13,865,803</u>	<u>\$ 16,628,796</u>

The changes in endowment net assets for the fiscal year ended June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (1,603,326)	\$ 1,551,915	\$ 13,346,301	\$ 13,294,890
Reclassification of beginning net assets	<u>100,539</u>	<u>428,166</u>	<u>(528,705)</u>	<u>-</u>
Endowment net assets, beginning of year restated	(1,502,787)	1,980,081	12,817,596	13,294,890
Total investment return	16,397	1,343,492	-	1,359,889
Contributions	113,854	1,478,946	332,489	1,925,289
Net transfers	75,000	10,036	629,971	715,007
Endowment reclassifications	-	(85,747)	85,747	-
Excess losses of restricted net assets	(32,792)	32,792	-	-
Restoration of losses	1,044,047	(1,044,047)	-	-
Appropriation of assets for expenditure	-	(349,878)	-	(349,878)
Investment fees	(5,743)	(315,205)	-	(320,948)
Timing differences	<u>(6,413)</u>	<u>10,960</u>	<u>-</u>	<u>4,547</u>
Endowment net assets, end of year	<u>\$ (298,437)</u>	<u>\$ 3,061,430</u>	<u>\$ 13,865,803</u>	<u>\$ 16,628,796</u>

The nature and amounts of temporary and permanent restrictions at June 30, 2010, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets	\$ 3,061,430	\$ 13,865,803
Non-endowment investments (See Note 4)	3,715,922	-
Debt on non-endowment investments (See Note 6)	(2,535,000)	-
Permanently restricted land (See Note 5)	-	675,000
Total net assets per Statement of Financial Position	<u>\$ 4,242,352</u>	<u>\$ 14,540,803</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

Descriptions of amounts classified as permanently restricted net assets and temporarily restricted net assets are as follows:

	<u>2011</u>	<u>2010</u>
<u>Permanently Restricted Net Assets</u>		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 14,883,613</u>	<u>\$ 13,865,803</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 14,883,613</u>	<u>\$ 13,865,803</u>
<u>Temporarily Restricted Net Assets</u>		
(1) Term endowment funds	\$ 217,661	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	<u>4,789,822</u>	<u>3,061,430</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 5,007,483</u>	<u>\$ 3,061,430</u>

NOTE 8 - TRANSFERS TO AND FROM OTHER ORGANIZATIONS:

Occasionally HSU and its auxiliary organizations find it appropriate to transfer certain fiscal responsibilities to a different entity. The transfers do not change the underlying characteristics of any endowments transferred. During the years ended June 30, 2011 and 2010, Advancement Foundation received transfers from Humboldt State University Sponsored Programs Foundation (HSUSPF), and HSU. The endowed and non-endowed assets transferred during the fiscal year ended June 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Transfers from:				
HSUSPF	\$ 41,959	\$ 6,502	\$ -	\$ 48,461
HSU	100,000	2,000	-	102,000
Transfers to:				
HSUSPF	(42,342)	-	-	(42,342)
HSU University Center	(3,606)	-	-	(3,606)
HSU Associated Students	(1,389)	-	-	(1,389)
HSU	(244,183)	-	-	(244,183)
Total assets transferred	<u>\$ (149,561)</u>	<u>\$ 8,502</u>	<u>\$ 0</u>	<u>\$ (141,059)</u>

There may be discrepancies in the reporting of transfers by the other organizations due to differences in account classifications.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

The endowed and non-endowed assets transferred during the fiscal year ended June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Transfers from:				
HSUSPF	\$ 833,463	\$ 4,097	\$ 2,015	\$ 839,575
HSU Alumni Association	-	5,600	-	5,600
HSU	-	339	627,956	628,295
Transfers to:				
HSUSPF	(38,613)	-	-	(38,613)
HSU	(1,844,600)	-	-	(1,844,600)
Total assets transferred	<u>\$ (1,049,750)</u>	<u>\$ 10,036</u>	<u>\$ 629,971</u>	<u>\$ (409,743)</u>

The temporarily restricted transfers to HSU in 2010 were conditional gift pledges. Per a gift agreement with HSU dated September 30, 2008, Advancement Foundation pledged \$2,990,500 for the construction of the Schatz Energy Research Center. The funds were withdrawn from the Hydrogen Demonstration Trust non-endowed asset portfolio. The Center was completed by June 30, 2010.

NOTE 9 - RELATED PARTY TRANSACTIONS:

For the fiscal years ended June 30, 2011 and 2010, Advancement Foundation reimbursed HSU \$238,000 and \$195,304, respectively, for personnel services and accounting services in the current year, of which \$0 and \$0 was owed at June 30, 2011 and 2010, respectively.

Advancement Foundation has leasing agreements with HSU for two investment properties located in Arcata, California. The lease for the property located on C Street commenced on August 11, 2008 and will end on August 10, 2018. The monthly rent payable for the duration of the lease term is \$12,100. Advancement Foundation will receive \$145,200 each year for the next five years. The lease for the property located on Samoa Boulevard commenced on August 29, 2008 and will end on August 28, 2018. The monthly rent payable for the duration of the lease term is \$11,550. Advancement Foundation will receive \$138,600 each year for the next five years.

For the fiscal years ended June 30, 2011 and 2010, Advancement Foundation received \$138,600 and \$138,600, respectively, from HSU for the Samoa Boulevard property and approximately \$145,200 and \$145,200, respectively, for the C Street property, of which no amounts were due at June 30, 2011 and 2010, respectively.

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses by functional classification are as follows:

	<u>2011</u>	<u>2010</u>
Total program services	\$ 601,431	\$ 590,716
Fundraising expenses	47,133	39,179
Supporting services	325,553	213,765
Total	<u>\$ 974,117</u>	<u>\$ 843,660</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

Advancement Foundation's only program service involves the management of gifts received from donors, grantors, and HSU.

NOTE 11 - NET ASSET RECLASSIFICATIONS:

As of June 30, 2011, Advancement Foundation has reclassified \$676,470 of endowment funds from unrestricted net assets to temporarily restricted net assets for endowment funds that had fund deficiencies in the prior year that were partially or fully restored as a result of gains in the current year. As of June 30, 2011, Advancement Foundation has reclassified \$4 of endowment funds with deficiencies from temporarily restricted net assets to unrestricted net assets. As of June 30, 2011, there is a total of \$1,190 in fund deficiencies classified as unrestricted net assets.

As of June 30, 2010, Advancement Foundation reclassified \$1,044,047 of endowment funds from unrestricted net assets to temporarily restricted net assets for endowment funds that had fund deficiencies in the prior year that were partially or fully restored as a result of gains. As of June 30, 2010, Advancement Foundation reclassified \$32,792 of endowment funds with deficiencies from temporarily restricted net assets to unrestricted net assets. As of June 30, 2010, there was a total of \$677,656 in fund deficiencies classified as unrestricted net assets. See Note 7.

NOTE 12 - RECLASSIFICATION OF ENDOWMENTS:

Certain donor restricted endowments are classified as temporarily restricted net assets until the corpus reaches a balance of \$25,000 after which the endowments are permanently restricted. As of June 30, 2011, there were no endowment reclassifications. As of June 30, 2010, three endowments with a total corpus of \$85,747 reached the specified corpus threshold and were reclassified as permanently restricted net assets. The fund deficiencies were reclassified to unrestricted net assets. See Notes 7 and 11.

NOTE 13 - RECLASSIFICATION OF BEGINNING NET ASSETS:

Beginning net assets for the fiscal year ending June 30, 2010, were reclassified for endowments that were misclassified in prior years after a thorough analysis of the restrictions of the individual endowments. See Note 7.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The valuation techniques used in measuring fair value are disclosed in Note 1. Fair values of financial instruments measured on a recurring basis at June 30, 2011, are as follows:

	Fair Value Measurements at 6/30/11 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair values of assets:				
Investments:				
Equity securities:				
publicly traded	\$ 11,422,741	\$ 11,422,741	\$ -	\$ -
privately traded	1,564,458	-	-	1,564,458
Fixed income	2,705,940	2,705,940	-	-
Balanced	113,397	113,397	-	-
Real estate	4,230,162	-	-	4,230,162
RREEF	998,788	-	-	998,788
All asset strategies	2,085,820	2,085,820	-	-
Short term bonds	745,600	745,600	-	-
Cash equivalents	52,133	52,133	-	-
Total investments	23,919,039	17,125,631	-	6,793,408
LAIF	1,154,190	-	1,154,190	-
Land	507,500	-	-	507,500
Stock	1,217	-	1,217	-
Promises to give	1,788,929	-	-	1,788,929
Total fair value of assets	<u>\$ 27,370,875</u>	<u>\$ 17,125,631</u>	<u>\$ 1,155,407</u>	<u>\$ 9,089,837</u>
Fair values of liabilities:				
Debt obligation	<u>\$ 2,535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,535,000</u>

Fair values of financial instruments measured on a recurring basis at June 30, 2010, are as follows:

	Fair Value Measurements at 6/30/10 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair values of assets:				
Investments:				
Equity securities:				
publicly traded	\$ 9,496,745	\$ 9,496,745	\$ -	\$ -
privately traded	1,204,566	-	-	1,204,566
Fixed income	2,813,476	2,813,476	-	-
Real estate	4,230,132	-	-	4,230,132
RREEF	837,419	-	-	837,419

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

All asset strategies	1,490,843	1,490,843	-	-
Short term bonds	218,580	218,580	-	-
Cash equivalents	<u>52,957</u>	<u>52,957</u>	-	-
Total investments	20,344,718	14,072,601	-	6,272,117
LAIF	826,338	-	826,338	-
Land	675,000	-	-	675,000
Stock	1,217	-	1,217	-
Promises to give	<u>816,445</u>	-	-	<u>816,445</u>
Total fair value of assets	<u>\$ 22,663,718</u>	<u>\$ 14,072,601</u>	<u>\$ 827,555</u>	<u>\$ 7,763,562</u>

Fair values of liabilities:

Debt obligation	<u>\$ 2,535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,535,000</u>
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A reconciliation of fair value measurements using Level 3 inputs is as follows:

	Balances 06/30/10	Gains	(Losses)	Balances 06/30/11
Fair values of assets:				
Investments:				
Equity securities:				
privately traded	\$ 1,204,566	\$ 432,050	\$ (72,158)	\$ 1,564,458
Real estate	4,230,132	145,230	(145,200)	4,230,162
RREEF	837,419	211,860	(50,491)	998,788
Land	675,000	-	(167,500)	507,500
Promises to give	<u>816,445</u>	<u>974,919</u>	<u>(2,435)</u>	<u>1,788,929</u>
Total fair value of assets	<u>\$ 7,763,562</u>	<u>\$ 1,764,059</u>	<u>\$ (437,784)</u>	<u>\$ 9,089,837</u>

Fair values of liabilities:

Debt obligation	<u>\$ 2,535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,535,000</u>
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Total gains and losses included in the changes in net assets that are attributable to investments still held at June 30, 2011, is as follows:

	Equity Securities	Real Estate	RREEF	Land	Promises to Give	Total
Beginning Balance	\$ 1,204,566	\$ 4,230,132	\$ 837,419	\$ 675,000	\$ 816,445	\$ 7,763,562
Total gains or losses (realized/unrealized) included in changes in net assets	424,892	134,478	211,860	(167,500)	972,484	1,576,214
Purchases, issuances and settlements	-	-	-	-	-	-
Transfers in and/or out of Level 3	<u>(65,000)</u>	<u>(134,448)</u>	<u>(50,491)</u>	<u>-</u>	<u>-</u>	<u>(249,939)</u>
Ending Balance	<u>\$ 1,564,458</u>	<u>\$ 4,230,162</u>	<u>\$ 998,788</u>	<u>\$ 507,500</u>	<u>\$ 1,788,929</u>	<u>\$ 9,089,837</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

For privately traded equity securities, there were unrealized gains of \$416,982, realized gains of \$15,068, fees of \$7,158, and net transfers out of \$65,000. For real estate, there were unrealized gains of 30, rent collected of \$145,200, insurance premiums and expenses of \$10,752, and transfers out of \$134,448. For RREEF, there was \$56,842 in income, \$155,019 in other unrealized gains, and transfers out of \$50,491. For promises to give, there were multiple promises as well as present value adjustments totaling \$972,484 reported as contributions.

The investment returns, contribution, and fees are included in the changes in net assets, are reported on the Statement of Activities, and relate to assets and liabilities held at the reporting date. The land adjustment and net transfers are included in investments reported in the Statement of Financial Position.

A reconciliation of the fair values of assets to total assets is as follows:

	<u>2011</u>	<u>2010</u>
Fair values	\$ 27,370,875	\$ 22,663,718
Cash	102,916	137,005
Receivables	<u>81,468</u>	<u>73,785</u>
Total assets	<u>\$27,555,259</u>	<u>\$ 22,874,508</u>

NOTE 15 - SUBSEQUENT EVENTS:

In preparing these financial statements, Advancement Foundation has evaluated events and transactions for potential recognition or disclosure through September 28, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Schedule of Net Assets

June 30, 2011

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 102,916
Short-term investments	1,154,190
Accounts receivable, net	-
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	81,468
Total current assets	<u>1,338,574</u>

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	-
Promises to give	1,788,929
Endowment investments	20,106,342
Other long-term investments	3,812,697
Capital assets, net	-
Other assets	508,717
Total noncurrent assets	<u>26,216,685</u>
Total assets	<u>27,555,259</u>

Liabilities:

Current liabilities:

Accounts payable	-
Accrued salaries and benefits payable	-
Accrued compensated absences- current portion	-
Deferred revenue	-
Capitalized lease obligations - current portion	-
Long-term debt obligations - current portion	-
Self-insurance claims liability - current portion	-
Depository accounts	-
Other liabilities	78,790
Total current liabilities	<u>78,790</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Deferred revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	2,535,000
Self-insurance claims liabilities, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	-
Other liabilities	-
Total noncurrent liabilities	<u>2,535,000</u>
Total liabilities	<u>2,613,790</u>

Net assets:

Invested in capital assets, net of related debt	-
Restricted for:	
Nonexpendable - endowments	19,509,902
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	3,225,070
Unrestricted	<u>2,206,497</u>
Total net assets	<u>\$ 24,941,469</u>

Humboldt State University Advancement Foundation
Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2011

Revenues:

Operating revenues:

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

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	-
Depreciation and amortization	-
Total operating expenses	<u>-</u>
Operating income (loss)	<u>-</u>

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	1,432,258
Investment income (loss), net	355,628
Endowment income (loss), net	2,776,061
Interest Expenses	(9,608)
Other nonoperating revenues (expenses)	(858,524)
Net nonoperating revenues (expenses)	<u>3,695,815</u>
Income (loss) before other additions	<u>3,695,815</u>

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	1,017,810
Increase (decrease) in net assets	<u>4,713,625</u>

Net assets:

Net assets at beginning of year, as previously reported	20,227,844
Restatements	-
Net assets at beginning of year, as restated	<u>20,227,844</u>
Net assets at end of year	<u>\$ 24,941,469</u>

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

(for inclusion in the California State University)

Total restricted cash and cash equivalents

agreements at June 30, 2011 :

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HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2011

(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2011:

	Balance June 30, 2010	Prior period Adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2011
Nondepreciable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Inangible assets	-	-	-	-	-	-	-	-
Total nondepreciable capital assets	-	-	-	-	-	-	-	-
Depreciable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Inangible assets	-	-	-	-	-	-	-	-
Total depreciable capital assets	-	-	-	-	-	-	-	-
Total capital assets	-	-	-	-	-	-	-	-
Less accumulated depreciation:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Inangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation	-	-	-	-	-	-	-	-
Total capital assets, net	\$ -	-	-	-	-	-	-	-

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2011:

Depreciation and amortization expense related to capital ass	\$ -
Amortization expense related to other assets	-
Total depreciation and amortization	\$ -

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2011

(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2010	Prior period adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Balance June 30, 2011	Current portion	Long-term portion
\$	—	—	—	\$	—	—	—	—	\$
Accrued compensated absences	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—
Other:	—	—	—	—	—	—	—	—	—
California State University Risk Management Authority Loan	2,535,000	—	—	2,535,000	—	—	2,535,000	—	2,535,000
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	2,535,000	—	—	2,535,000	—	—	2,535,000	—	2,535,000
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	2,535,000	—	—	2,535,000	—	—	2,535,000	—	2,535,000
Total long-term liabilities	\$ 2,535,000	—	—	\$ 2,535,000	—	—	\$ 2,535,000	—	\$ 2,535,000

5 Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
\$	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016-2020	—	—	—
2021-2025	—	—	—
2026-2030	—	—	—
2031-2035	—	—	—
2036-2040	—	—	—
2041-2045	—	—	—
2046-2050	—	—	—
2051-2055	—	—	—
2056-2060	—	—	—
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	\$	—	\$

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

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6 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds		All other long-term debt obligations			
	Principal	Interest	Principal and Interest	Principal	Interest	Total Principal and Interest
2012	\$ —	—	\$ —	\$ —	\$ 14,602	\$ 14,602
2013	—	—	—	—	14,602	14,602
2014	—	—	—	2,535,000	400	2,535,400
2015	—	—	—	—	—	—
2016-2020	—	—	—	—	—	—
2021-2025	—	—	—	—	—	—
2026-2030	—	—	—	—	—	—
2031-2035	—	—	—	—	—	—
2036-2040	—	—	—	—	—	—
2041-2045	—	—	—	—	—	—
2046-2050	—	—	—	—	—	—
2051-2055	—	—	—	—	—	—
2056-2060	—	—	—	—	—	—
Total	\$ —	—	\$ —	\$ 2,535,000	\$ 29,604	\$ 2,564,604

7 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total	
	GASB	FASB	Auxiliaries	
7.1 Calculation of net assets - Invested in capital assets, net of related debt				
Capital assets, net of accumulated depreciation	\$ —	\$ —	—	\$ —
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	—	(2,535,000)	—	(2,535,000)
Portion of outstanding debt that is unspent at year-end	—	—	—	—
Other adjustments: (please list)				
Non-endowed property	—	2,535,000	—	2,535,000
Add description	—	—	—	—
Add description	—	—	—	—
Add description	—	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	\$ —	—	\$ —
7.2 Calculation of net assets - Restricted for nonexpendable - endowments				
Portion of restricted cash and cash equivalents related to endowments	\$ —	\$ —	—	\$ —
Endowment investments	—	20,106,342	—	20,106,342
Other adjustments: (please list)				
Less temporarily restricted endowment net assets	—	(5,007,483)	—	(5,007,483)
Less unrestricted endowment net assets	—	(457,491)	—	(457,491)
Add temporarily restricted quasi endowments considered nonexpendable	—	586,619	—	586,619
Add unrestricted quasi endowments considered nonexpendable	—	3,532,170	—	3,532,170
Add Schatz Tree Farm Land	—	507,500	—	507,500
Add non-invested endowment net assets	—	242,245	—	242,245
Add description	—	—	—	—
Add description	—	—	—	—
Add description	—	—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	\$ —	\$ 19,509,902	—	\$ 19,509,902

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2011

(for inclusion in the California State University)

8 Transactions with Related Entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 155,251
Payments to University for other than salaries of University personnel	129,033
Payments received from University for services, space, and programs	311,116
Gifts-in-kind to the University from Auxiliary Organizations	6,946
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	(1,304)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	—
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

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

10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
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	—

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

	<u>Net Asset</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net assets as of June 30, 2010, as previously reported		\$ 20,227,844
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 assets as of June 30, 2010, as restated		\$ 20,227,844

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2011

(for inclusion in the California State University)

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

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

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

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2011

NOTE 1 - SUPPLEMENTARY SCHEDULES

As an auxiliary organization of the California State University (CSU), Advancement 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 the reporting format between Advancement Foundation's financial statements and the supplementary schedules for CSU.

Investments

Other long-term investments on the schedule of net assets consist of the investments of non-endowed funds. Endowment investments include net earnings on endowments in excess of corpus.

Net Assets

For purposes of the supplementary schedules, quasi-endowments are recognized as permanent endowments. Net assets restricted for expendable-other consist of temporarily restricted net assets that are not quasi-endowed. Unrestricted net assets consist of unrestricted net assets that are not quasi-endowed.

Net assets restricted for nonexpendable-endowments:

Permanently restricted net assets	\$ 15,558,613
Quasi-endowed unrestricted net assets	586,619
Quasi-endowed temporarily restricted net assets	<u>3,364,670</u>
Total	<u>\$ 19,509,902</u>

Nonoperating Revenues and Expenses

For purposes of the supplementary schedules, Advancement Foundation does not meet the criteria to be considered an auxiliary enterprise. As a result, Advancement Foundation's revenues and expenses are considered to be nonoperating.

Noncapital gifts:

Unrestricted contributions	\$ 654,415
Temporarily restricted contributions	635,884
Transfers	<u>141,959</u>
Total	<u>\$ 1,432,258</u>

Investment income, net:

Net investment return on non-endowed investments	\$ 380,046
Unrestricted interest income	4,717
Investment fees related to non-endowed investments	<u>(29,135)</u>
Total	<u>\$ 355,628</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2011

Endowment income:

Net investment return on endowed investments	\$ 3,133,238
Transfers	8,502
Investment fees related to endowed investments	(365,679)
Total	<u>\$ 2,776,061</u>

Investment and endowment income include interest and dividend revenues, net realized and unrealized gains and losses, and transfers.

Other nonoperating revenues (expenses):

Administrative cost recovery revenue	\$ 339,008
Miscellaneous income	2,691
Distributions of earnings	(536,018)
Non-endowed withdrawals	(291,520)
General and administrative expenses	(372,685)
Total	<u>\$ (858,524)</u>

Additions to permanent endowments:

Permanently restricted contributions	\$ 1,017,810
Transfers	-
Total	<u>\$ 1,017,810</u>

NOTE 2 - DISTRIBUTIONS OF EARNINGS

Earnings were distributed as follows:

Humboldt State University Sponsored Programs Foundation	\$ 417,500
Humboldt State University	110,820
Humboldt State University Center	7,698
Total	<u>\$ 536,018</u>

NOTE 3 - LONG TERM DEBT OBLIGATION

California State University Risk Management Authority (CSURMA) granted a loan to Advancement Foundation on August 26, 2008. The proceeds of \$2,535,000 financed the acquisition of property located in Arcata, California. The loan is unsecured. All principal and any remaining unpaid interest will be due and payable on October 31, 2013. The loan is non-amortizing, with interest due and payable quarterly. The interest rate charged is equal to the rate of interest paid to CSURMA for funds invested with CalTrust. For the fiscal year ended June 30, 2011, Advancement Foundation incurred interest expense of \$9,608, at an average interest rate of .038%. For the following three years, it is estimated that Advancement Foundation will pay interest of \$14,602 for two years and \$400 in the final year, based on an estimated interest rate of approximately .048%.