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Purposes Only



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTAL SCHEDULE

**HUMBOLDT STATE UNIVERSITY FOUNDATION
403(b) DC PLAN**

December 31, 2018 and 2017



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Report of Independent Auditors

To the Audit Committee and Plan Administrator of
Humboldt State University Foundation 403(b) DC Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Humboldt State University Foundation 403(b) DC Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL's) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (CREF), and Delaware Charter Guarantee and Trust Company dba Principal Trust Company (Principal), the custodians of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the custodians hold the Plan's investment assets and execute investment transactions. The plan administrator has obtained certifications from the custodians as of December 31, 2018, and for the year then ended, that the information provided to the plan administrator by the custodians are complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter – Supplemental Schedule

The schedule H, line 4(i) – schedule of assets (held at end of year) as of December 31, 2018, is required by the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Other Matter – 2017 Financial Statement

The financial statement of the Plan as of December 31, 2017 was audited by predecessor auditors. As permitted by 29 CFR 2520.103-8 of the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA, the plan administrator instructed the predecessor auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the custodians. Their report, dated June 6, 2018, indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and, accordingly, they did not express an opinion on the financial statement, and (b) the form and content of the information included in the financial statement other than that derived from the certified investment information was presented in compliance with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA.

Mass Adams LLP

Medford, Oregon
August 29, 2019

Humboldt State University Foundation 403(b) DC Plan
Statements of Net Assets Available for Benefits

	December 31,	
	2018	2017
ASSETS		
Investments, at fair value		
Registered investment companies	\$ 5,089,333	\$ 3,581,784
Guaranteed investment contracts	838,299	728,087
	5,927,632	4,309,871
Guaranteed investment contract, at contract value	501,291	-
Total investments	6,428,923	4,309,871
Receivables		
Employer contributions	15,470	16,310
NET ASSETS AVAILABLE FOR BENEFITS	\$ 6,444,393	\$ 4,326,181

Humboldt State University Foundation 403(b) DC Plan

Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2018
ADDITIONS TO NET ASSETS ATTRIBUTED TO	
Investment income (loss)	
Net depreciation in fair value of investments	\$ (337,587)
Dividends and interest	37,912
	(299,675)
Contributions	
Participant	56,084
Employer	426,974
Rollovers	49,011
	532,069
Total additions	232,394
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO	
Benefits paid to participants	108,404
Administrative expenses	425
	108,829
Total deductions	108,829
CHANGE IN NET ASSETS	123,565
PLAN MERGER	1,994,647
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	4,326,181
End of year	\$ 6,444,393

Humboldt State University Foundation 403(b) DC Plan

Notes to Financial Statements

Note 1 – Description of Plan

The following description of the Humboldt State University Foundation 403(b) DC Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement, as amended, for a more complete description of Plan provisions.

General – The Plan is a 403(b) plan covering substantially all employees of Humboldt State University Sponsored Programs Foundation, and is subject to provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Humboldt State University Sponsored Programs Foundation (the Sponsor) is the Plan's sponsor and serves as plan administrator. The plan was amended, effective October 1, 2018 to allow for employee deferral contributions, at which time the Plan opened a new account with Principal Trust Company (Principal) to accept the employee deferral contributions. The Plan was also amended effective October 1, 2018 to merge in the Humboldt State University Foundation 403(b) TDA Plan (TDA Plan), another plan sponsored by Humboldt State University Sponsored Programs Foundation. The TDA Plan's custodians are Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). TIAA and CREF hold the assets and execute investment transactions for the TDA Plan.

Eligibility – Employees of the Sponsor are eligible to participate in the Plan immediately, with no age requirements, but must reach age 21 to receive non-elective contributions. As of October 1, 2018, there were no service requirements for employees to contribute to the Plan. Prior to October 1, 2018, employees were eligible to receive non-elective contributions after one year of service for Class A employees and two years of service for all other employees. As of October 1, 2018 employees were eligible to receive matching and other non-elective contributions after completing one year of service in which at least 1,000 hours are worked.

Contributions

Participant contributions – Prior to October 1, 2018, the Plan did not allow for employee contributions. Effective October 1, 2018, the plan was amended to allow participants to contribute between 1% and 100% of pretax annual compensation. Participants may also elect to make Roth contributions utilizing after-tax contributions. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

Employer non-elective contributions – The Sponsor makes non-elective contributions equal to 10% of the participant's eligible compensation. The non-elective contributions for the year ended December 31, 2018 were \$426,974.

Contributions are subject to regulatory limitations.

Participant accounts – Each participant's account is credited with the participant's contributions, non-elective employer contributions and Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants direct the investment of their account into various investment options offered by the Plan.

Humboldt State University Foundation 403(b) DC Plan

Notes to Financial Statements

Note 1 – Description of Plan (continued)

Vesting – Participants are vested immediately in their contributions and employer contributions plus actual earnings thereon.

Loan collateral – Participants may borrow funds directly from TIAA and CREF, the custodians of the Plan. Loans between the participant and TIAA and CREF are not included on the statement of net assets available for benefits. The participant is required to transfer funds equal to the amount of the loan plus interest into the fixed account as collateral on the loan. The loan collateral is included in the investments balance on the statement of net assets available for benefits. These funds are restricted with respect to withdrawals and transfers while the loan is outstanding. Amounts restricted for loans are \$107,894 and \$90,704 at December 31, 2018 and 2017, respectively.

Payment of benefits – On termination of service due to death, disability, retirement, or termination of service, a participant may elect to receive either a full or partial lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments. The Plan permits hardship and in-service distributions from that portion of a participant's account originating from rollover contributions and earnings therein only.

Forfeitures – Forfeitures are the nonvested portion of a participant's account that is lost upon termination of employment. As all contributions are immediately vested, there were no forfeitures within this Plan.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), using the accrual method of accounting.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that may affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investment valuation – The investments are reported at fair value and contract value. TIAA, certifies the contract value of the guaranteed investment contract. TIAA, CREF and Principal, certify the fair value of all other investments. If available, quoted market prices are used to value investments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Contract value is the relevant measurement for assets invested in fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

Humboldt State University Foundation 403(b) DC Plan Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net depreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Payment of benefits – Benefits are recorded when paid.

Expenses – Certain expenses of maintaining the Plan are paid directly by the Sponsor and are excluded from these financial statements. Investment related expenses are included in net depreciation in fair value of investments.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before the financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets available for benefits but arose after the statement of net assets available for benefits date and before the financial statements are available to be issued.

The Plan has evaluated subsequent events through August 29, 2019, which is the date the financial statements were available to be issued.

Reclassification – Certain amounts from the prior year statement of net assets available for benefits have been reclassified in order to conform to the current year presentation.

Accounting Standards Updates (ASUs) – In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-13, *Fair Value Measurement—Disclosure Framework (Topic 820)*. The amendments remove, modify, and add certain fair value disclosure requirements. The updated guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Plan sponsor is currently evaluating the timing and impact of adopting the updated provisions on its financial statements.

Humboldt State University Foundation 403(b) DC Plan

Notes to Financial Statements

Note 3 – Fair Value Measurements

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at December 31, 2018 and 2017.

Registered investment companies (mutual funds) – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Guaranteed investment contracts (nonbenefit-responsive) – A portion of the TIAA Traditional Annuity Account and Principal Group Annuity Contract is nonbenefit-responsive and measured at fair value, which approximates contract value. The guaranteed investment contract is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Under TIAA Traditional Annuity contracts, the minimum guaranteed interest rate during the accumulation phase is generally 3%, but between 1% and 3% for some contracts, and is 2.5% during the payout phase.

Humboldt State University Foundation 403(b) DC Plan Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

The following tables disclose the fair value hierarchy of the Plan's assets by level as of December 31, 2018 and 2017:

	Fair Value Measurement at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 5,089,333	\$ -	\$ -	\$ 5,089,333
Guaranteed investment contracts	-	-	838,299	838,299
Total investments at fair value	<u>\$ 5,089,333</u>	<u>\$ -</u>	<u>\$ 838,299</u>	<u>\$ 5,927,632</u>

	Fair Value Measurement at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 3,581,784	\$ -	\$ -	\$ 3,581,784
Guaranteed investment contracts	-	-	728,087	728,087
Total assets in the fair value hierarchy	<u>\$ 3,581,784</u>	<u>\$ -</u>	<u>\$ 728,087</u>	<u>\$ 4,309,871</u>

The following table discloses the summary of changes in the fair value of the Plan's Level 3 investment assets:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	TIAA Traditional Non-Benefit Responsive	Principal Fixed Income Guaranteed Option
Balance, beginning of year	\$ 728,087	\$ -
Realized gains	4,894	-
Unrealized gains/(losses) for the period relating to assets still held at the reporting date	18,779	-
Purchases	135,939	102
Sales	(49,502)	-
Balance, end of year	<u>\$ 838,197</u>	<u>\$ 102</u>

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation (depreciation) in fair value of investments in the statement of changes in net assets available for benefits.

Humboldt State University Foundation 403(b) DC Plan

Notes to Financial Statements

Note 4 – Guaranteed Investment Contract

The Plan entered into a fully benefit-responsive investment contract (FBRIC) with TIAA. TIAA maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than 3%. The crediting rate is reviewed on a quarterly basis for resetting. The FBRIC does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the FBRIC criteria under U.S. GAAP and is therefore reported at contract value. Contract value is the relevant measure for FBRICs because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by TIAA represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. A portion of the contracts are non-fully benefit-responsive, which allows participants to transact at fair value, but may be assessed a penalty for early withdrawal to transact out of the fund. Contract value approximates fair value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations, which may be affected by future economic and regulatory developments.

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or (5) premature termination of the contract. No events are probable of occurring that might limit the Plan's ability to transact at contract value with the contract issuer and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Examples of such events include the following: (1) An uncured violation of the Plan's investment guidelines, (2) a breach of material obligation under the contract, (3) a material misrepresentation, or (4) a material amendment to the agreements without the consent of the issuer.

Humboldt State University Foundation 403(b) DC Plan Notes to Financial Statements

Note 5 – Tax Status

The Plan has been designed to qualify under Section 403(b) of the Internal Revenue Code (IRC). The terms of the Plan have been prepared to conform with the sample language provided by the IRS. The Plan is required to operate in conformity with the IRC to maintain the tax exempt status for participants under Section 403(b).

In accordance with guidance on accounting for uncertainty in income taxes, the Plan administrator has evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 6 – Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. It is reasonably possible, given the level of risk associated with investment securities, that changes in the values of the investments in the near term could materially affect a participant's account balance and the amounts reported in the statement of net assets available for benefits.

Note 7 – Information Certified by the Custodians

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, TIAA, CREF, and Principal, custodians of the investments of the Plan, have certified to the completeness and accuracy of the following:

- Investments reflected on the accompanying statement of net assets available for benefits as of December 31, 2018 are certified by TIAA, CREF and Principal.
- Investments reflected on the accompanying statement of net asset available for benefits as of December 31, 2017 are certified by TIAA and CREF.
- Net depreciation in fair value of investments, dividends, and interest as reflected on the accompanying statement of changes in net assets available for benefits for the year ended December 31, 2018 are certified by TIAA, CREF and Principal.
- Investments reflected on the schedule of assets (held at end of year).

Humboldt State University Foundation 403(b) DC Plan Notes to Financial Statements

Note 8 – Party-In-Interest Transactions

Plan investments are managed by TIAA, CREF and Principal. TIAA, CREF and Principal are the custodians of the Plan and, therefore, transactions with these entities qualify as exempt party-in-interest transactions. Fees paid by the Plan for administrative services to TIAA, CREF and Principal were \$425 for the year ended December 31, 2018.

Note 9 – Plan Termination

Although it has not expressed any intent to do so, the Sponsor has the right to terminate the Plan and discontinue its contributions at any time, subject to the provisions of ERISA. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

**Supplemental Schedule
Required by the Department of Labor**

Humboldt State University Foundation 403(b) DC Plan
EIN: 94-6050071 Plan #: 001
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)
December 31, 2018

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
*	CREF Money Market	Registered Investment Company	**	\$ 1,069,302
*	CREF Stock	Registered Investment Company	**	1,022,580
*	CREF Growth	Registered Investment Company	**	667,818
*	CREF Social Choice	Registered Investment Company	**	521,116
*	CREF Global Equities	Registered Investment Company	**	495,485
*	CREF Equity Index	Registered Investment Company	**	447,681
*	CREF Bond Market	Registered Investment Company	**	421,868
*	CREF Inflation-Linked Bond	Registered Investment Company	**	145,087
	Vanguard Target Retirement 2050 Inv Fund	Registered Investment Company	**	73,800
	Vanguard Target Retirement 2040 Inv Fund	Registered Investment Company	**	61,329
	Vanguard Target Retirement 2055 Inv Fund	Registered Investment Company	**	38,408
	Vanguard Target Retirement 2035 Inv Fund	Registered Investment Company	**	38,019
	Vanguard Target Retirement 2045 Inv Fund	Registered Investment Company	**	19,841
	Vanguard Target Retirement 2020 Inv Fund	Registered Investment Company	**	15,872
	Vanguard Target Retirement 2030 Inv Fund	Registered Investment Company	**	11,627
	Vanguard Target Retirement 2025 Inv Fund	Registered Investment Company	**	10,081
	Vanguard Target Retirement 2015 Inv Fund	Registered Investment Company	**	7,598
	Vanguard Total Stock Market Index Adm Fund	Registered Investment Company	**	7,551
	Vanguard Target Retirement 2060 Inv Fund	Registered Investment Company	**	4,985
	Parnassus Core Equity Fund	Registered Investment Company	**	3,187
	Victory Integrity Small-Cap Value Fund	Registered Investment Company	**	1,655
	Vanguard Target Retirement Income Fund	Registered Investment Company	**	1,379
	Vanguard Total Bond Market Index Adm Fund	Registered Investment Company	**	1,189
	Oppenheimer International Growth Fund	Registered Investment Company	**	1,139
	ISHARES MSCI EAFE International Index Fund	Registered Investment Company	**	396
	PNC Multi Factor Small Cap Group Fund	Registered Investment Company	**	288
	American Beacon Large Cap Value Fund	Registered Investment Company	**	52
*	Principal Fixed Income Guaranteed Option	Guaranteed investment contract	**	102
*	TIAA Traditional Non Benefit Responsive	Guaranteed investment contract	**	838,197
*	TIAA Traditional Benefit Responsive	Guaranteed investment contract	**	501,291
				<u>\$ 6,428,923</u>

* Indicates party-in-interest.

** Information is not required as investments are participant-directed.

