

THE UNIVERSITY CORPORATION,
SAN FRANCISCO STATE
(A COMPONENT UNIT OF SAN FRANCISCO
STATE UNIVERSITY)

JUNE 30, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SUPPLEMENTAL INFORMATION

The University Corporation, San Francisco State

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Independent Auditors' Report

THE BOARD OF DIRECTORS
THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE
San Francisco, California

We have audited the accompanying statement of net assets of **THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE (the Corporation)**, as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 University Corporation, San Francisco State at June 30, 2012 and 2011 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.

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is 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 audits 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.

Hood & Strong LLP

San Francisco, California
September 24, 2012

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

This section of the University Corporation, San Francisco State (the Corporation) annual financial report presents management's discussion and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2012.

The Corporation presents its financial statements for fiscal year 2012 with comparative data presented for fiscal years 2011 and 2010. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2012 and 2011 (2012 and 2011, respectively). There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of the Corporation's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the Corporation and are the responsibility of its management.

The Corporation

The Corporation is a non-profit auxiliary organization of San Francisco State University (the University) with a 501(c) (3) designation with the Internal Revenue Service. The Corporation's purpose is to support, promote and assist the University in meeting its educational mission.

The Business – Type Activity (BTA) reporting model has been adopted by the California State University (CSU) system for the use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

Two out of the five auxiliary not – for- profit corporations serving the University, of which the Corporation is one, have also adopted the BTA reporting model primarily for efficiencies gained in combining the five auxiliaries' annual financial statements with the University and ultimately the combined CSU financial statements.

The Corporation's June 30, 2012 and 2011 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

Highlights of Financial Operations

- **Operating revenue and other additions**

Total operating revenue increased by approximately \$1.5 million which is primarily attributed to the Corporation receiving additional revenue to support campus programs and student scholarships, as well as an increase in grants and contracts awarded. The Corporation continues to have one remaining endowment and all other endowment related contributions are received by the San Francisco State University Foundation (the Foundation).

- **Nonoperating revenues and expenses**

Total non-operating revenue decreased by approximately \$629,000 primarily attributed to a decrease in investment income of approximately \$ 700,000 offset by an increase in contributions. Though investment income was down the fund still showed positive earnings as the volatility of the world markets continued.

Financial Position

The statement of net assets presents the financial position of the Corporation at the end of fiscal year 2012 and 2011. The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of the Corporation. From the data presented, the readers of the statement of net assets are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes its vendors as well as assessing other liabilities. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

Net assets are divided into three major categories. The first category, Invested in Capital Assets, presents the Corporation's equity in property and equipment. The next asset category is Restricted Net Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the Corporation, but must be spent for purposes as determined by donors and/or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is Unrestricted Net Assets that are available to the Corporation for any lawful purpose of the Corporation.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

Detailed statement of net assets are included with the financial statements. A condensed version is shown below:

Condensed Statement of Net Assets - 2012, 2011, and 2010

	2012	2011	2010
ASSETS			
Current assets	\$ 6,014,900	\$ 4,820,876	\$ 7,123,720
Noncurrent assets	12,415,750	11,491,960	9,952,616
Total assets	18,430,650	16,312,836	17,076,336
LIABILITIES			
Current liabilities	1,196,934	961,184	2,816,384
Noncurrent liabilities	350,000		
Total liabilities	1,546,934	961,184	2,816,384
NET ASSETS			
Investment in capital assets	2,266,518	2,512,427	2,742,418
Restricted Net Assets:			
Nonexpendable - endowments	544,272	540,381	509,088
Expendable – Grants and Contracts, Scholarships, Fellowships, Capital Projects	11,411,045	8,359,881	7,575,565
Unrestricted net assets	2,661,881	3,938,963	3,432,881
Total net assets	\$ 16,833,716	\$ 15,351,652	\$ 14,259,952

Assets

In fiscal year 2012 current assets increased by approximately \$1.2 million (25%). This increase was mainly attributed to an increase in short term investments.

In fiscal year 2011 current assets decreased by approximately \$2.3 million (-32%). The decrease was mainly attributed to the reduction of current investments of approximately \$3.2 million which was redistributed between current and noncurrent investments during the year.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

Liabilities

In fiscal year 2012, current liabilities increased over 2011 by approximately \$236,000 (25%). This increase was mainly attributed to an increase in payables to related parties.

In fiscal year 2012, the noncurrent liability increased by \$350,000 (100%) related to the one-time gift that the Corporation received from the Follett Higher Education Group, Inc. (Follett) which will be amortized over the life of the agreement.

In fiscal year 2011, current liabilities decreased by approximately \$1.9 million (-66%) due to a reduction in related party activity and accounts payable by continuing to reduce the turnaround time for disbursing payments as well as being billed more timely from other related parties.

Net Assets

As of June 30, 2012, net assets were \$16,883,716 which is an increase of approximately \$1.5 million (10%) from the previous year. The increase is attributed to an increase in contribution revenue from friends of the University, and an increase in program revenue from the previous year.

As of June 30, 2011, net assets were \$15,351,652 which is an increase of approximately \$1.1 million (8%) from the previous year. The increase is attributed to an increase in contribution revenue from friends of the University, investment income and an increase in program revenue from the previous year.

Further discussion of the Corporation's revenue and expenses under result of operations will highlight the changes that contributed to the overall fluctuation in operating results.

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Assets presents the Corporation's operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily includes grants, contracts, and program revenue. Gifts and investment income, is classified as prescribed by GASB, Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net assets.

Detailed statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011 is included in the financial statements.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2012, 2011 and 2010

	2012	2011	2010
<u>Operating Revenues (Expenses):</u>			
Revenues	\$ 7,464,321	\$ 5,999,404	\$ 3,874,052
Expenses	(9,597,426)	(8,642,151)	(8,952,744)
<u>Operating loss</u>	<u>(2,133,105)</u>	<u>(2,642,747)</u>	<u>(5,078,692)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Contributions	3,756,012	3,207,481	2,037,063
Investment return	365,137	1,086,966	3,523,792
Transfers to the University	(455,980)		
<u>Total other Nonoperating Revenues (Expenses)</u>	<u>3,665,169</u>	<u>4,294,447</u>	<u>5,560,855</u>
<u>Change in Net Assets</u>	<u>1,532,064</u>	<u>1,651,700</u>	<u>482,163</u>
<u>Transfer to the Foundation</u>	<u>\$ -</u>	<u>\$ (560,000)</u>	<u>\$(42,921,552)</u>

OPERATING REVENUES

Program, Grants, and Contracts Revenue

Program revenues are the function of the many projects administered by the Corporation which must be self-supporting. Program revenue consists mainly of revenue received to support campus programs, and student scholarships. Although program revenue decreased by approximately \$129,000 Whirlwind Wheelchair program revenue increased approximately \$544,000 due to its increase in wheelchair sales internationally.

Transfers received from endowments increased approximately \$478,000 and \$600,000 in 2012 and 2011, respectively, which are part of the increase in operating revenues.

The Corporation received more Foundation grants which fund 501 (3) (c) organizations where the majority of the funds are received upfront even for multiyear grants. For fiscal year 2012, grants and contracts revenue increased approximately \$370,000 which was primarily attributed to new grants received during the year.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

During 2011, program, grants and contract revenue increased approximately \$2.1 million which was primarily attributed to increased program revenue from campus programs that generate revenue in addition to contributions for services offered, and product sales. Program revenue increased approximately \$1.5 million in 2011 in comparison to 2010. The Pacific Leadership program that offers ropes courses to the public and Whirlwind Wheelchairs (Whirlwind) which sells wheelchairs internationally are examples of programs that generate program revenue. Whirlwind saw an increase in program revenue of approximately \$745,000 from 2010 due to more wheelchair sales internationally in different regions.

Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants, contracts and campus programs as of June 30, 2012 and 2011 were \$451,115 and \$299,686, respectively.

Rental Income

Rental income is comprised mainly of food vending tenants and the fitness facility located on campus. Rental income increased in fiscal year 2012 by approximately \$6,500 over the previous year. Tenant rents are increased based on the consumer price index (CPI) which is reviewed annually. The Corporation also increased food options offered by bringing food trucks to the campus which started in late spring of 2012.

Other Revenue

During fiscal year 2012 other revenue increased significantly due to the Corporation receiving a refund of \$770,000 from the dissolution of the Auxiliary Organization Unemployment Insurance Trust.

During fiscal year 2011 other revenue decreased as a result of the Corporation no longer handling the management of the endowments in which a 2% administrative fee was charged. Fiscal year 2011 was the first full year this fee was not earned.

OPERATING EXPENSES

Operating Expenses

Operating expenses are tied to the use of funds from grants, contracts, donations, program revenue, transfers and other miscellaneous sources.

Operating expenses increased in fiscal year 2012 by approximately \$956,000 (11%). Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants and contracts, campus programs and endowment were \$461,923. Expenses related to grants and contracts decreased during 2012 as grant activity decreased. Scholarship expense increased over prior year by approximately \$508,000 as more scholarships were given out to students during 2012.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

Operating expenses decreased in fiscal year 2011 by approximately \$311,000. Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants and contract and campus programs were \$299,686. Expenses for grants and contracts are more than revenue received due to the receipt of significant multi-year grants in fiscal year 2009. Campus Programs expenses were also more than revenue collected as programs were spending from the cumulative balance from revenue earned in previous fiscal years that remained unspent.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions increased during fiscal year 2012 by approximately \$549,000 (17%). This increase was mainly attributed to new grants and contracts revenue received during 2012. New grants totaled approximately \$400,000 from funders such as California Endowment, Bectel/Dissertation Scholars and the Persian Aligned Righteous Strategic Astute Foundation. There was also an increase in additional revenue received from related party to support campus programs and student scholarships from the prior year.

Contributions increased during fiscal year 2011 by approximately \$1.2 million (57%). Pledges receivable increased by approximately \$286,000 and regular contributions were up due to new programs and projects created such as the Family Acceptance, Annual Fund, Power Engineering and new projects totaling approximately \$400,000.

Investment Return

During fiscal year 2012 the markets were still volatile as in the previous year. However investments continued to show positive appreciation during 2012, investment return was approximately \$365,000. In addition, the Corporation increased its alternative investment held by the San Francisco State University Foundation to approximately \$1.3 million.

The markets continued to be volatile in fiscal year 2011. However investments continued to recover during 2011 and investment return was approximately \$1.1 million which was less than fiscal year 2010 as a result of the first full year that the Corporation was no longer managing the endowment portfolio. During fiscal year 2011 the Corporation changed its investment custodian and manager from Morgan Stanley to UBS Financial Services, Inc. In addition, the Corporation also invested approximately \$1.2 million in alternative investments held by the Foundation.

The University Corporation, San Francisco State

Management Discussion and Analysis (Unaudited)

SIGNIFICANT ITEMS

In fiscal year 2013 the Corporation will be assuming the management of the Franciscan Shops, operating as SFSU Bookstore, two convenience stores and the copy center as a result of the campus not renewing the operating agreement with the Franciscan Shops. The Franciscan Shops was one of the five auxiliaries on campus and when its operating agreement was not renewed all assets once this entity is dissolved will become assets of the Corporation. The Corporation has entered into an agreement with Follett to run the SFSU Bookstore in which the Corporation will earn a commission of gross revenue. The Corporation will take over the direct management of the convenience stores and the copy center. These new businesses will increase the Corporation's business services offered to the campus.

Investment income is an important revenue source for the Corporation's unrestricted funds. The last quarter of the fiscal year the world market was particularly volatile and significant portions of earnings were diminished. The beginning of 2013 fiscal year started off with a modest recovery.

We believe all other significant items have already been disclosed and either they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

The University Corporation, San Francisco State

Statement of Net Assets

<i>June 30,</i>	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 336,931	\$ 870,399
Investments, unrestricted	4,602,179	2,485,882
Pledges receivable	642,306	823,541
Accounts receivable, net	433,484	641,054
Total current assets	6,014,900	4,820,876
Noncurrent Assets:		
Pledges receivable, net	962,392	436,529
Accounts receivable	350,000	
Investments:		
Unrestricted	7,073,068	6,778,164
Receivable from SF State University Foundation	1,219,500	1,224,459
Restricted	544,272	540,381
Capital assets, net	2,266,518	2,512,427
Total noncurrent assets	12,415,750	11,491,960
Total assets	\$ 18,430,650	\$ 16,312,836
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 420,128	\$ 435,414
Accrued salaries and benefits payable	135,870	115,381
Accrued compensated absences	71,694	67,251
Payable to related parties	569,242	343,138
Total current liabilities	1,196,934	961,184
NonCurrent Liabilities:		
Deferred revenues	350,000	
Net Assets:		
Invested in capital assets	2,266,518	2,512,427
Restricted for:		
Nonexpendable - endowments	544,272	540,381
Expendable - grants and contracts, scholarships, fellowships, capital projects	11,411,045	8,359,881
Unrestricted	2,661,881	3,938,963
Total net assets	16,883,716	15,351,652
Total liabilities and net assets	\$ 18,430,650	\$ 16,312,836

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State

Statement of Revenues, Expenses and Changes in Net Assets

<i>Year Ended June 30,</i>	2012	2011
Revenues:		
Grants and contract revenue	\$ 1,680,558	\$ 1,310,920
Program revenue	3,221,598	3,350,183
Programs funded by related parties	1,276,457	798,279
Rental income	435,926	429,356
Other revenues	849,782	110,666
Total revenues	7,464,321	5,999,404
Expenses:		
Grants and contracts	2,412,727	1,713,471
Campus programs	4,448,469	5,351,780
Rental expenses	19,835	6,570
Student scholarships	1,154,044	645,605
Management and general	1,315,298	667,866
Depreciation	247,053	256,859
Total expenses	9,597,426	8,642,151
Operating loss	(2,133,105)	(2,642,747)
Nonoperating Revenues (Expenses):		
Contributions	3,756,012	3,207,481
Investment return	365,137	1,086,966
Transfer to San Francisco State University	(455,980)	
Net nonoperating revenues (expenses)	3,665,169	4,294,447
Change in Net Assets	1,532,064	1,651,700
Net Assets, beginning of the year	15,351,652	14,259,952
Transfer to San Francisco State University Foundation		(560,000)
Net Assets, end of the year	\$ 16,883,716	\$ 15,351,652

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State

Statement of Cash Flows

<i>Year Ended June 30,</i>	2012	2011
Cash Flows from Operating Activities:		
Receipts from programs	\$ 6,041,555	\$ 4,838,299
Rent receipts	435,926	429,356
Payments to suppliers	(5,489,434)	(6,957,745)
Payments to employees for services	(2,387,795)	(2,637,142)
Scholarships to students	(1,154,044)	(645,605)
Other	849,781	110,666
Net cash used by operating activities	(1,704,011)	(4,862,171)
Cash Flows from Noncapital Financing Activities:		
Donations received	3,756,012	2,729,952
Transfer to San Francisco State University	(393,083)	
Transfer to San Francisco State University Foundation		560,000
Net cash provided by noncapital financing activities	3,362,929	3,289,952
Cash Flows from Capital and Related Financing Activities:		
Capital asset additions	(147,390)	(26,868)
Net cash used by capital and related financing activities	(147,390)	(26,868)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	5,812,132	8,040,990
Purchase of investments	(8,222,265)	(7,181,420)
Investment income	365,137	1,086,966
Net cash (used) provided by investing activities	(2,044,996)	1,946,536
Net Change in Cash and Cash Equivalents	(533,468)	347,449
Cash and Cash Equivalents, beginning of year	870,399	522,950
Cash and Cash Equivalents, end of year	\$ 336,931	\$ 870,399

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State

Statement of Cash Flows (continued)

<i>June 30,</i>	2012	2011
Reconciliation of Operating Loss to Net Cash		
Flows Used by Operating Activities:		
Operating loss	\$ (2,133,105)	\$ (2,642,747)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	247,053	256,859
Loss on asset disposal	83,349	
Changes in assets and liabilities:		
Accounts receivable and pledge receivable	(137,058)	(625,169)
Other receivable	350,000	
Prepaid expenses		4,086
Accounts payable	(15,286)	(828,774)
Deferred revenue	(350,000)	
Payable to related parties	226,104	(982,389)
Accrued salaries and benefits payable	20,489	(30,481)
Accrued compensated absences	4,443	(13,556)
Total adjustments	429,094	(2,219,424)
Net cash used by operating activities	\$ (1,704,011)	\$ (4,862,171)

Supplemental Disclosures of Cash Flow Activity:

Non-cash activity:

Transfer of Assets to Foundation		\$ (560,000)
Transfer of Assets to San Francisco State University	\$ (62,897)	

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State

Notes to Financial Statements

Note 1 - Organization:

The University Corporation, San Francisco State (the Corporation), formerly the San Francisco State University Foundation, Inc., is a non-profit, tax-exempt California corporation. The Corporation serves as an auxiliary organization of San Francisco State University. The Corporation is a component unit of San Francisco State University (the University).

The Corporation was established in 1946 for the purpose of promoting and assisting the University through administration of educational projects, university research and development projects, and community outreach programs. The Corporation has grants, contracts and agreements with state, local and private agencies and organizations.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The basic financial statements required by GASB Statements number 34 and 35 includes a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows. As a component unit of a public institution, the Corporation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Corporation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Corporation prepares its Statement of Cash Flows using the direct method.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Generally, grants, contributions, and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Corporation uses all applicable GASB and FASB pronouncements and interpretations issued on or before November 30, 1989, unless these FASB pronouncements conflict with or contradict GASB. The Corporation has elected not to follow FASB pronouncements issued after 1989.

The University Corporation, San Francisco State

Notes to Financial Statements

The Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Assets. Liabilities that reasonably can be expected, as part of the Corporation's normal business operations, to be liquidated within twelve months of the date of the Statement of Net Assets are considered to be current. All other assets and liabilities are considered to be non-current.

The Corporation's net assets are classified into the following categories:

- *Invested in capital assets*: Capital assets, net of accumulated depreciation.
- *Restricted, nonexpendable*: Net assets subject to externally imposed conditions that the Corporation retains in perpetuity. Net assets in this category consist of endowments.
- *Restricted, expendable*: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time.
- *Capital Projects*: Net assets subject to externally imposed conditions whose restricted use is for capital projects which can be fulfilled by the actions of the Corporation.
- *Unrestricted*: This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors. As of June 30, 2012 the Corporation maintains operating and capital reserves of \$678,652 and \$500,000, respectively. As of June 30, 2011, operating and capital reserves balances were \$538,000 and \$500,000, respectively.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

Custodial credit risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for its bank deposits. Though the Foundation is not a government agency, the financial institutions, in which the Foundation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation (FDIC) insures deposits. Deposits of more than the \$250,000 insured amount will be collateralized by the bank by pledging identifiable collateral according to statute. The Corporation did not maintain deposits in excess of federally insured limits as of June 30, 2012 and 2011.

The University Corporation, San Francisco State

Notes to Financial Statements

c. Accounts Receivable, net

Accounts receivable include amounts due from special projects, business services, contracts and other receivables from San Francisco State University. Accounts receivable are shown net of an allowance for uncollectible accounts of \$25,000 and \$50,000 as of June 30, 2012 and 2011, respectively.

d. Pledges Receivable

Unconditional promises of private gifts to the Corporation are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in grants and contracts revenue. The pledge receivable discount at June 30, 2012 and 2011 is approximately \$48,300 and \$12,400, respectively. Conditional promises and intentions to pledge are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirement is met.

e. Investments

Investments are stated at fair value. The Corporation pools available resources into savings, management and investment accounts. Interest and dividends earned are allocated to the respective funds, net of fees, based on the ratio of a fund's invested resources to the total amount invested.

Investments in alternative investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

The University Corporation, San Francisco State

Notes to Financial Statements

f. Restricted Investments

Investments made from donor restricted endowments are pooled with the Corporation's other investments. Any appreciation of such investments is tracked separately and recorded in unrestricted net assets as long as the donor has not restricted those earnings. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) passed in July 2006 and adopted by California in 2008 which authorizes an institution to spend the amount it deems prudent considering the intent of the donor's intent, the purposes of the fund, and relevant economic factors. According to the Corporation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Corporation invests these funds to produce current income to meet spending needs, and to preserve the real value of the endowment principal. The Payout Policy Objective is interlinked with the Investment Objectives for the Total Fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

g. Capital Assets

Capital assets, which include property, leasehold improvements, and equipment, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and ten to thirty years for buildings and related improvements. Property and equipment with a value of less than \$5,000 is not capitalized. Annually, the Corporation transfers ownership of the capital assets belonging to closed projects to the University, where appropriate. Total transfers made to the University during the fiscal year ended June 30, 2012 amounted to \$62,897.

h. Compensated Absences

Employees accrue annual vacation leave based on length of service and job classification.

i. Revenue and Expenses

The Corporation classifies operating revenues into five categories: program revenue, grants and contracts, programs funded by related parties, rental income and other revenues. Program revenue, grants and contracts, and programs funded is derived from program-specific grants and contracts and contributions arising from exchange transactions with federal, state, local, private foundations and individual contributions restricted for a particular program. Programs funded by related parties represent primarily revenue transferred from the San Francisco State University Foundation for scholarships and campus programs.

The University Corporation, San Francisco State

Notes to Financial Statements

Rental Income is revenue generated from food vendors and commercial space leased to various corporations.

Other Revenues are revenues which are not required to be reported under program revenue or rental income such as indirect cost earned associated with administering grants and contracts, and campus programs.

Non-Operating revenue and expenses category includes revenue from restricted and unrestricted contributions where the restrictions have been met, and transfers. This category also includes investment returns which are net of administrative fees charged per the investment policy (such as, interest, dividends and net realized and unrealized gains and losses).

j. Use of 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.

k. Income Taxes

The Corporation is a not-for-profit corporation and is exempt from federal and state income taxes under provisions of section 501 (c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax exempt purposes of the Corporation may generate income that is taxable. No provision has been recorded for income taxes, as the net income, if any, from unrelated business in the opinion of management; it is not material to the basic financial statements taken as a whole.

l. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

The University Corporation, San Francisco State

Notes to Financial Statements

m. Recent Accounting Pronouncements Adopted or Under Consideration

The GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions, 3) and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is applicable for fiscal year June 30, 2013. The Foundation is currently assessing the impact of this statement, if any.

Note 3 - Investments:

Investments consist of the following as of June 30, 2012:

	Fair value	<1	Investment Maturities (Years)			Other
			1 – 5	6 – 10	10+	
Local agency investment fund	\$ 2,970,569	\$ 2,970,569				
Broker money market funds	1,347,059	1,347,059				
Treasury securities	2,413,593	100,202	\$ 1,534,711	\$ 778,680		
Asset-backed securities	805,453	3,827	433,779		\$ 367,847	
Corporate debt securities	1,639,203	180,522	742,574	716,107		
Equity securities	3,043,642					\$ 3,043,642
Alternative investments	1,219,500					1,219,500
	\$ 13,439,019	\$ 4,602,179	\$ 2,711,064	\$1,494,787	\$ 367,847	\$4,263,142

Investments consist of the following as of June 30, 2011:

	Fair value	<1	Investment Maturities (Years)			Other
			1 – 5	6 – 10	10+	
Local agency investment fund	\$ 807,274	\$ 807,274				
Broker money market funds	1,529,943	1,529,943				
Treasury securities	2,674,348	50,441	\$ 1,916,417	\$ 707,490		
Asset-backed securities	459,891		94,985	99,932	\$ 264,974	
Corporate debt securities	1,440,155	98,224	521,557	820,374		
Equity securities	2,892,816					\$2,892,816
Alternative investments	1,224,459					1,224,459
	\$ 11,028,886	\$ 2,485,882	\$ 2,532,959	\$1,627,796	\$ 264,974	\$4,117,275

The University Corporation, San Francisco State

Notes to Financial Statements

Investment return for the years ended June 30, 2012 and 2011 consists of the following:

	2012	2011
Interest and dividends	\$ 209,862	\$ 216,159
Realized and unrealized gain	155,275	870,807
	<u>\$ 365,137</u>	<u>\$ 1,086,966</u>

Interest rate risk - The Corporation mitigates its interest rate risk through the use of professional money managers that use their judgment on the selection of debt securities. The Corporation does not currently have a formal policy on future maturity limitations.

Credit risk - The Corporation's investment policy provides that all investments must be rated at least investment grade by one nationally recognized ratings agency. In the event that an investment falls below investment grade, the manager must notify the Corporation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio and the maximum exposure to an issuer rated BBB is limited to 3% of the Corporation's fixed income holdings.

Concentration of credit risk - Securities held in any one issuer are limited to 10% of a particular money manager's bond portfolio, and 3% of the Corporation's total fixed income holdings. Individual equities are also mandated to be no more than 5% of the stock portfolio. As a result, no one issuer exceeds 5% of the Corporation's total investments.

Custodial credit risk - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The account held by UBS financial Services, Inc. is insured with a combination of SIPC and other commercial insurance. SIPC coverage protects customers of a U.S. registered broker-dealer in the event the broker-dealer becomes financially insolvent and cannot return the full value of a customer's securities and cash in the broker-dealer's possession or control. SIPC covers each customer's account up to \$500,000, of which up to \$100,000 may be cash. Excess coverage follows the terms of SIPC coverage but covers each account up to its full net equity value, including all cash balances. CAPCO, an insurer who provides securities account protection for amounts in excess of SIPC, is rated A+ by Standard & Poor's. The Corporation does not have a formal policy covering custodial credit risk for its investments.

The University Corporation, San Francisco State

Notes to Financial Statements

Local Agency Investment Fund (LAIF)

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

Note 4 - Endowments:

Endowments held and administered by the Corporation at June 30, 2012 are as follows:

	Restricted Net Assets Nonexpendable
Endowments	\$ 544,272

Endowments held and administered by the Corporation at June 30, 2011 are as follows:

	Restricted Net Assets Nonexpendable
Endowments	\$ 540,381

The Corporation's investment policy during fiscal year 2012 and 2011 allowed a 4% annual payout based on quarterly average daily balance of the fund. The 4% annual payout was not changed during the year and disbursements were allowed.

The University Corporation, San Francisco State

Notes to Financial Statements

Note 5 - Capital Assets:

The following is a roll forward schedule of capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Transfers	Balance June 30, 2012
Capital Assets:					
Leasehold improvements	\$ 2,470,512	\$ 97,754	\$ (65,082)		\$ 2,503,184
Equipment	2,650,877	52,921	(105,446)	\$ (149,627)	2,448,725
Total Capital Assets	5,121,389	150,675	(170,528)	(149,627)	4,951,909
Less accumulated depreciation:					
Leasehold improvements	814,587	120,021	(2,324)		932,284
Equipment	1,794,375	127,032	(81,570)	(86,730)	1,753,107
Total accumulated depreciation	2,608,962	247,053	(83,894)	(86,730)	2,685,391
Net Capital Assets	\$ 2,512,427	\$ (96,378)	\$ (86,634)	\$ (62,897)	\$ 2,266,518

Total depreciation expense for the year ended June 30, 2012 was \$247,053.

The following is a roll forward schedule of capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital Assets:				
Leasehold improvements	\$ 2,470,512			\$ 2,470,512
Equipment	2,630,472	\$ 26,868	\$ (6,463)	2,650,877
Total capital assets	5,100,984	26,868	(6,463)	5,121,389
Less Accumulated Depreciation:				
Leasehold improvements	694,879	119,708		814,587
Equipment	1,663,687	137,151	(6,463)	1,794,375
Total accumulated depreciation	2,358,566	256,859	(6,463)	2,608,962
Net capital assets	\$ 2,742,418	\$ (229,991)	\$ -	\$ 2,512,427

Total depreciation expense for the year ended June 30, 2011 was \$256,859.

The University Corporation, San Francisco State

Notes to Financial Statements

Note 6 - Related Parties:

During the year ended June 30, 2012 and 2011, the Corporation paid \$3,750,335 and \$4,877,572, respectively to the University and its affiliates for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$485,470 and \$1,679,678 to the San Francisco State University Foundation in 2012 and 2011, respectively. The Corporation also transferred \$560,000 in 2011 of endowments along with ownership of investment accounts. During the year ended June 30, 2012 and 2011, the Corporation received \$2,058,369 and \$2,848,542, respectively, from the University and its affiliate for reimbursements related to grants and contracts, campus programs, and operating facilities used by University students.

At June 30, 2012, the Corporation's recorded receivables from the University and its affiliates was \$50,614 and payables to the University and its affiliates totaled \$569,242.

At June 30, 2011, the Corporation's recorded receivables from the University and its affiliates was \$56,470 and payables to the University and its affiliates totaled \$541,792.

During 2012, the Corporations' total investment in alternative investments held by the Foundation was \$1,300,000 and \$1,200,000 at June 30, 2012 and 2011, respectively. The allocated fair value for these investments were \$1,219,500 and \$1,224,459 at June 30, 2012 and 2011, respectively.

Note 7 - Administration Fees:

The Corporation charges an administrative fee of 5% on gifts and 10% on program revenue to campus programs. Grants and contracts are charged an administrative fee based on the rate provided by the granting agency. Scholarship funds are not charged an administrative fee by the Corporation. Administrative fees of \$452,511 and \$334,408 were charged by the Corporation during the years ended June 30, 2012 and 2011, respectively.

Note 8 - Risk Financing Activities:

The Corporation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries commercial insurance. The Corporation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage, in any of the past three years.

The University Corporation, San Francisco State

Notes to Financial Statements

Note 9 - Litigation:

From time to time, the Corporation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Corporation in connection with its legal proceedings is not expected to have a material adverse effect on the Corporation's financial position and activities.

Note 10 - Retirement Plan:

The Corporation adopted a 403(b) Retirement and Savings Plan which matches fifty percent of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contribution for the plan years ended June 30, 2012 and 2011 were \$27,165 and \$19,967, respectively.

Note 11 - Subsequent Events:

On June 26, 2012, the Franciscan Shops' (Operating as SFSU Bookstore) Board of Directors, a related party, amended the Articles of Incorporation to designate the Corporation as the SFSU Bookstore's sole member effective July 1, 2012. The intent of this action was to allow the Corporation to oversee the operations of the SFSU Bookstore, assign operating responsibilities to a new operator and then wind up and dissolve the SFSU Bookstore entity. On June 30, 2012, the Corporation entered into an agreement with Follett Higher Education Group, Inc. (Follett) to manage most of the operations and activities that had been conducted by the SFSU Bookstore for San Francisco State University and its students. This took effect July 11, 2012. Additionally, subsequent to June 30, 2012 the Corporation became responsible for the accounting of the Bookstore as well as assuming some of the minor services that had previously been provided for by the SFSU Bookstore. The Corporation will also assume responsibility for the operating space and facilities that had been leased by the SFSU Bookstore from the San Francisco State University Student Center (a related party).

As mentioned above, the Corporation and Follett entered into an agreement with Follett to manage most of the operations and activities that had been conducted by the SFSU Bookstore. The agreement is for a five year term with three additional two year term options. It allows Follett to purchase the bulk of the SFSU Bookstore's inventory based on certain conditions and prices. Follett was required to make various operating and financial commitments to the Corporation in addition to the annual percentage of sales commission required by the agreement. Follett will enter into a lease with the Corporation for the operating space and facilities that had been leased by the SFSU Bookstore.

The University Corporation, San Francisco State

Schedule of Net Assets

June 30, 2012

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 336,931
Short-term investments	4,602,179
Accounts receivable, net	433,484
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	642,306
Prepaid expenses and other assets	—
Total current assets	6,014,900

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	350,000
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	962,392
Endowment investments	544,272
Other long-term investments	8,292,568
Capital assets, net	2,266,518
Other assets	—
Total noncurrent assets	12,415,750
Total assets	18,430,650

Liabilities:

Current liabilities:

Accounts payable	915,074
Accrued salaries and benefits payable	135,392
Accrued compensated absences— current portion	71,694
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	74,774
Total current liabilities	1,196,934

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Deferred revenue	350,000
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	—
Other liabilities	—
Total noncurrent liabilities	350,000
Total liabilities	1,546,934

Net assets:

Invested in capital assets, net of related debt	2,266,518
Restricted for:	
Nonexpendable – endowments	544,272
Expendable:	
Scholarships and fellowships	11,411,045
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	2,661,881
Total net assets	\$ 16,883,716

See accompanying independent auditors' report.

The University Corporation, San Francisco State
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 \$_____)	\$	—
Grants and contracts, noncapital:		
Federal		—
State		61,916
Local		—
Nongovernmental		1,618,642
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		4,910,778
Other operating revenues		872,985
Total operating revenues		<u>7,464,321</u>

Expenses:

Operating expenses:		
Instruction		190,082
Research		(3,920)
Public service		3,415,162
Academic support		1,867,552
Student services		131,949
Institutional support		(43,248)
Operation and maintenance of plant		—
Student grants and scholarships		1,229,817
Auxiliary enterprise expenses		3,018,960
Depreciation and amortization		247,053
Total operating expenses		<u>10,053,407</u>
Operating income (loss)		<u>(2,589,085)</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		365,137
Endowment income (loss), net		—
Interest Expenses		—
Other nonoperating revenues (expenses)		3,756,012
Net nonoperating revenues (expenses)		<u>4,121,149</u>
Income (loss) before other additions		1,532,064

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net assets		<u>1,532,064</u>

Net assets:

Net assets at beginning of year, as previously reported		15,351,652
Restatements		—
Net assets at beginning of year, as restated		<u>15,351,652</u>
Net assets at end of year	\$	<u><u>16,883,716</u></u>

See accompanying independent auditors' report.

The University Corporation, San Francisco State
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 equivalent	<u>-</u>
Total restricted cash and cash equivalents	<u><u>\$ -</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)	2,970,569	-	2,970,569	-	-	-	2,970,569
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	184,349	-	184,349	-	2,260,308	2,260,308	2,444,657
Equity securities	-	-	-	-	3,043,642	3,043,642	3,043,642
Fixed income securities (Treasury notes, GNMA's)	100,203	-	100,203	-	2,313,390	2,313,390	2,413,593
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	1,347,058	-	1,347,058	-	-	-	1,347,058
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	1,219,500	1,219,500	1,219,500
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>4,602,179</u>	<u>-</u>	<u>4,602,179</u>	<u>-</u>	<u>8,836,840</u>	<u>8,836,840</u>	<u>13,439,019</u>
Less endowment investments (enter as negative number)					<u>(544,272)</u>	<u>(544,272)</u>	<u>(544,272)</u>
Total investments	<u><u>4,602,179</u></u>	<u><u>-</u></u>	<u><u>4,602,179</u></u>	<u><u>-</u></u>	<u><u>8,292,568</u></u>	<u><u>8,292,568</u></u>	<u><u>12,894,747</u></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
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Total restricted current investments at June 30, 2012	<u><u>\$ —</u></u>

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

	Amount
Endowment investment	<u>544,272</u>
Scholarships, Fellowships:	<u>8,292,568</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Add description	<u>—</u>
Total restricted noncurrent investments at June 30, 2012	<u><u>\$ 8,836,840</u></u>

See accompanying independent auditors' report.

The University Corporation, San Francisco State
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)	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvement	-	-	-	-	-	-	-	-
Improvements, other than building:								
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	2,470,512	-	-	2,470,512	97,754	(65,082)	-	2,503,184
Personal property:								
Equipment	2,650,877	-	-	2,650,877	52,921	(255,073)	-	2,448,725
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	5,121,389	-	-	5,121,389	150,675	(320,155)	-	4,951,909
Total capital assets	5,121,389	-	-	5,121,389	150,675	(320,155)	-	4,951,909
Less accumulated depreciation/amortization:								
Buildings and building improvement	-	-	-	-	-	-	-	-
Improvements, other than building:								
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(814,587)	-	-	(814,587)	(120,021)	2,324	-	(932,284)
Personal property:								
Equipment	(1,794,375)	-	-	(1,794,375)	(127,032)	168,300	-	(1,753,107)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(2,608,962)	-	-	(2,608,962)	(247,053)	170,624	-	(2,685,391)
Total capital assets, net	\$ 2,512,427	-	-	2,512,427	(96,378)	(149,531)	-	2,266,518

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

Depreciation and amortization expense related to capital assets	\$ 247,053
Amortization expense related to other asset	<u>—</u>
Total depreciation and amortization	<u>\$ 247,053</u>

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	\$ 67,252	—	—	67,252	49,820	(45,378)	71,694	71,694	—
Capitalized lease obligations									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligation	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds), Commercial Paper	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Unamortized loss on refunding	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	<u>\$ 67,252</u>	<u>—</u>	<u>—</u>	<u>67,252</u>	<u>49,820</u>	<u>(45,378)</u>	<u>71,694</u>	<u>71,694</u>	<u>—</u>

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			<u>\$ —</u>

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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	\$ 2,266,518	—	2,266,518
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	\$ 2,266,518	—	2,266,518
7.2 Calculation of net assets - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	544,272	544,272
Other adjustments: (please list)			
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	\$ —	544,272	544,272

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8 Transactions with Related Entities		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other program		<u>\$ 428,704</u>
Payments to University for other than salaries of University personnel		2,800,370
Payments received from University for services, space, and program		1,024,984
Gifts-in-kind to the University from Auxiliary Organization		—
Gifts (cash or assets) to the University from recognized Auxiliary Organization		—
Accounts (payable to) University (enter as negative number)		(528,219)
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	<u>—</u>
Increase (decrease) in net OPEB obligation (NOO)	—
NOO - beginning of year	<u>—</u>
NOO - end of year	<u><u>—</u></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	—
Add description	—
Add description	—
Total pollution remediation liabilities	<u>\$ —</u>
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u><u>—</u></u>

11 The nature and amount of the prior period adjustment(s) recorded to beginning net assets					
	<table border="0"> <tr> <td><u>Net Asset</u></td> <td align="right"><u>Amount</u></td> </tr> <tr> <td><u>Class</u></td> <td align="right"><u>Dr. (Cr.)</u></td> </tr> </table>	<u>Net Asset</u>	<u>Amount</u>	<u>Class</u>	<u>Dr. (Cr.)</u>
<u>Net Asset</u>	<u>Amount</u>				
<u>Class</u>	<u>Dr. (Cr.)</u>				
Net assets as of June 30, 2011, as previously reported	\$ 15,351,652				
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>\$ 15,351,652</u>				

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

	Debit	Credit
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	—	—

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