

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

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

June 30, 2012

With

Report of Certified Public Accountants

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	<u>Page</u> 1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 14
SUPPLEMENTARY INFORMATION:	
Schedule of Net Assets	15
Schedule of Revenues, Expenses, and Changes in Net Assets	16
Other Information	17 - 22
Note to Supplementary Information	23

John B. Hunter, CPA
James A. Hunter, CPA
Scott E. Hunt, CPA/ABV
Donna L. Taylor, CPA, CFE



Eileen Sacra Capaccio, CPA
Carol Mayes, CPA, CFE
Kim Windsor, CPA/ABV
Jennifer J. Hillegeist, CPA
Patrick M. Shanahan, CPA

INDEPENDENT AUDITORS' REPORT

Humboldt State University Center
Board of Directors
Arcata, California

We have audited the accompanying statement of financial position of the Humboldt State University Center Board of Directors (a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 Center Board of Directors as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was 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 15 - 22) are presented for purposes of additional analysis and are not a required part 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.

A handwritten signature in black ink that reads "Hunter, Hunter & Hunt". The signature is written in a cursive, flowing style.

September 27, 2012

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012

ASSETS

Current Assets:

Cash on hand & commercial accounts	\$ 642,559
Unreserved cash in LAIF funds	7,042,191
Total Cash	<u>7,684,750</u>
Accounts and other receivables	139,078
Inventory	113,280
Prepaid expenses	<u>11,352</u>
Total Current Assets	<u>7,948,460</u>

Fixed Assets:

Building & improvements	2,253,986
Equipment, furniture & fixtures	1,298,671
Work in progress	<u>171,391</u>
Total	3,724,048
Less: Accumulated depreciation	<u>(2,704,632)</u>
Net Fixed Assets	<u>1,019,416</u>

Other Assets:

Cash reserved for pension costs & postretirement health benefits	<u>4,892,557</u>
--	------------------

TOTAL ASSETS	<u><u>\$ 13,860,433</u></u>
--------------	-----------------------------

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable	\$ 97,483
Accrued liabilities	333,736
Postretirement health benefits	268,214
Deferred revenues	<u>148,416</u>
Total Current Liabilities	847,849

Long-term Liabilities:

Net pension cost liability	612,486
Postretirement health benefits	<u>4,011,857</u>
TOTAL LIABILITIES	<u>5,472,192</u>

Net Assets:

Unrestricted net assets	<u>8,388,241</u>
TOTAL NET ASSETS	<u>8,388,241</u>

TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 13,860,433</u></u>
--------------------------------	-----------------------------

See Accompanying Notes

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CHANGE IN UNRESTRICTED NET ASSETS

OPERATING REVENUES & SUPPORT:

Revenues from operations	
Revenues from operations	\$ 13,382,454
Less cost of sales	<u>4,730,735</u>
Net revenues from operations	8,651,719
Return of surplus revenue funds	975,000
Interest	<u>51,301</u>
Total Operating Revenues & Support	<u>9,678,020</u>

OPERATING EXPENDITURES:

Salaries & wages	3,542,407
Employee benefits	1,184,697
Rent	707,309
Depreciation	192,578
Loss on inventory	1,560
Loss on disposal of fixed assets	35,824
Advertising & promotion	18,420
Repairs & maintenance	583,340
Utilities	233,550
Communications	63,651
Bank service charges	168,121
Outside professional services	39,883
Dues & subscriptions	7,144
Business & professional meetings	21,291
Insurance	87,751
Services from other funds	139,637
Supplies & services	336,789
Event costs	824,898
Vehicle	20,123
Contribution to Humboldt State University	213,357
Other & miscellaneous	<u>97,463</u>
Total Operating Expenditures	<u>8,519,793</u>

OPERATING INCOME	1,158,227
------------------	-----------

NONOPERATING REVENUES (EXPENSES):

Contribution to Humboldt State University	(1,051,045)
Postretirement related changes other than net periodic pension cost	<u>(421,893)</u>

CHANGE IN UNRESTRICTED NET ASSETS	(314,711)
-----------------------------------	------------

NET ASSETS, BEGINNING OF YEAR	<u>8,702,952</u>
-------------------------------	------------------

NET ASSETS, END OF YEAR	<u><u>\$ 8,388,241</u></u>
-------------------------	----------------------------

See Accompanying Notes

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in unrestricted net assets	\$ (314,711)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	192,578
Employee pension benefits	(33,651)
Loss on inventory	1,560
Loss on disposal of equipment/improvements	35,824
Nonoperating employee postretirement health benefit costs	(421,893)
(Increase) Decrease in operating assets:	
Receivables, net	456,672
Inventories	849,791
Prepaid expenses	1,338
Vendor credit available	100,313
Increase (Decrease) in operating liabilities:	
Accounts payable	(167,599)
Accrued liabilities	(78,558)
Deferred revenues	(33,383)
Postretirement health benefits	<u>185,544</u>
Net cash provided by (used by) operating activities	<u>773,825</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment/improvements, net	(356,261)
Transfer from reserves to cash	<u>62,106</u>
Net cash provided by (used by) investing activities	<u>(294,155)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 479,670

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 7,205,080

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 7,684,750

See Accompanying Notes

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Humboldt State University Center Board of Directors (University Center) 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.

Organization

University Center is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and is a component unit of the California State University. University Center is a nonprofit corporation formed to promote the welfare of HSU and its students and employees. 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, 2012, 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.

In July of 2011, University Center entered into a management agreement with Follett Higher Education Group, Inc. (Follett) where Follett has the exclusive right to operate the bookstore on campus and on the internet for the University Center. The agreement has an initial termination date of June 30, 2018.

Basis of Accounting

Assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

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, 2012.

Line of Credit

In 2012, University Center renewed an agreement with HSU Sponsored Programs Foundation to provide a \$1,000,000 line of credit for purposes of working capital. The term of the agreement is from January 1, 2012 through December 31, 2012. As of June 30, 2012, no amount of the line of credit is outstanding.

Reserved Cash

The Board of Directors has reserved cash in the amount of \$4,892,557 to be used for pension and postretirement health benefits.

Cash and Cash Equivalents

For the purpose of the statement of cash flows University Center considers all certificates of deposits and insured money market accounts with a maturity of three months or less, to be cash equivalents.

Fair Value Measurements

University Center 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:

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

For cash, cash equivalents, receivables, and other payables, the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Fixed Assets

Fixed 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, 2012, \$222,606 of equipment is used by University Center but is not recorded on the statement of financial 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.

Income Taxes

University Center 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.

Inventories

The food and beverage inventory is stated at cost, using the first-in, first-out (FIFO) method. At June 30, 2012, the cost of the food and beverage inventory was \$113,280. For the year ended June 30, 2012, University Center recognized a loss on inventory of \$1,560.

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 financial position and recognizes changes in the funded status in the year in which the changes occur in unrestricted net assets, 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.

Commercial Revenue - All commercial revenue 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.

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.

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - CASH AND CASH INVESTMENTS

University Center maintains cash in the State of California Local Agency Investment Fund (LAIF), an investment pool. 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, 2012, cash in LAIF was \$11,934,748. Of this amount, \$4,892,557 is reserved for pension and postretirement health benefits.

NOTE 3 - CONCENTRATION OF CREDIT RISK

University Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management believes the company is not exposed to any significant credit risk related to cash.

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2012, consist of the following:

Salaries and benefits payable	\$ 50,169
Compensated absences	104,329
HSU card clearing	117,939
Other	<u>61,299</u>
Total	<u><u>\$ 333,736</u></u>

NOTE 5 - PENSION PLAN

University Center contracts with the California Public Employee's Retirement System (CalPERS) to provide its salaried employees retirement and disability benefits which are paid by the State of California. Through June 30, 2003, the CalPERS retirement and disability plan was an agent multiple-employer retirement plan. Therefore, University Center is required under generally accepted accounting principles to disclose the components of net pension costs and the projected benefit obligation.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and 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, 2010, 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.

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

<u>Asset Class</u>	<u>Market Value (\$ Billion)</u>	<u>Current Allocation</u>	<u>Target</u>
Total cash equivalents	9.3	4.6%	4.0%
Total global fixed income	53.4	26.2%	16.0%
Total equities	91.9	45.1%	49.0%
Inflation linked (ILAC)	5.0	2.5%	4.0%
Total real estate	15.2	7.5%	13.0%
Alternative investments	<u>28.7</u>	<u>14.1%</u>	<u>14.0%</u>
Total fund	<u><u>203.5</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Effective July 1, 2003, University Center began participation in a CalPERS cost-sharing multiemployer pension plan whereby other entities with benefits similar to the University Center participate in the same cost-sharing plan. At the date the 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 financial position at June 30, 2012, consist of:

Pension liability	<u><u>\$ 612,486</u></u>
-------------------	--------------------------

The following table sets forth the calculation of the University Center's side fund liability as of June 30, 2012:

Accrued employee benefit cost related to side fund liability:	
Balance at beginning of year	\$ 646,137
Service cost	117,254
Actual employer contributions	(209,514)
Interest cost	<u>58,609</u>
Side fund liability at year end	<u><u>\$ 612,486</u></u>

Service cost was calculated using 8.204% of payroll for the year ended June 30, 2012. The contribution rate to CalPERS was 14.663% of actual payroll of \$1,429,233 for the year ended June 30, 2012. The side fund is credited on an annual basis with the actuarial investment return assumption. This assumption was 7.75% for the year ended June 30, 2012. The employees' contributions were \$95,837 for the year ended June 30, 2012. Contributions expected to be paid to the plan by the University Center during the next fiscal year are \$278,112.

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 would be material.

NOTE 6 - INCOME TAXES

University Center is exempt from federal and state income taxes under Internal Revenue Code (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

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

North Humboldt Recreation and Park District. For the fiscal year ending June 30, 2012, 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 2008 through 2010. 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, 2012.

NOTE 7 - 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
College Creek Marketplace	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)	\$ 431,902
Hilltop Marketplace - formerly known as BSS Marketplace (HSU)	9,116
South Campus and College Creek Marketplaces (HSU)	143,938
Giant's Cupboard (HSU)	122,353
Total	<u>\$ 707,309</u>

As of June 30, 2012, UC owes HSU rental expense of \$6,430.

NOTE 8 - 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).

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

During 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.

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.

The fair values of University Center's plan assets invested in the Auxiliaries Multiple Employer VEBA at June 30, 2012, by asset class are as follows:

Fixed Income Mutual Funds (level 1)	\$ 353,086
Balanced Equity Funds (level 1)	<u>246,328</u>
Total market value	<u>\$ 599,414</u>

The following information is based on a measurement date of June 30, 2012:

Change in benefit obligation:	
Benefit obligation at end of prior year	\$ 4,516,420
Service cost	62,735
Interest cost	266,280
Actual investment (income)/loss	586
Actuarial (gain)/loss	259,690
Benefits paid	<u>(226,226)</u>
Benefit obligation at end of year	<u>\$ 4,879,485</u>

Change in plan assets:	
Fair value of plan assets at beginning of year	\$ -
Actual return on assets	(586)
Employer contribution	826,226
Benefits paid	<u>(226,226)</u>
Fair value of plan assets at end of year	<u>\$ 599,414</u>

Funded status:	<u>\$ (4,280,071)</u>
----------------	-----------------------

Amounts recognized in the statement of financial position consist of:

Current assets	\$ -
Noncurrent assets	-
Current liabilities	268,214
Noncurrent liabilities	<u>4,011,857</u>
Total	<u>\$ 4,280,071</u>

Amounts recognized in unrestricted net assets consist of:

Net actuarial gain/(loss)	\$ 2,099,641
Prior service (cost)/credit	-
Transition obligation (cost)/credit	<u>-</u>
Net amount recognized in unrestricted net assets	<u>\$ 2,099,641</u>

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Components of net periodic postretirement benefit cost:

Service cost	\$ 62,735
Interest cost	266,280
Return on net assets	586
Amortization of unrecognized net (gain)/loss	(162,203)
Amortization of unrecognized prior service cost	-
Amortization of unrecognized transition obligation	-
Total net periodic postretirement benefit cost	<u>167,398</u>

Other changes in plan assets and benefit obligations
recognized in unrestricted net assets:

Net actuarial (gain)/loss incurred in year	259,690
Amortization of actuarial (gain)/loss	162,203
Amortization of prior service cost	-
Amortization of transition obligation	-
Total recognized change in unrestricted net assets	<u>421,893</u>

Total recognized in net benefit cost and unrestricted net assets \$ 589,291

In accordance with ASC 958-785, *Not-for-Profit Entities Compensation-Retirement Benefits*, University Center amortizes a portion of the net actuary gain recognized as a change in unrestricted net assets as a component of net periodic postretirement benefit cost over a ten year period.

The assumptions used in the measurement of the University Center's benefit obligation and net periodic benefit cost for the year ended June 30, 2012, are as follows:

Weighted-average assumptions used to determine pension benefit obligation:

Discount rate	4.1%
Rate of compensation increase	N/A

Weighted-average assumptions used to determine net periodic postretirement benefit cost:

Discount rate	4.1%
Expected rate of return on plan assets	6.5%
Rate of compensation increase	N/A

Medical trend:

Initial	4.00%
Ultimate	4.00%
Number of years to ultimate trend rate	N/A

If assumed health care trend rates were increased by 1%, the service cost, interest cost and accumulated benefit obligation would be increased as indicated below:

	Increase in Dollars	Percent Increase
Service	\$ 32,559	51.90%
Interest cost	37,588	14.12%
Accumulated postretirement benefit obligation	884,223	20.66%

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

The University Center expects to contribute \$650,000 to the VEBA trust during the next fiscal year. Projected net periodic costs of \$229,566 are expected to be accrued during the next fiscal year. The following benefit payments are expected to be paid:

Years ending June 30,	
2013	\$ 268,214
2014	283,574
2015	316,038
2016	348,444
2017	372,494
2018-2022	2,385,535

The accumulated postretirement benefit obligation 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 would be material.

NOTE 9 - RELATED PARTY TRANSACTIONS

Management Services

University Center provides accounting and/or other management services to HSU Associated Students. Based on agreements, University Center earned \$138,194 from HSU Associated Students for services during the year ended June 30, 2012.

Leases

University Center has lease agreements with HSU that are described in Note 7.

During the year ended June 30, 2012, University Center contributed \$984,150 of cash and \$66,895 of equipment to the Humboldt State University West Gym Improvement Project. For the year ended June 30, 2013, University Center has committed to contribute \$315,850 of cash to the West Gym Improvement Project. As part of ongoing operations, University Center contributed \$213,357 of dining goods and services to Humboldt State University during the year ended June 30, 2012.

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional classification for the year ended June 30, 2012, are as follows:

Operating program services expenditures:	
Bookstore	\$ 540,526
Dining	9,299,800
CenterArts	1,150,705
Center Activities	<u>1,990,475</u>
Total program services expenditures	12,981,506
Supporting services expenditures:	
General operations/facilities & administration	<u>1,741,960</u>
Total expenses by functional classification	14,723,466
Less cost of sales included with revenues on the statement of activities	<u>(4,730,735)</u>
Total expenditures in the operating and nonoperating expenditures section of the statement of activities	<u>\$ 9,992,731</u>

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair values of financial instruments measured on a recurring basis at June 30, 2012, are as follows:

		<u>Fair Value Measurements at 6/30/12 Using</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fair value of assets:				
LAIF	\$ 11,934,748	\$ -	\$ 11,934,748	\$ -
Fair value of liabilities:				
Pension liability	\$ 612,486	\$ -	\$ -	\$ 612,486
Postretirement health benefits liability	\$ 4,280,071	\$ -	\$ -	\$ 4,280,071

The fair value of the LAIF asset is based on valuation provided by the California State Controller's Office. The fair value for the pension liability is determined by CalPERS using estimated employer payroll and estimated returns on plan assets. The fair value for the postretirement health benefits liability is determined by an actuarial consulting firm, based on assumptions and a discount rate authorized by CalPERS, the plan sponsor.

A reconciliation of fair value measurements using Level 3 inputs is as follows:

Pension liability:	
July 1, 2011	\$ 646,137
Service and interest costs	175,863
Employer contributions	(209,514)
June 30, 2012	<u>\$ 612,486</u>
Postretirement health benefits liability:	
July 1, 2011	\$ 4,516,420
Service and interest costs	329,015
Actual investment (income)/loss	586
Actuarial (gain)/loss	259,690
Contributions, net of loss	(599,414)
Benefits paid	(226,226)
June 30, 2012	<u>\$ 4,280,071</u>

In the statement of activities, service and interest costs, employer contributions, benefits paid and amortization of the postretirement health benefits actuarial gain are reported with other employee benefit costs in operating expenditures and the unrecognized postretirement health benefits actuarial gain of \$421,893 is reported as nonoperating expenditure.

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, University Center has evaluated events and transactions for potential recognition or disclosure through September 27, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS**

Schedule of Net Assets

June 30, 2012

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 642,559
Short-term investments	7,042,191
Accounts receivable, net	139,078
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	124,632
Total current assets	<u>7,948,460</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	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	4,892,557
Capital assets, net	1,019,416
Other assets	-
Total noncurrent assets	<u>5,911,973</u>
Total assets	<u>13,860,433</u>

Liabilities:

Current liabilities:

Accounts payable	97,483
Accrued salaries and benefits payable	50,169
Accrued compensated absences— current portion	104,329
Deferred revenue	148,416
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Self-insurance claims liability - current portion	-
Depository accounts	-
Other liabilities	447,452
Total current liabilities	<u>847,849</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	-
Self-insurance claims liabilities, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	4,011,857
Other liabilities	612,486
Total noncurrent liabilities	<u>4,624,343</u>
Total liabilities	<u>5,472,192</u>

Net assets:

Invested in capital assets, net of related debt	1,019,416
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
	-
	-
	-
	-
	-
Unrestricted	<u>7,368,825</u>
Total net assets	<u>\$ 8,388,241</u>

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2012
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$ 975,000
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 \$_____)	13,382,454
Other operating revenues	-
Total operating revenues	<u>14,357,454</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	13,057,950
Depreciation and amortization	192,578
Total operating expenses	<u>13,250,528</u>
Operating income (loss)	<u>1,106,926</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	-
Investment income (loss), net	51,301
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	<u>(1,472,938)</u>
Net nonoperating revenues (expenses)	<u>(1,421,637)</u>
Income (loss) before other additions	<u>(314,711)</u>

State appropriations, capital

Grants and gifts, capital

Additions (reductions) to permanent endowments

Increase (decrease) in net assets	<u>(314,711)</u>
-----------------------------------	------------------

Net assets:

Net assets at beginning of year, as previously reported	8,702,952
Restatements	-
Net assets at beginning of year, as restated	<u>8,702,952</u>
Net assets at end of year	<u>\$ 8,388,241</u>

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

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS**
Other Information
June 30, 2012
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2012:

Portion of restricted cash and cash equivalents related to endowments	\$ —
All other restricted cash and cash equivalents:	<u>—</u>
Total restricted cash and cash equivalents	<u>\$ —</u>

2.1 Composition of investments at June 30, 2012:

	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)	7,042,191	-	7,042,191	-	4,892,557	4,892,557	11,934,748
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
US Bank SWIFT pool	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>7,042,191</u>	<u>-</u>	<u>7,042,191</u>	<u>-</u>	<u>4,892,557</u>	<u>4,892,557</u>	<u>11,934,748</u>
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	<u>\$ 7,042,191</u>	<u>\$ -</u>	<u>\$ 7,042,191</u>	<u>\$ -</u>	<u>\$ 4,892,557</u>	<u>\$ 4,892,557</u>	<u>\$ 11,934,748</u>

2.2 Investments held by the University under contractual agreements at June 30, 2012:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2012:	-	-	-	-	-	-	-
--	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2012 related to:

Amount	
\$ —	
—	
—	
—	
—	
—	
—	
—	
—	
—	
—	
—	
—	
<u>—</u>	
Total restricted current investments at June 30, 2012	<u>\$ —</u>

2.4 Restricted noncurrent investments at June 30, 2012 related to:

Amount	
\$ —	
—	
4,892,557	
—	
—	
—	
—	
—	
—	
—	
—	
—	
—	
<u>—</u>	
Total restricted noncurrent investments at June 30, 2012	<u>\$ 4,892,557</u>

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2012
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2012:

	Balance June 30, 2011	Prior period Adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	171,391	-	-	171,391
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
Depreciable/amortizable capital assets:								
Buildings and building improvements	2,674,220	-	-	2,674,220	82,230	(502,464)	-	2,253,986
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	1,656,346	-	-	1,656,346	105,140	(462,815)	-	1,298,671
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	4,330,566	-	-	4,330,566	187,370	(965,279)	-	3,552,657
Total capital assets	4,330,566	-	-	4,330,566	358,761	(965,279)	-	3,724,048
Less accumulated depreciation/amortization:								
Buildings and building improvements	(2,038,838)	-	-	(2,038,838)	(108,790)	483,265	-	(1,664,363)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(1,400,171)	-	-	(1,400,171)	(83,788)	443,690	-	(1,040,269)
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	(3,439,009)	-	-	(3,439,009)	(192,578)	926,955	-	(2,704,632)
Total capital assets, net	\$ 891,557	\$ -	\$ -	\$ 891,557	\$ 166,183	\$ (38,324)	\$ -	\$ 1,019,416

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2012:

Depreciation and amortization expense related to capital assets	\$ 192,578
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 192,578

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

HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2012
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2011	Prior period adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Balance June 30, 2012	Current portion	Long-term portion
Accrued compensated absences	\$ 96,024	\$ —	\$ —	\$ 96,024	\$ 95,629	\$ (87,324)	\$ 104,329	\$ 104,329	\$ —
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:									
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
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	\$ 96,024	\$ —	\$ —	\$ 96,024	\$ 95,629	\$ (87,324)	\$ 104,329	\$ 104,329	\$ —

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	—	—	—
2018 - 2022	—	—	—
2023 - 2027	—	—	—
2028 - 2032	—	—	—
2033 - 2037	—	—	—
2038 - 2042	—	—	—
2043 - 2047	—	—	—
2048 - 2052	—	—	—
2053 - 2057	—	—	—
2058 - 2062	—	—	—
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 CENTER
BOARD OF DIRECTORS
Other Information
June 30, 2012
(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:									
2013	\$ —	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—
2018 - 2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
Total	\$ —	—	—	—	—	—	—	—	—

7 Calculation of net assets

	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	\$ —	\$ 1,019,416	\$ 1,019,416
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	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	\$ 1,019,416	\$ 1,019,416
7.2 Calculation of net assets - 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	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
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, 2012

(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	\$ 469,245
Payments to University for other than salaries of University personnel	1,814,769
Payments received from University for services, space, and programs	796,335
Gifts-in-kind to the University from Auxiliary Organizations	280,252
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	(2,267)
Other amounts (payable to) University (enter as negative number)	(13,734)
Accounts receivable from University	71,698
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 589,877
Contributions during the year	<u>(826,226)</u>
Increase (decrease) in net OPEB obligation (NOO)	<u>(236,349)</u>
NOO - beginning of year	4,516,420
NOO - end of year	<u>\$ 4,280,071</u>

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	<u>—</u>

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

	<u>Net Asset Class</u>	<u>Amount Dr. (Cr.)</u>
Net assets as of June 30, 2011, as previously reported	\$	8,702,952
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, 2011, as restated	\$	<u>8,702,952</u>

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

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS**
Other Information
June 30, 2012
(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)	—	—

**HUMBOLDT STATE UNIVERSITY CENTER
BOARD OF DIRECTORS
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2012**

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.