

SAN FRANCISCO STATE
UNIVERSITY FOUNDATION
(A COMPONENT UNIT OF SAN FRANCISCO
STATE UNIVERSITY)

JUNE 30, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

San Francisco State University Foundation

Independent Auditors' Report, Financial Statements and Supplemental Information

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Independent Auditors' Report

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

We have audited the accompanying statement of net assets of the **SAN FRANCISCO STATE UNIVERSITY FOUNDATION (the Foundation)**, 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 Foundation'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 San Francisco State University Foundation 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 9 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

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

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

The San Francisco State University Foundation (the Foundation) 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 Foundation'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 Foundation and are the responsibility of its management.

The Foundation

The Foundation 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 Foundation's purpose is to provide private financial support to 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 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 Foundation 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 Foundation'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.

Highlights of Financial Operations

The Foundation's operating revenue for 2012 was slightly down from the previous fiscal year. Operating Revenue consists primarily of administrative fees earned from the management of the endowments. The fee is determined on the average quarterly balance of the endowment which can fluctuate with endowment payouts and interest/dividends and realized and unrestricted income earned. The Foundation continues to report investment fees separate and not net of investment income. The expenses for the year were \$648,525 which is primarily the administrative cost for accounting, auditing services and investment fees performed by Auxiliary Business Services a unit of the University and investment fees.

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

Total non-operating revenue decreased 66% in 2012 due to a decrease in investment returns. Investment return was down 72% from the previous year as market volatility continued through 2012. Contributions were up 67% in 2012 for the temporary endowments.

During 2012 the Foundation added three additional alternative investment managers. During 2011 the Foundation changed investment managers from Morgan Stanley to UBS Financial Services, Inc.

During 2012, additions to the permanent endowment decreased by 58%. The Foundation made substantial transfers to the Corporation for scholarships, endowed chairs and other programs carried out by the Corporation. These transfers are in accordance with the Foundation's payout policy.

Financial Position

The statement of net assets presents the financial position of the Foundation at the end of fiscal year 2012. The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of the Foundation. From the data presented, the readers of the statement of the net assets are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation 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 expenditures.

Net assets are divided into two major categories. The first 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 Foundation, but must be spent for purposes as determined by the 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 Foundation for any lawful purpose of the Foundation.

San Francisco State University Foundation

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	\$ 4,179,077	\$ 4,094,724	\$ 7,977,842
Noncurrent assets	46,266,815	44,380,956	39,349,436
Total assets	50,445,892	48,475,680	47,327,278
LIABILITIES			
Current liabilities	1,442,440	1,797,789	1,148,816
NET ASSETS			
Restricted net assets:			
Nonexpendable - endowments	33,168,617	32,451,920	29,062,849
Expendable - scholarships, fellowships & capital projects	15,247,823	13,723,507	16,870,958
Unrestricted net assets	587,012	502,464	244,655
Total net assets	\$ 49,003,452	\$ 46,677,891	\$ 46,178,462

Assets

As of June 30, 2012, total assets increased approximately \$2 million (4%) when compared to the prior year. The increase was mainly as a result of an increase in non-current assets comprised of investments. Current assets were primarily comprised of approximately \$3,622,000 of short term investments which was an increase of approximately \$143,000. In fiscal year 2012 and 2011, accounts receivables decreased as a result of improved processes to process payments to the Foundation from the Corporation.

As of June 30, 2011, current assets were \$4,094,724, which is primarily comprised of approximately \$3,479,000 of short term investments. In the investment mix at the end of June 30, 2011 there were more long term investments held than short term at this time period during fiscal year 2010. There was a decrease of \$3,883,118 (-49%) in current assets and a \$5,031,520 increase (13%) in noncurrent assets from the previous year.

The Foundation and the Corporation will have a continued relationship where assets will be transferred between the two organizations throughout the year. The Corporation receives contributions where the allocation is split between the two organizations and in that case the Corporation would issue a check to the Foundation for its portion as well as contributions that are received by the Corporation that need to be rerouted to the Foundation to record as its contribution. The Corporation is participating in non-current alternative investments held under the Foundation's name aggregating \$1,220,000, and \$1,222,000 in fiscal year 2012 and 2011, respectively, which represents approximately 10% of the total invested in alternative investments by the Foundation.

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

Liabilities

As of June 30, 2012, accounts payables increased by approximately \$184,000 (467%). Based on the activity of the Foundation, the majority of the remaining current liabilities are related party transactions. At June 30, 2012, the Foundation had a payable to the Corporation of \$1,219,500 representing the alternative investments held on behalf of the Corporation.

As of June 30, 2011, accounts payables remained mainly flat for the year. Based on the activity of the Foundation the majority of the remaining current liabilities are related party transactions. At June 30, 2011, the Foundation had a payable of \$536,377 to the University for architectural costs for the Performing Arts Center and a payable to the Corporation of \$1,222,081 representing the alternative investments held on behalf of the Corporation.

Net Assets

The Foundation's net assets for fiscal year 2012 were \$49,003,452 which is an increase of \$2,325,561 (5%) from the previous year. The overall increase can be primarily attributed to capital contributions of approximately, \$1,797,000.

The Foundation's net assets for fiscal year 2011 were \$46,677,891 which is an increase of \$499,429 (1%) from the previous year. The overall increase can be primarily attributed to investment income.

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Assets presents the Foundation's operating results, as well as the nonoperating revenues and expenses. Operating revenues consist primarily of revenue earned from administrative fees. Gifts and investment income, is classified as prescribed by GASB, Net nonoperating revenues or expenses. This is an integral component in determining the increase or decrease in net assets.

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

Detailed statement of Revenues, Expenses, and Changes in Net Assets for the period ending June 30, 2012 and 2011 is included in the financial statements. A condensed version is shown below:

Condensed Statement of Revenues, Expenses and Changes in Net Assets For year ended June 30, 2012, 2011, and 2010

	2012	2011	2010
Operating Revenues (Expenses):			
Revenues	\$ 733,073	\$ 786,068	\$ 553,765
Expenses	(648,525)	(526,930)	(309,110)
Operating income	84,548	259,138	244,655
Nonoperating Revenues (Expenses):			
Contributions	270,588	523,946	1,806,813
Endowment management fees	(729,645)	(783,469)	(426,169)
Investment return	1,107,863	3,951,020	1,270,767
Capital contributions	1,796,640	64,333	624,800
Additions to permanent endowments	1,049,075	1,061,051	1,043,512
Transfer to the University Corporation, SF State	(1,040,222)	(789,855)	(186,613)
Transfers to the University	(213,286)	(4,346,735)	(1,120,855)
Total other Nonoperating Revenues (Expenses)	2,241,013	(319,709)	3,012,255
Change in Net Assets	2,325,561	(60,571)	3,256,910
Transfer from the Corporation	\$ 0	\$ 560,000	\$ 42,921,552

REVENUES

Operating Revenue

As of June 30, 2012, total revenue was \$733,073 which was a decrease of approximately \$53,000 (-7%) from the prior year.

As of June 30, 2011, total revenue in the first full year of operations was \$786,068 which was an increase of approximately \$232,000 (42%) from the prior year.

Administrative fees are the main component of operating revenue earned by the Foundation for management of the endowments. The administrative fee earned is based on the annual 2% fee charged on endowments calculated on the average daily balance per the Foundation's investment policy which can fluctuate based on earnings and endowment distributions.

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

OPERATING EXPENSES

Operating Expenses

Operating Expenses are tied to the use of both restricted and unrestricted funds. Use of unrestricted operating funds are primarily for accounting services provided by the University through its unit, Auxiliary Business Service, audit, consulting, legal and insurance expenses. Use of operating funds for restricted funds is for endowment administrative fees charged. The expenses related to accounting services were approximately \$291,000. For fiscal year 2011, expenses related to accounting services were approximately \$261,000.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Foundation has met all time and eligibility requirements. Contributions were approximately \$270,588 for the 2012 fiscal year. Contributions were down in fiscal year 2012. During the year the primary contribution for temporary endowments were approximately \$322,000 from bequest of the Fleshman Trust. There was a refund of \$75,000 for over distribution from the Balkwell Trust for the J & I Canale endowment. Contributions were approximately \$524,000 for the 2011 fiscal year. Contributions were down in fiscal year 2011 due to the continued economic instability. Contributions were from various fund raising, scholarships and capital campaigns.

Investment Return

Investment income decreased during fiscal year 2012 due to continued instability in equity markets. Investments showed a modest return of \$1,107,863 during the year though down \$2,843,157 (72%) from last year. During the fiscal year the Foundation increased its alternative investment managers and holdings for a total twelve alternative investments.

During the fiscal year ended June 30, 2011 investments continued showing signs of a recovery. Interest and gains from investments for a full year of operations was approximately \$3,951,000 as compared to the prior year's amount of \$1,121,000 for three quarters. During the fiscal year, the Foundation changed investment managers from Morgan Stanley to UBS Financial Services, Inc. and selected a new equity portfolio manager. It also selected ten alternative investment managers representing approximately twenty-four percent (24%) of its invested assets. The Corporation's participation in the Foundation's alternative portfolio is approximately \$1,219,500 which is 10% of total alternative investments.

The Foundation's portfolio continues to outperform policy benchmarks. The board continues to monitor investments through-out the year along with the investment managers and adjusts targets as well as allocation mix where and when necessary.

San Francisco State University Foundation

Management Discussion and Analysis (Unaudited)

Other Additions and Transfers

Other additions highlight contributions received for capital projects generally carried out by the University and permanent endowments. Transfers highlight the funds transferred to related parties to fund campus programs, scholarships, endowed chairs and projects carried out by the University which are not true operational expenses of the Foundation. Contributions in fiscal year 2012 increased for capital contributions and decreased for additions to the permanent endowments. Additions to the permanent endowment were approximately \$1,049,000 which consisted of a donation from the G&J Marcus Foundation, Bierk Trust and Asback/Graham Family Trust endowment. The capital contributions increased primarily from the Mashouf payment on a pledge of approximately \$1.7 million for the Performing Arts Center.

Contributions in fiscal year 2011 were down for capital contributions but increased for additions to the permanent endowments. Additions to the permanent endowment were approximately \$1,061,000 which consisted of a donation from the Jewish Studies endowment of approximately \$500,000 and the William Richard Balkwall trust for \$80,000. Aggregate transfers for 2011 were approximately \$5,137,000 which includes a transfer to the University for approximately \$4,347,000 for expenses for the Performing Arts Center. For fiscal year 2010 other additions and transfers were \$129,893 the balance was attributable to transfers to the University and affiliate of approximately \$1,307,000 and the receipt of capital and permanent endowment contributions of approximately \$1,437,000. Capital contributions represent contributions to the endowment for the Creative Arts Center of approximately \$574,000.

SIGNIFICANT ITEMS

During 2012, the Foundation transferred approximately \$1,254,000 to the Corporation and the University to support campus programs, scholarships and endowed chairs. The Foundation's investment committee continues to actively watch its investment in order to optimize earnings to improve growth of the endowment portfolio and meet the current programs and scholarships to students. The Foundation hired additional alternative investment managers bringing the total to twelve alternative investment funds during the year. Subsequent to year end, the Foundation entered into two additional alternative investment funds.

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.

San Francisco State University Foundation

Statement of Net Assets

<i>June 30,</i>	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 506,413	\$ 263,115
Investments, restricted	3,621,772	3,479,164
Receivable from related parties	50,892	352,445
Total current assets	4,179,077	4,094,724
Noncurrent Assets:		
Investments, restricted	45,047,315	43,158,875
Investments held for University Corporation, SF State	1,219,500	1,222,081
Total noncurrent assets	46,266,815	44,380,956
Total assets	\$ 50,445,892	\$ 48,475,680
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 222,940	\$ 39,331
Payable to the University		536,377
Payable to the University Corporation, SF State	1,219,500	1,222,081
Total current liabilities	1,442,440	1,797,789
Net Assets:		
Restricted for:		
Nonexpendable - endowments	33,168,617	32,451,920
Expendable - scholarships, fellowships, capital projects	15,247,823	13,723,507
Unrestricted - reserved for operations	350,000	
Unrestricted	237,012	502,464
Total net assets	49,003,452	46,677,891
Total liabilities and net assets	\$ 50,445,892	\$ 48,475,680

The accompanying notes are an integral part of this statement.

San Francisco State University Foundation

Statement of Revenues, Expenses and Changes in Net Assets

<i>Year ended June 30,</i>	2012	2011
Revenues:		
Administrative Fees	\$ 729,645	\$ 783,673
Other revenues	3,428	2,395
Total revenues	733,073	786,068
Expenses:		
Management and general	648,525	526,930
Total expenses	648,525	526,930
Operating income	84,548	259,138
Nonoperating Revenues (Expenses):		
Contributions	270,588	523,946
Endowment management fees	(729,645)	(783,469)
Investment return	1,107,863	3,951,020
Net nonoperating revenues (expenses)	648,806	3,691,497
Income before other additions and transfers	733,354	3,950,635
Other Additions and Transfers:		
Capital contributions	1,796,640	64,333
Additions to permanent endowments	1,049,075	1,061,051
Transfers to the University Corporation, SF State	(1,040,222)	(789,855)
Transfers to the University	(213,286)	(4,346,735)
Total other additions and transfers	1,592,207	(4,011,206)
Change in Net Assets	2,325,561	(60,571)
Transfer from the University Corporation, SF State		560,000
Net Assets, beginning of the year	46,677,891	46,178,462
Net Assets, end of the year	\$ 49,003,452	\$ 46,677,891

The accompanying notes are an integral part of this statement.

San Francisco State University Foundation

Statement of Cash Flows

<i>Year ended June 30,</i>	2012	2011
Cash Flows from Operating Activities:		
Receipts from endowment fees	\$ 729,645	\$ 783,673
Payments to suppliers	(464,916)	(515,560)
Other receipts	3,428	2,395
Net cash provided by operating activities	268,157	270,508
Cash Flows from Noncapital Financing Activities:		
Donations received	355,194	1,410,293
Transfers to the University Corporation, SF State	(1,040,222)	(789,855)
Transfer to the University	(215,867)	(3,124,654)
Net cash used by noncapital financing activities	(900,895)	(2,504,216)
Cash Flows from Capital and Related Financing Activities:		
Donations received restricted for capital	1,796,640	64,333
Net cash provided by capital and related financing activities	1,796,640	64,333
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	11,088,648	60,195,028
Purchase of investments	(12,462,304)	(58,152,381)
Investment income	453,052	109,187
Net cash (used) provided by investing activities	(920,604)	2,151,834
Net Change in Cash and Cash Equivalents	243,298	(17,541)
Cash and Cash Equivalents, beginning of year	263,115	280,656
Cash and Cash Equivalents, end of year	\$ 506,413	\$ 263,115

The accompanying notes are an integral part of this statement.

San Francisco State University Foundation

Statement of Cash Flows (continued)

<i>Year ended June 30,</i>	2012	2011
Reconciliation of Operating Income to Net Cash		
Flows Provided by Operating Activities:		
Operating income	\$ 84,548	\$ 259,138
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	183,609	11,370
Total adjustments	183,609	11,370
Net cash provided by operating activities	\$ 268,157	\$ 270,508
Supplemental Disclosures of Cash Flow Activity:		
Non-cash activity:		
Donations of stock received	\$ 1,773,092	\$ 1,544

The accompanying notes are an integral part of this statement.

San Francisco State University Foundation

Notes to Financial Statements

Note 1 - Organization:

The San Francisco State University Foundation (the Foundation), is a non-profit, tax-exempt California corporation. The Foundation serves as an auxiliary organization of San Francisco State University (the University). The Foundation was established in 2007 for the purpose of philanthropy. The Foundation encourages the solicitation and acceptance of private gifts, trusts, and bequests that will help the Foundation in the furtherance of its mission to foster private financial support for the University.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The basic financial statements required by the Governmental Accounting Standards Board (GASB) Statements number 34 and 35 include 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 Foundation 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 Foundation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Foundation 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 Foundation 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 Foundation has elected not to follow FASB pronouncements issued after 1989.

The Foundation considers assets to be current when they 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 Foundation'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.

San Francisco State University Foundation

Notes to Financial Statements

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

- *Restricted, non-expendable*: Net assets subject to externally imposed conditions that the Foundation 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 Foundation or by the passage of time. Net assets in this category also include endowments for capital projects which can be fulfilled by the actions of the University.
- *Unrestricted*: This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors.

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 Foundation 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 Foundation did not maintain deposits in excess of federally insured limits as of June 30, 2012 and 2011.

c. Related Party Receivable and Payables

Related Party receivables and payables include amounts due from the University Corporation, San Francisco State (the Corporation). Account receivables are presented net of an allowance for uncollectible accounts. There is no allowance for uncollectible accounts at June 30, 2012 and 2011.

d. Investments

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

San Francisco State University Foundation

Notes to Financial Statements

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.

e. Restricted Investments

Investments made from donor restricted endowments are pooled with the Foundation's other investments. Any appreciation of such investments is tracked separately and recorded in restricted net assets. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) passed in July 2006 and as adopted by California in 2008 authorizes an institution to spend the amount it deems prudent considering the donor's intent, the purposes of the fund, and relevant economic factors. According to the Foundation'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 Foundation 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.

f. Real Estate Held by Endowments

The Foundation follows GASB 52 Land and other Real Estate held as Investments by Endowments, and it has been determined to have no material impact to the Foundation.

g. Revenue and Expenses

The Foundation currently has two categories classified as operating revenue. Administrative Fees are costs associated with administering endowments and other revenue.

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

San Francisco State University Foundation

Notes to Financial Statements

Other Addition and Transfers category includes contributions related to capital projects and permanent endowments and transfers related to funds given to the Corporation and the University as a gift.

h. 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.

i. Income Taxes

The Foundation is a not-for-profit Foundation 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 Foundation 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; is not material to the basic financial statements taken as a whole.

j. Recent Accounting Pronouncements Adopted or Under Consideration

Effective July 1, 2010, the Foundation adopted GASB Statement No. 59, Financial Instruments Omnibus, the objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Foundation determined that this pronouncement did not have a significant impact on its financial statements.

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.

San Francisco State University Foundation

Notes to Financial Statements

Note 3 - Investments:

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

	Fair value	<1	1 – 5	6 – 10	10+	Other
Local agency investment fund	\$ 506,703	\$ 506,703				
Broker money market funds	2,230,701	2,230,701				
Treasury Securities	6,642,372	165,648	\$ 3,448,689	\$ 3,028,035		
Asset-backed Securities	4,042,050	36,354	1,988,136	154,958	\$ 1,862,602	
Corporate debt securities	7,751,740	682,366	3,888,026	3,181,348		
Equity securities	16,123,101					\$ 16,123,101
Alternative investments	12,591,920					12,591,920
	<u>\$49,888,587</u>	<u>\$ 3,621,772</u>	<u>\$ 9,324,851</u>	<u>\$ 6,364,341</u>	<u>\$ 1,862,602</u>	<u>\$ 28,715,021</u>

Subsequent to June 30, 2012, the Foundation entered into two partnership agreements of \$2 million.

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	\$ 254,732	\$ 254,732				
Broker money market funds	2,462,294	2,462,294				
Treasury Securities	8,691,807	472,499	\$ 4,207,038	\$ 4,012,270		
Asset-backed Securities	3,365,315		1,212,091	274,241	\$ 1,878,983	
Corporate debt securities	7,314,284	289,639	3,250,983	3,773,662		
Equity securities	12,970,061					\$ 12,970,061
Alternative investments	12,801,627					12,801,627
	<u>\$47,860,120</u>	<u>\$ 3,479,164</u>	<u>\$ 8,670,112</u>	<u>\$ 8,060,173</u>	<u>\$ 1,878,983</u>	<u>\$ 25,771,688</u>

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

	2012	2011
Interest and dividends	\$ 951,879	\$ 1,266,477
Realized and unrealized gain	155,984	2,684,543
	<u>\$ 1,107,863</u>	<u>\$ 3,951,020</u>

San Francisco State University Foundation

Notes to Financial Statements

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

Credit risk - The Foundation'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 Foundation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio.

Concentration of credit risk - Securities held in any one issuer are limited to 5% of the Foundation'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 Foundation's total investments.

Custodial credit risk - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. UBS Financial Services account 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 \$250,000 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. UBS Financial Services and certain affiliates have purchased supplemental insurance from London Insurers to augment the SIPC protection. The supplemental policy is subject to policy conditions and limitations and has an aggregate policy limit of \$500 million. Within this aggregate policy limit, each separate client has up to \$1.9 million in protection for cash held in all of the client's accounts. The Foundation does not have a formal policy covering custodial credit risk for its investments.

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 Foundations, 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 Foundation, 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."

San Francisco State University Foundation

Notes to Financial Statements

Note 4 - Endowments:

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

	<u>Restricted Net Assets</u>		Total
	Nonexpendable	Expendable	
<u>Endowments</u>	<u>\$ 33,168,617</u>	<u>\$ 15,247,823</u>	<u>\$ 48,416,440</u>

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

	<u>Restricted Net Assets</u>		Total
	Nonexpendable	Expendable	
<u>Endowments</u>	<u>\$ 32,451,920</u>	<u>\$ 13,723,507</u>	<u>\$ 46,175,427</u>

The Foundation's investment policy during fiscal years 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 if the particular endowment was not underwater. The Foundation's endowment funds were approximately \$660,000 underwater at June 30, 2012 and approximately \$751,000 at June 30, 2011.

Note 5 - Related Parties:

During the year ended June 30, 2012 and 2011, the Foundation paid \$2,089,024 and \$5,237,350, respectively to the University and its affiliates for accounting services, reimbursements and funding for scholarships and capital projects which are fulfilled by the actions of the campus. During the year ended June 30, 2012 and 2011, the Foundation paid \$1,033,715 and \$862,476, respectively, for scholarships and other endowment spendable accounts. The Corporation paid \$485,470 in 2012 and \$1,679,678 to the Foundation and transferred \$560,000 in 2011.

At June 30, 2012 and 2011, the Foundation recorded receivables from the Corporation totaling \$ 12,535 and \$343,138, respectively, and payables to the University totaling \$22,495 and \$536,377.

The Corporation's total investment in alternative investments held by the San Francisco State Foundation is \$1,300,000 and \$1,200,000 at June 30, 2012 and 2011, respectively. The allocated fair value for these investments is \$1,219,500 and \$1,222,081 at June 30, 2012 and 2011, respectively.

San Francisco State University Foundation

Notes to Financial Statements

Note 6 - Risk Financing Activities:

The Foundation 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 Foundation carries commercial insurance. The Foundation 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.

Note 7 - Litigation:

From time to time, the Foundation 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 Foundation in connection with its legal proceedings is not expected to have a material adverse effect on the Foundation's financial position and activities.

Note 8 - Administrative Fee:

The Foundation charges an administrative fee of 2% percent annually which is calculated on the quarterly average daily balance of all endowments managed by the Foundation per the endowment policy. Administrative fees of \$729,645 and \$783,469 were earned by the Foundation during the year ended June 30, 2012 and 2011, respectively.

San Francisco State University Foundation
Schedule of Net Assets
June 30, 2012
(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 506,413
Short-term investments	3,621,772
Accounts receivable, net	50,892
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	—
Total current assets	4,179,077
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	33,168,617
Other long-term investments	13,098,198
Capital assets, net	—
Other assets	—
Total noncurrent assets	46,266,815
Total assets	50,445,892

Liabilities:

Current liabilities:	
Accounts payable	153,218
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	1,289,222
Total current liabilities	1,442,440
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	1,442,440

Net assets:

Invested in capital assets, net of related debt	—
Restricted for:	
Nonexpendable – endowments	33,168,617
Expendable:	
Scholarships and fellowships	12,580,169
Research	—
Loans	—
Capital projects	2,667,654
Debt service	—
Other	—
Unrestricted	587,012
Total net assets	\$ 49,003,452

San Francisco State University Foundation
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	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	—
Other operating revenues	733,073
Total operating revenues	<u>733,073</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	648,525
Depreciation and amortization	—
Total operating expenses	<u>648,525</u>
Operating income (loss)	<u>84,548</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	270,588
Investment income (loss), net	1,107,863
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	(1,983,154)
Net nonoperating revenues (expenses)	<u>(604,703)</u>
Income (loss) before other additions	(520,155)
State appropriations, capital	—
Grants and gifts, capital	1,796,640
Additions (reductions) to permanent endowments	<u>1,049,076</u>
Increase (decrease) in net assets	2,325,561
Net assets:	
Net assets at beginning of year, as previously reported	46,677,891
Restatements	—
Net assets at beginning of year, as restated	<u>46,677,891</u>
Net assets at end of year	<u>\$ 49,003,452</u>

See accompanying independent auditors' report.

San Francisco State University Foundation
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)	-	506,704	506,704	-	-	-	506,704
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	-	718,719	718,719	-	11,075,070	11,075,070	11,793,789
Equity securities	-	-	-	-	16,123,101	16,123,101	16,123,101
Fixed income securities (Treasury notes, GNMA's)	-	165,648	165,648	-	6,476,724	6,476,724	6,642,372
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	2,230,701	2,230,701	-	-	-	2,230,701
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments:							
Alternative Investments	-	-	-	1,472,146	11,119,774	12,591,920	12,591,920
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>3,621,772</u>	<u>3,621,772</u>	<u>1,472,146</u>	<u>44,794,669</u>	<u>46,266,815</u>	<u>49,888,587</u>
Less endowment investments (enter as negative number)					<u>(33,168,617)</u>	<u>(33,168,617)</u>	<u>(33,168,617)</u>
Total investments	<u><u>-</u></u>	<u><u>3,621,772</u></u>	<u><u>3,621,772</u></u>	<u><u>1,472,146</u></u>	<u><u>11,626,052</u></u>	<u><u>13,098,198</u></u>	<u><u>16,719,970</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 :	-	-	-	-	-	-	-
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2.3 Restricted current investments at June 30, 2012 related to:

	<u>Amount</u>
Restricted for Expendable Scholarships, Fellowships, capital project	\$ 3,621,772
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
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Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2012	<u><u>\$ 3,621,772</u></u>

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

	<u>Amount</u>
Endowment investment	\$ 33,168,617
Restricted for Scholarships, Fellowships, capital project	11,626,052
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2012	<u><u>\$ 44,794,669</u></u>

See accompanying independent auditors' report.

San Francisco State University Foundation
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 treasure:								
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	-	-	-	-	-	-	-	-
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San Francisco State University Foundation
Other Information
June 30, 2012
(for inclusion in the California State University)

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

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

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>

See accompanying independent auditors' report.

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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	\$ —	—	—
Capitalized lease obligations - current portioi	—	—	—
Capitalized lease obligations, net of current portio	—	—	—
Long-term debt obligations - current portioi	—	—	—
Long-term debt obligations, net of current portio	—	—	—
Portion of outstanding debt that is unspent at year-en	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	—	—

7.2 Calculation of net assets - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	33,168,617	—	33,168,617
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	\$ 33,168,617	—	33,168,617

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8 Transactions with Related Entities		<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other program	\$	—
Payments to University for other than salaries of University personnel		1,054,577
Payments received from University for services, space, and program		—
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)		(22,495)
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>

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	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u>—</u>

11 The nature and amount of the prior period adjustment(s) recorded to beginning net assets		
	<u>Net Asset</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net assets as of June 30, 2011, as previously reported		\$ 46,677,891
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>\$ 46,677,891</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:

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

See accompanying independent auditors' report.