

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

(a Component Unit of San Diego State University)

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION
(a Component Unit of San Diego State University)

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Independent Auditor's Report

The Board of Directors
San Diego State University Research Foundation

We have audited the accompanying basic financial statements of San Diego State University Research Foundation (a component unit of San Diego State University) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the San Diego State University Research 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 (U.S. GAAS). Those standards require that we plan and perform the audits 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 San Diego State University Research Foundation as of 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 (U.S. GAAP).

The Management's Discussion and Analysis on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

San Diego, CA
September 19, 2012

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

Management's Discussion and Analysis

This section of the San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) annual financial report includes management's discussion and analysis of the financial performance of SDSU Research Foundation for fiscal years ended June 30, 2012 and 2011. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

SDSU Research Foundation's financial statements include the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of SDSU Research Foundation.

Statements of Net Assets: The Statements of Net Assets include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. They also identify major categories of restrictions on the net assets of SDSU Research Foundation.

Statements of Revenues, Expenses and Changes in Net Assets: The Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred during the year on an accrual basis.

Statements of Cash Flows: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, capital and related financing, and investing activities. These statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the years' activities.

Financial Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of SDSU Research Foundation's financial activities as of and for the years ended June 30, 2012 and 2011. Included are comparative analyses of current year and prior year activities and balances; a discussion of restrictions of SDSU Research Foundation net assets; and a discussion of capital assets and long-term debt.

Significant Events – Year Ended June 30, 2012

There were no individually significant events during the year; however, subsequent to the year-end, bonds in the amount of \$41.1 million were defeased at favorable interest rates using California State University Systemwide Revenue Bonds and previously restricted debt reserve funds related to the 2001 and 2002 bond issues.

Significant Events – Year Ended June 30, 2011

There were no individually significant events during the year.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

SDSU Research Foundation's condensed summary of net assets as of June 30, 2012, 2011 and 2010 is as follows:

Condensed Summary of Net Assets

	June 30		
	2012	2011	2010
Assets:			
Current assets	\$ 42,002,968	40,266,070	44,299,200
Capital assets	81,953,396	81,742,392	80,023,270
Other noncurrent assets	62,589,117	64,925,460	57,528,120
Total assets	<u>186,545,481</u>	<u>186,933,922</u>	<u>181,850,590</u>
Liabilities:			
Current liabilities	52,992,870	58,146,066	60,726,497
Noncurrent liabilities	57,035,287	58,376,753	59,493,822
Total liabilities	<u>110,028,157</u>	<u>116,522,819</u>	<u>120,220,319</u>
Net assets:			
Invested in capital assets, net of related debt	32,816,842	31,589,182	28,901,108
Restricted – nonexpendable	4,735,916	4,683,818	4,646,977
Restricted – expendable	11,311,882	11,775,140	10,543,883
Unrestricted	27,652,684	22,362,963	17,538,303
Total net assets	<u>\$ 76,517,324</u>	<u>70,411,103</u>	<u>61,630,271</u>

Assets

Total assets remained relatively constant from FY 2011 to FY 2012. Total assets increased by \$5.1 million from FY 2010 to FY 2011 due primarily to results of operations.

Current assets increased \$1.7 million from FY 2011 to FY 2012 due to the timing of liquidating investments and reinvesting the proceeds. Current assets decreased \$4.0 million from FY 2010 to FY 2011 due to the investment of operating cash into long-term investments to improve investment returns.

Capital assets remained relatively constant from FY 2011 to FY 2012 because the costs to complete the broadcasting station offices and the initial costs to improve bandwidth at the Alvarado buildings were offset by depreciation on prior years' acquisitions of property and equipment. Capital assets increased \$1.7 million from FY 2010 to FY 2011 due to acquisitions of new equipment and the costs of the initial construction of the broadcasting station offices.

Other noncurrent assets decreased by \$2.3 million from FY 2011 to FY 2012 primarily due to the timing of liquidating investments and reinvesting the proceeds. Other noncurrent assets increased by \$7.4 million from FY 2010 to FY 2011 because current assets were invested in long-term investments.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

Liabilities

Current liabilities decreased by \$5.2 million from FY 2011 to FY 2012 due to reductions in the amount due to The Campanile Foundation (TCF) and a reduction of sponsored programs receipts over expenditures. Current liabilities decreased by \$2.6 million from FY 2010 to FY 2011 due to reductions in the amount due to The Campanile Foundation (TCF).

Noncurrent liabilities decreased by \$1.3 million from FY 2011 to FY 2012 and by \$1.1 million from FY 2010 to FY 2011 due to the payment of scheduled annual principal payments on long-term debt.

Net Assets

Total net assets increased by \$6.1 million from FY 2011 to FY 2012 because net operating income totaled \$8.3 million, which was partially offset with net nonoperating expenses of \$2.2 million. Total net assets increased by \$8.8 million from FY 2010 to FY 2011 because net operating income totaled \$8.0 million and net nonoperating revenue was \$0.8 million.

Restricted Resources

Net assets of SDSU Research Foundation include funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction and the amount:

Restricted Net Assets

	June 30		
	2012	2011	2010
Nonexpendable	\$ 4,735,916	4,683,818	4,646,977
Expendable:			
Campus programs and projects	\$ 9,166,672	9,606,088	8,377,407
KPBS capital campaign	811,148	788,645	819,312
Student aid	111,178	94,126	92,436
Annuity trust agreements	1,222,884	1,286,281	1,254,728
Total restricted expendable net assets	\$ 11,311,882	11,775,140	10,543,883

Nonexpendable net assets remained approximately the same in FY 2012, FY 2011 and FY 2010.

The decrease in expendable net assets of \$0.5 million from FY 2011 to FY 2012 and the increase of \$1.2 million from FY 2010 to FY 2011 were due primarily to fluctuations in the market value of the underlying endowment assets.

Annuity trust agreements fluctuate as a result of payments to annuitants, the receipt of new funds, and market value fluctuations.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

SDSU Research Foundation's condensed summary of revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010 is as follows:

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30		
	2012	2011	2010
Operating revenues:			
Sponsored programs support	\$ 122,853,501	135,239,456	126,100,292
Community and campus programs	35,321,205	32,520,901	28,893,518
Contributions	17,118,459	15,910,677	14,038,731
Other operating revenues	11,578,269	10,927,880	10,656,280
Total operating revenues	<u>186,871,434</u>	<u>194,598,914</u>	<u>179,688,821</u>
Operating expenses:			
Sponsored programs	107,819,658	116,273,794	109,583,121
Community and campus programs, including fundraising	45,047,387	45,294,981	41,956,908
Other operating expenses	25,651,034	25,018,325	24,156,910
Total operating expenses	<u>178,518,079</u>	<u>186,587,100</u>	<u>175,696,939</u>
Operating income	<u>8,353,355</u>	<u>8,011,814</u>	<u>3,991,882</u>
Nonoperating revenues (expenses):			
Interest expense	(2,849,765)	(2,887,603)	(3,188,283)
Investment income, net	2,152,411	1,828,508	1,569,739
Net increase (decrease) in fair value of investments	(1,446,819)	1,914,085	1,719,010
Loss on disposition of property and equipment	(93,123)	(35,417)	(9,570)
Income from settlements	—	—	750,000
Net nonoperating revenues (expenses)	<u>(2,237,296)</u>	<u>819,573</u>	<u>840,896</u>
Income before changes to permanent endowments	6,116,059	8,831,387	4,832,778
(Decreases) in permanent endowments	<u>(9,838)</u>	<u>(50,555)</u>	<u>(37,472)</u>
Change in net assets	6,106,221	8,780,832	4,795,306
Net assets at beginning of year	<u>70,411,103</u>	<u>61,630,271</u>	<u>56,834,965</u>
Net assets at end of year	<u>\$ 76,517,324</u>	<u>70,411,103</u>	<u>61,630,271</u>
Total revenues	\$ 187,577,026	198,341,507	183,727,570
Total expenses	<u>181,470,805</u>	<u>189,560,675</u>	<u>178,932,264</u>
Change in net assets	<u>\$ 6,106,221</u>	<u>8,780,832</u>	<u>4,795,306</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to SDSU Research Foundation's primary business functions.

Operating Revenues

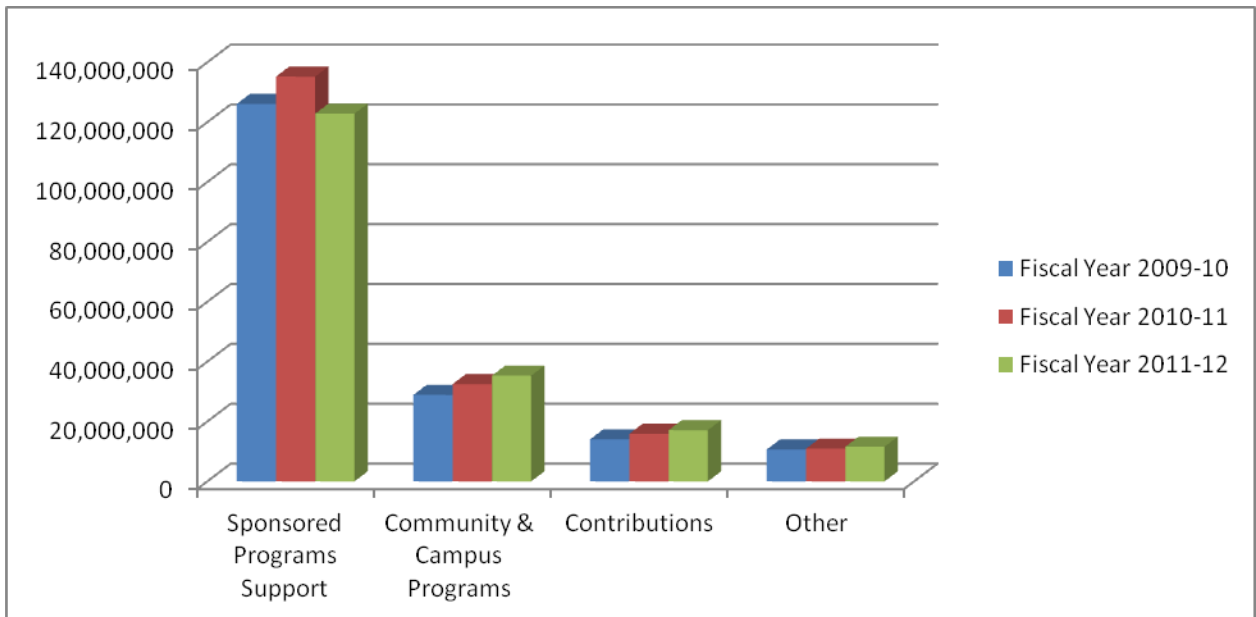
Sponsored programs support decreased \$12.4 million from FY 2011 to FY 2012 due to reductions in American Recovery and Reinvestment Act revenue of \$3.6 million and other program support of \$8.8 million. Sponsored programs support increased \$9.1 million from FY 2010 to FY 2011, of which \$5.8 million was due to increases in American Recovery and Reinvestment Act revenue. Sponsored programs support included \$7.6 million and \$11.2 million in American Recovery and Reinvestment Act revenue in FY 2012 and FY 2011, respectively.

Community and campus programs increased \$2.8 million from FY 2011 to FY 2012 and \$3.6 million from FY 2010 to FY 2011 due to increased revenues earned by the College of Extended Studies.

Contributions increased \$1.2 million from FY 2011 to FY 2012 and increased by \$1.9 million from FY 2010 to FY 2011 due to a major gift that spanned both years to support the construction costs for the broadcasting station offices.

Other operating revenue increased \$0.7 million from FY 2011 to FY 2012 due to a recovery of an accounts receivable that was charged off against operations in FY 2011 and increased \$0.3 million from FY 2010 to FY 2011 because of the additional rental income from the purchase of an Alvarado Medical Center property in FY 2010.

The following chart presents the dollar amount that each category of operating revenue contributed to total revenues for the years ended June 30, 2010, 2011 and 2012:



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

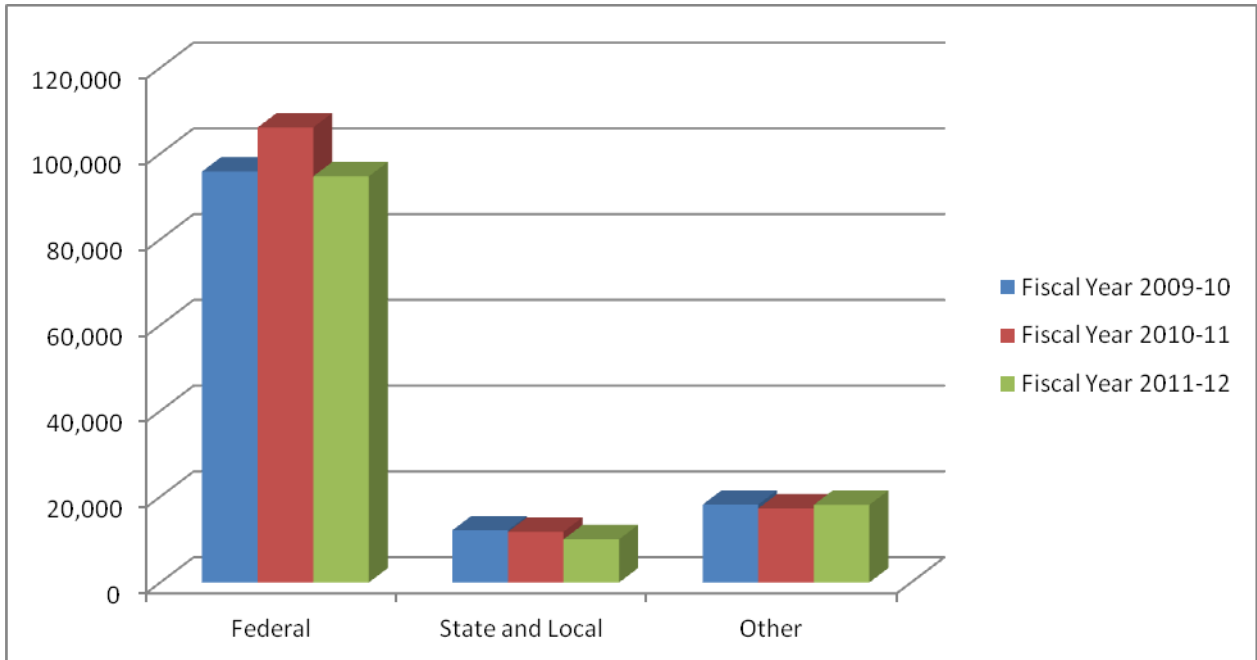
Management's Discussion and Analysis

June 30, 2012 and 2011

The sources of *Sponsored Programs Support* for the years ended June 30, 2012, 2011 and 2010 are as follows:

	Year Ended June 30,					
	2012		2011		2010	
	\$	%	\$	%	\$	%
Federal:						
Department of Health & Human Services	47,132,511	38.4	55,566,871	41.1	52,346,139	41.5
Department of Education	12,509,307	10.2	12,357,736	9.1	10,883,852	8.6
Department of Defense	10,631,034	8.7	11,308,384	8.4	10,412,866	8.3
National Science Foundation	10,402,067	8.5	11,556,813	8.5	8,497,836	6.7
Department of Agriculture	6,523,679	5.3	6,880,592	5.1	6,382,548	5.1
Other	7,495,914	6.0	8,519,536	6.3	7,293,795	5.8
	<u>94,694,512</u>	<u>77.1</u>	<u>106,189,932</u>	<u>78.5</u>	<u>95,817,036</u>	<u>76.0</u>
State and Local	10,056,819	8.2	11,798,177	8.7	12,148,745	9.6
Other	18,102,170	14.7	17,251,347	12.8	18,134,511	14.4
	<u>122,853,501</u>	<u>100.0</u>	<u>135,239,456</u>	<u>100.0</u>	<u>126,100,292</u>	<u>100.0</u>

The following chart presents the amount (in thousands) that each sponsor type contributed to total *Sponsored Programs Support* for the years ended June 30, 2010, 2011 and 2012:



Includes \$7.6 million, \$11.2 million and \$5.4 million in American Recovery and Reinvestment Act revenue in FY 2012, FY 2011 and FY 2010, respectively.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

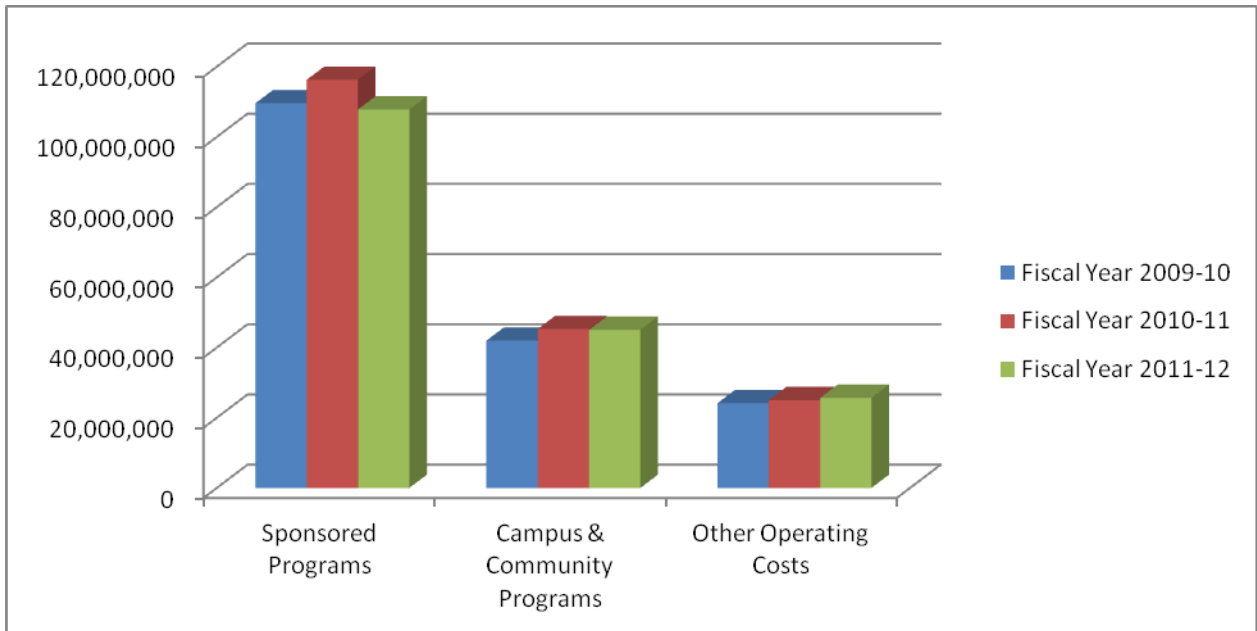
Operating Expenses

Sponsored programs expenses decreased \$8.5 million from FY 2011 to FY 2012 and increased \$6.7 million from FY 2010 to FY 2011. These changes follow the related changes in sponsored programs support revenues.

Community and campus programs expenses (including fundraising) remained fairly constant from FY 2011 to FY 2012 and increased \$3.3 million from FY 2010 to FY 2011. These amounts follow the related community and campus programs revenue and the normal fluctuations in expenditures of the funds.

Other operating expenses increased by \$0.6 million from FY 2011 to FY 2012 due to increased professional fees and \$0.9 million from FY 2010 to FY 2011 due to increased costs to support additional sponsored programs support revenues and additional rental expenses from the purchase of an Alvarado Medical Center property.

The following chart presents the distribution of resources in support of SDSU Research Foundation's mission for the years ended June 30, 2010, 2011, and 2012:



Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) come from sources that are not part of SDSU Research Foundation's primary business functions. Included in this classification are interest expense, investment income, changes in the fair value of investments, gains and losses from the sale of property and equipment, and nonrecurring items such as legal settlements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

Interest expense remained fairly constant from FY 2011 to FY 2012 and decreased \$0.3 million from FY 2010 to FY 2011 due to the May 2010 refunding of the 1998 certificates of participation and the 1999 insured revenue refunding bonds and normal scheduled reductions of debt.

Investment income increased \$0.3 million from FY 2011 to FY 2012 and \$0.3 million from FY 2010 to FY 2011 due primarily to larger amounts being available for investment.

Net increase (decrease) in fair value of investments decreased \$3.4 million from FY 2011 to FY 2012 and \$0.2 million from FY 2010 to FY 2011 due to the ongoing volatility in the market.

Loss on disposition of property and equipment remained fairly constant from FY 2011 to FY 2012 and from FY 2010 to FY 2011.

Income from settlements are nonrecurring income items. During FY 2010, SDSU Research Foundation received a \$750,000 legal settlement for a portion of redevelopment costs advanced.

Capital Assets

Capital assets, net of accumulated depreciation, are shown below:

	June 30		
	2012	2011	2010
Land, land improvements and construction in progress	\$ 20,849,581	21,907,661	20,465,309
Buildings and building improvements	54,270,320	53,570,745	55,350,678
Furniture, fixtures and equipment	6,833,495	6,263,986	4,207,283
Total capital assets, net of accumulated depreciation	<u>\$ 81,953,396</u>	<u>81,742,392</u>	<u>80,023,270</u>

Capital assets remained relatively constant from FY 2011 to FY 2012 because the costs to complete the broadcasting station offices and the initial costs to improve bandwidth at the Alvarado buildings were offset by depreciation on prior years' acquisitions of property and equipment. Capital assets increased \$1.7 million from FY 2010 to FY 2011 due to acquisitions of new equipment and the costs of the initial construction of the broadcasting station offices.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2012 and 2011

Long-Term Debt Obligations

Debt outstanding at June 30, 2012, 2011 and 2010 is summarized below by the type of debt instrument:

	June 30		
	2012	2011	2010
Revenue Bonds	\$ 51,160,000	52,295,000	53,355,000
Note payable	2,854,597	2,908,732	2,943,927
Total	54,014,597	55,203,732	56,298,927
Unamortized Bond Premium	804,164	863,651	923,137
Total long-term debt	54,818,761	56,067,383	57,222,064
Less current portion	(1,220,366)	(1,172,692)	(1,095,195)
Total long-term debt, net of current portion	\$ 53,598,395	54,894,691	56,126,869

Long-term debt, net of current portion, decreased \$1.2 million from both FY 2011 to FY 2012 and FY 2010 to FY 2011 due to the payment of scheduled annual principal payments on long-term debt.

In August 2012 (subsequent to the year-end), bonds in the amount of \$41.1 million were refunded using California State University Systemwide Revenue Bonds and previously restricted debt reserve funds related to the 2001 and 2002 bond issues.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Net Assets

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents (note 3)	\$ 3,931,086	1,397,102
Short-term investments (note 3)	16,491,400	16,197,158
Restricted assets – investments (note 3)	261,575	254,222
Accounts receivable (note 4)	21,226,479	21,920,991
Prepaid expenses and other assets	92,428	496,597
Total current assets	<u>42,002,968</u>	<u>40,266,070</u>
Noncurrent assets:		
Accounts receivable (note 4)	169,529	369,447
Long-term investments (note 3)	39,896,756	40,884,998
Restricted assets – investments (notes 3, 7 and 12)	17,516,596	18,002,001
Restricted assets – land	1,853,532	1,853,532
Capital assets, net (notes 5 and 7)	81,953,396	81,742,392
Other assets (note 7)	3,152,704	3,815,482
Total noncurrent assets	<u>144,542,513</u>	<u>146,667,852</u>
Total assets	<u><u>186,545,481</u></u>	<u><u>186,933,922</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (note 6)	4,350,072	3,137,587
Accrued expenses (notes 6 and 11)	11,465,255	11,547,132
Sponsored programs receipts over expenditures	5,834,595	9,005,522
Long-term debt obligations – current portion (notes 7 and 12)	1,220,366	1,172,692
Due to The Campanile Foundation (note 6)	30,122,582	33,283,133
Total current liabilities	<u>52,992,870</u>	<u>58,146,066</u>
Noncurrent liabilities:		
Long-term debt obligations, net of current portion (notes 7 and 12)	53,598,395	54,894,691
Liabilities for amounts held for others	503,593	567,297
Other liabilities (note 9)	2,933,299	2,914,765
Total noncurrent liabilities	<u>57,035,287</u>	<u>58,376,753</u>
Total liabilities	<u>110,028,157</u>	<u>116,522,819</u>
Commitments and Contingencies (notes 8, 9, 10 and 11)		
Net assets		
Invested in capital assets, net of related debt	32,816,842	31,589,182
Restricted for:		
Nonexpendable – endowments and property	4,735,916	4,683,818
Expendable:		
Campus programs and projects	9,166,672	9,606,088
KPBS capital campaign	811,148	788,645
Student aid	111,178	94,126
Annuity trust agreements	1,222,884	1,286,281
Unrestricted	27,652,684	22,362,963
Total net assets	\$ <u><u>76,517,324</u></u>	<u><u>70,411,103</u></u>

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sponsored programs support	\$ 122,853,501	135,239,456
Community and campus programs	35,321,205	32,520,901
Contributions	17,118,459	15,910,677
Rental income	9,840,238	9,615,112
Other operating revenues (note 6)	<u>1,738,031</u>	<u>1,312,768</u>
Total operating revenues	<u>186,871,434</u>	<u>194,598,914</u>
Operating expenses (notes 8, 9 and 10):		
Sponsored programs (note 5)	107,819,658	116,273,794
Community and campus programs (note 5)	42,109,967	42,500,241
Fundraising – broadcasting	2,937,420	2,794,740
Property management (note 5)	10,912,636	10,799,394
General administration	<u>14,738,398</u>	<u>14,218,931</u>
Total operating expenses	<u>178,518,079</u>	<u>186,587,100</u>
Operating income	<u>8,353,355</u>	<u>8,011,814</u>
Nonoperating revenues (expenses):		
Interest expense (note 7)	(2,849,765)	(2,887,603)
Investment income, net	2,152,411	1,828,508
Net increase (decrease) in fair value of investments (note 3)	(1,446,819)	1,914,085
Loss on disposition of property and equipment	<u>(93,123)</u>	<u>(35,417)</u>
Net nonoperating revenues (expenses)	<u>(2,237,296)</u>	<u>819,573</u>
Income before changes to permanent endowments	6,116,059	8,831,387
(Decreases) in permanent endowments	<u>(9,838)</u>	<u>(50,555)</u>
Change in net assets	6,106,221	8,780,832
Net assets:		
Net assets at beginning of year	<u>70,411,103</u>	<u>61,630,271</u>
Net assets at end of year	<u>\$ 76,517,324</u>	<u>70,411,103</u>

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Sponsored programs receipts	\$ 121,247,560	136,786,875
Community and campus programs receipts	35,272,130	31,979,704
Contributions	16,482,542	16,005,396
Rents received	9,875,643	9,617,635
Payments to suppliers	(74,415,704)	(83,966,892)
Payments to employees	(97,052,274)	(100,729,187)
Monies disbursed on behalf of The Campanile Foundation, net	(3,160,551)	(2,283,634)
Monies disbursed on behalf of others, net	(63,704)	(125,894)
Other receipts	1,758,774	1,666,647
Net cash provided by operating activities	<u>9,944,416</u>	<u>8,950,650</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(1,189,136)	(1,095,195)
Interest paid	(2,921,433)	(2,988,568)
Purchase of building improvements and construction-in-progress	(2,617,103)	(2,495,655)
Purchase of equipment	(2,549,566)	(3,634,089)
Proceeds from sale of property and equipment	22,292	—
Net cash (used in) capital and related financing activities	<u>(9,254,946)</u>	<u>(10,213,507)</u>
Cash flows from investing activities:		
Investment income	2,129,119	2,037,399
Proceeds from sale of investments	15,100,194	16,456,287
Purchase of investments	(15,384,799)	(18,316,226)
Net cash provided by investing activities	<u>1,844,514</u>	<u>177,460</u>
Net increase (decrease) in cash and cash equivalents	2,533,984	(1,085,397)
Cash and cash equivalents, beginning of year	<u>1,397,102</u>	<u>2,482,499</u>
Cash and cash equivalents, end of year	<u>\$ 3,931,086</u>	<u>1,397,102</u>

See accompanying notes to financial statements.

(Continued)

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows (Continued)

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,353,355	8,011,814
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,840,250	4,375,203
Amortization	165,070	169,045
(Increase) decrease in assets:		
Accounts receivable	917,722	(345,517)
Prepaid expenses and other assets	901,877	(758,555)
Increase (decrease) in liabilities:		
Accounts payable	1,212,485	(750,750)
Accrued expenses	(69,695)	(1,386,219)
Sponsored programs receipts over expenses	(3,170,927)	1,804,154
Due to The Campanile Foundation	(3,160,551)	(2,283,634)
Liabilities for amounts held for others	(63,704)	(125,894)
Other liabilities	18,534	241,003
Net cash provided by operating activities	\$ <u>9,944,416</u>	<u>8,950,650</u>
Supplemental disclosure of noncash investing activity:		
Increase (decrease) in fair value of investments	\$ (1,446,819)	1,914,085
(Decrease) in permanent endowments	(9,838)	(50,555)

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(1) **Organization**

San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) was formed on February 11, 1943. It is an auxiliary organization of San Diego State University (the University), and is organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. It is a nonprofit corporation chartered to provide and augment programs that are an integral part of the educational and community service mission of the University. While SDSU Research Foundation is organized to function as a separate corporation, it is integrated into the goals and programs of the University. SDSU Research Foundation reports as a special-purpose government engaged only in business-type activities.

SDSU Research Foundation is responsible for the accomplishment of certain University objectives that require financial support not provided by the state. These activities occur in all aspects of University life, including the development and administration of sponsored grants and contracts for faculty and staff research and educational projects; the administration of community and campus-related programs; the financial administration of certain gifts and donations; and the investment of certain endowments and other funds. SDSU Research Foundation's financial statements are included as a component unit of the University's annual financial statements as required by governmental accounting standards.

Affiliated Organizations

SDSU Research Foundation is related to other auxiliaries of the University, including Associated Students of San Diego State University, Aztec Shops, Ltd. and The Campanile Foundation (TCF). The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

(2) **Summary of Significant Accounting Policies**

A summary of the significant accounting policies utilized by SDSU Research Foundation follows:

(a) *Basis of Accounting*

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 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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(b) *Classification of Current and Noncurrent Assets and Liabilities*

SDSU Research Foundation considers assets to be current that can be reasonably expected, as a part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

(c) *Cash Equivalents*

SDSU Research Foundation considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

(d) *Investments*

Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates. Property is reported at the appraised value. Notes receivable are discounted to present value and nonmarketable CDs are reported at carrying value, which approximates fair value.

(e) *Accounts Receivable*

Accounts receivable are recorded at the actual amount expected to be collected. It includes both billed and unbilled amounts.

(f) *Other Assets*

Other assets consist of deposits held by others and unamortized debt issuance costs, which are amortized over the term of the related long-term debt obligation, using the effective interest method.

(g) *Capital Assets*

Capital assets in excess of \$5,000 are recorded at cost, if purchased, or at estimated fair value, if donated. Certain equipment acquired through grants is subject to restrictions on use and disposition subsequent to the conclusion of the related grants.

Depreciation is computed by using the straight-line method over the useful life of the buildings and building improvements, and furniture, fixtures and equipment, generally 40 and 5 years, respectively. Improvements to leased property are amortized over the lesser of the term of the lease or the life of the improvement.

(h) *Asset Impairment*

Annually, SDSU Research Foundation evaluates capital assets held for investment. The carrying values of such assets that are considered to be impaired are adjusted accordingly. Management has determined that there were no such impairments at June 30, 2012 and 2011.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(i) ***Compensated Absences***

SDSU Research Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service and employee classification. Eligible full-time employees accrue sick leave at the rate of four hours per pay period; however, except in limited cases on retirement, employees are not paid for unused sick leave at the end of employment. Liabilities for compensated absences of approximately \$2,381,000 and \$2,443,000 as of June 30, 2012 and 2011, respectively, were included in accrued expenses.

(j) ***Revenue Recognition***

Revenue from sponsored programs is recognized as sponsored programs support in the fiscal year in which all eligibility requirements have been satisfied. Sponsored programs revenue received prior to satisfaction of eligibility requirements and incurring the related expenses have been deferred and are reflected as *Sponsored Programs Receipts over Expenditures* in the accompanying statements of net assets.

SDSU Research Foundation received 50.7% and 54.6% of its total operating revenue from federal sources during the years ended June 30, 2012 and 2011, respectively. The Department of Health and Human Services provided 25.2% and 28.6% of the total operating revenue for the years ended June 30, 2012 and 2011, respectively. The Department of Education provided 6.7% and 6.4% of SDSU Research Foundation total operating revenue for the years ended June 30, 2012 and 2011, respectively.

Revenue from community and campus programs is recognized as earned. It includes the revenue related to KPBS and the College of Extended Studies.

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are deferred.

(k) ***Net Assets***

SDSU Research Foundation's net assets are classified into the following net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – nonexpendable: Net assets subject to externally imposed conditions that SDSU Research Foundation retains in perpetuity. Net assets in this category consist of endowments and property held by SDSU Research Foundation.

Restricted – expendable: Net assets subject to externally imposed conditions that can be fulfilled by the actions of SDSU Research Foundation or by the passage of time.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Unrestricted: All other categories of net assets. In addition, unrestricted net assets may be designated for specific purposes by the Board of Directors of SDSU Research Foundation.

Restricted resources are used in accordance with SDSU Research Foundation policies. When both restricted and unrestricted resources are available for use, the determination to use restricted or unrestricted resources is made on a case-by-case basis.

(l) *Classification of Revenues and Expenses*

SDSU Research Foundation considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to SDSU Research Foundation's primary functions. Certain other transactions are reported as nonoperating revenues and expenses, including interest expense, investment income and changes in the fair value of investments.

(m) *Income Taxes*

SDSU Research Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, SDSU Research Foundation has only nominal amounts that are subject to income taxes. Therefore, no provision for income taxes has been included in the accompanying financial statements.

(n) *Liabilities for Amounts Held for Others*

SDSU Research Foundation serves as trustee and administrator for various types of trust arrangements, including split-interest agreements whereby the beneficial interest is shared with one or more parties. The arrangements generally require payment of annual trust income to the income beneficiary or beneficiaries over the term of the trust with the remainderman portion of the assets reverting to SDSU Research Foundation. The liability for amounts held for others on the statements of net assets represents the present value of the estimated future payments to be distributed to these beneficiaries.

(o) *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

(p) *Reclassifications*

Certain reclassifications have been made to the June 30, 2011 financial statements in order to conform to the presentation as of June 30, 2012. These reclassifications had no effect on results of operations or net assets as previously reported.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(q) Pronouncements Issued

SDSU Research Foundation implemented the following GASB statement for the year ended June 30, 2011:

- GASB Statement No. 59, *Financial Instruments Omnibus*

Implementation of GASB Statement No. 59 did not have a significant impact on the financial statements.

SDSU Research Foundation did not implement any new GASB statements during the year ended June 30, 2012.

The GASB has issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (effective for the year ending June 30, 2013); GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (effective for the year ending June 30, 2013); GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (effective for the year ending June 30, 2013); GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (effective for the year ending June 30, 2013); GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* (effective for the year ending June 30, 2013); GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for the year ending June 30, 2013); GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* (effective for the year ending June 30, 2013); GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (effective for the year ending June 30, 2014); and GASB Statement No. 68, *Accounting and Reporting for Pensions – and amendment of GASB Statement No. 27* (effective for the year ending June 30, 2015). Management has not currently determined what, if any, impact implementation of these standards may have on the financial statements of SDSU Research Foundation.

(3) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,931,086	1,397,102
Short-term investments	16,491,400	16,197,158
Short-term restricted investments	261,575	254,222
Long-term investments	39,896,756	40,884,998
Long-term restricted investments	17,516,596	18,002,001
	<u>\$ 78,097,413</u>	<u>76,735,481</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

The amounts above consist of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,931,086	1,397,102
U.S. Treasury issues	341,755	293,006
Federally sponsored enterprises - interest bearing	9,402,029	14,684,705
Federally sponsored enterprises - zero coupon	4,352,938	6,439,961
Intermediate Term Fund (Commonfund)	433,250	421,565
Money market funds	5,483,522	5,387,324
Nonmarketable certificates of deposit	99,000	195,000
Marketable certificates of deposit	5,440,748	4,936,951
Corporate Bonds	30,865,679	24,722,465
The Campanile Foundation Endowment Pool	13,941,782	14,646,316
Real property	1,031,821	1,031,821
Notes receivable	234,194	234,194
Other investments	2,539,609	2,345,071
	<u>\$ 78,097,413</u>	<u>76,735,481</u>

Investment Policy

The primary objective of the investment policy of SDSU Research Foundation is to protect the underlying assets so that the funds are available when needed by various projects and programs. A secondary objective is to maximize investment income on available investments. Various policies have been adopted to meet these objectives at the same time. Specific references are included below under various risk categories. In general, operating funds are limited in maturity ranges and type of debt instrument.

The Campanile Foundation Endowment Pool

SDSU Research Foundation invests in the TCF Endowment Pool, a unitized pool managed by TCF, another SDSU auxiliary organization. The \$13,941,782 and \$14,646,316 amounts shown above reflect the market value of SDSU Research Foundation's share of the TCF Endowment Pool as of June 30, 2012 and 2011, respectively.

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools, with primary investment categories of stocks (58%); fixed income (27%); and alternative investments, real estate and cash equivalents (15%) as of June 30, 2012. It is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by TCF, and the investments are monitored for TCF by an investment advisor.

SDSU Research Foundation recognized unrealized losses of \$536,588 and unrealized gains of \$2,352,339 for the years ended June 30, 2012 and 2011, respectively, from its investment in the TCF Endowment Pool.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

The investments of the TCF Endowment Pool are exposed to both interest rate and market risk. Economic conditions can impact these risks, and resulting market values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances, and thus SDSU Research Foundation's portion of those investments, could be materially affected. Although the market value of this investment in the TCF Endowment Pool is subject to fluctuations on a year-to-year basis, management believes the investment policies of TCF are prudent for the long-term welfare of SDSU Research Foundation.

Other Investments

SDSU Research Foundation holds real property as an investment purchased with a donor's funds to benefit specific research programs. The property may be sold should the needs of the programs change.

Notes receivable are from the sale of a chapter house in the Fraternity Row project. Interest rates and terms reflected economic conditions at the time of the sale.

Other investments consist primarily of mutual funds held in trust as annuity securities that name SDSU Research Foundation as beneficiary.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. In order to reduce interest rate risk exposure, SDSU Research Foundation's investment policy states that individually held working capital and debt reserve fixed income investments are limited to a five-year maturity and should be staggered over various maturity dates. The longer maturities in the portfolios are investments for deferred gifts, where assets need to correlate with the life expectancies of beneficiaries.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Maturities as of June 30, 2012 are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	> 5 Years
U.S. Treasury							
Deferred gifts	\$ 341,755	131,743	51,234	158,778	—	—	—
Federally Sponsored Enterprises							
Pooled	8,635,650	2,513,832	706,415	4,654,130	761,273	—	—
Debt reserves	407,077	—	407,077	—	—	—	—
Deferred gifts	359,302	254,891	104,411	—	—	—	—
	<u>9,402,029</u>						
Federally Sponsored Enterprises - zero coupon							
Pooled	3,956,652	2,395,073	626,384	935,195	—	—	—
Debt reserves	—	—	—	—	—	—	—
Deferred gifts	396,286	—	123,908	188,556	—	—	83,822
	<u>4,352,938</u>						
Certificates of Deposit							
Pooled	5,440,748	1,765,358	1,945,924	741,318	988,148	—	—
Corporate Bonds							
Pooled	30,865,679	7,124,107	6,929,394	9,062,911	6,979,846	769,421	—
Intermediate Term Fund (Commonfund)							
Pooled	433,250	—	433,250	—	—	—	—
	<u>\$ 50,836,399</u>	<u>14,185,004</u>	<u>11,327,997</u>	<u>15,740,888</u>	<u>8,729,267</u>	<u>769,421</u>	<u>83,822</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Maturities as of June 30, 2011 are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	> 5 Years
U.S. Treasury							
Deferred gifts	\$ 293,006	—	—	135,693	157,313	—	—
Federally Sponsored Enterprises							
Pooled	11,669,866	4,701,904	2,595,242	1,837,849	1,800,476	734,395	—
Debt reserves	2,565,677	2,565,677	—	—	—	—	—
Deferred gifts	449,162	76,472	264,567	108,123	—	—	—
	<u>14,684,705</u>						
Federally Sponsored Enterprises - zero coupon							
Pooled	5,490,201	1,589,362	2,375,059	613,891	911,889	—	—
Debt reserves	400,064	—	—	400,064	—	—	—
Deferred gifts	549,696	174,148	—	122,120	184,348	—	69,080
	<u>6,439,961</u>						
Certificates of Deposit							
Pooled	4,936,951	1,566,624	1,771,959	1,407,469	190,899	—	—
Corporate Bonds							
Pooled	24,722,465	3,506,990	6,922,120	8,448,672	4,272,042	1,572,641	—
Intermediate Term Fund (Commonfund)							
Pooled	421,565	—	—	421,565	—	—	—
	<u>\$ 51,498,653</u>	<u>14,181,177</u>	<u>13,928,947</u>	<u>13,495,446</u>	<u>7,516,967</u>	<u>2,307,036</u>	<u>69,080</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. According to SDSU Research Foundation's investment policy, fixed income investments are limited to "Investment Grade" issues. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments. The Commonfund, repurchase agreements and money market funds do not have a rating provided by a nationally recognized statistical rating organization. The table below summarizes the ratings of relevant fixed income investments of SDSU Research Foundation:

Federally sponsored enterprises - interest bearing	AA to AAA
Federally sponsored enterprises - zero coupon	AA to AAA
Corporate bonds	BBB to AAA

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Securities issued by federally sponsored enterprises are purchased to reduce the possibility of a loss due to a concentration of credit. SDSU Research Foundation's investment policy contains no limitations as to how much can be invested with any one issuer. The following tables list those agencies that had more than 5% of total investments for each year:

June 30, 2012

Federal Home Loan Mortgage Corp	\$ 4,294,183
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June 30, 2011

Federal National Mortgage Association	\$ 5,072,081
Federal Home Loan Banks	4,492,517
Federal Home Loan Mortgage Corp	5,803,580

Custodial Credit Risk

Custodial credit risk for deposits is the risk that SDSU Research Foundation will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of SDSU Research Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits; however, the depository bank has agreed to maintain collateral of at least 110% of the balance on deposit. In accordance with SDSU Research Foundation's investment policy, all certificates of deposit are FDIC insured and limited to \$250,000 at any one institution.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, SDSU Research Foundation would not be able to recover its investment. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds, government investment pools and the Commonfund. U.S. Treasury issues and Federally Sponsored Enterprise Issues are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in SDSU Research Foundation's name.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(4) Accounts Receivable

Accounts receivable as of June 30, 2012 and 2011 consisted of the following:

		2012		
		Current	Noncurrent	Total
Accounts receivable - sponsored programs	\$	17,082,076	—	17,082,076
Other receivables		4,144,403	169,529	4,313,932
	\$	<u>21,226,479</u>	<u>169,529</u>	<u>21,396,008</u>
		2011		
		Current	Noncurrent	Total
Accounts receivable - sponsored programs	\$	18,647,062	—	18,647,062
Other receivables		3,273,929	369,447	3,643,376
	\$	<u>21,920,991</u>	<u>369,447</u>	<u>22,290,438</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(5) Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011 consisted of the following:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Nondepreciable capital assets:				
Land and land improvements	\$ 20,351,441	—	—	20,351,441
Construction-in-progress	1,556,220	1,941,278	(2,999,358)	498,140
Total nondepreciable capital assets	<u>21,907,661</u>	<u>1,941,278</u>	<u>(2,999,358)</u>	<u>20,849,581</u>
Depreciable capital assets:				
Buildings and improvements	84,009,183	3,675,183	—	87,684,366
Furniture, fixtures and equipment	24,086,925	2,549,566	(1,560,866)	25,075,625
Total depreciable capital assets	<u>108,096,108</u>	<u>6,224,749</u>	<u>(1,560,866)</u>	<u>112,759,991</u>
Less accumulated depreciation:				
Buildings and improvements	30,438,438	2,975,608	—	33,414,046
Furniture, fixtures and equipment	17,822,939	1,864,642	(1,445,451)	18,242,130
Total accumulated depreciation	<u>48,261,377</u>	<u>4,840,250</u>	<u>(1,445,451)</u>	<u>51,656,176</u>
Depreciable capital assets, net	\$ <u>59,834,731</u>	<u>1,384,499</u>	<u>(115,415)</u>	<u>61,103,815</u>
Total capital assets	\$ <u><u>81,742,392</u></u>	<u><u>3,325,777</u></u>	<u><u>(3,114,773)</u></u>	<u><u>81,953,396</u></u>
	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Nondepreciable capital assets:				
Land and land improvements	\$ 20,351,441	—	—	20,351,441
Construction-in-progress	113,868	1,442,352	—	1,556,220
Total nondepreciable capital assets	<u>20,465,309</u>	<u>1,442,352</u>	<u>—</u>	<u>21,907,661</u>
Depreciable capital assets:				
Buildings and improvements	82,955,881	1,053,302	—	84,009,183
Furniture, fixtures and equipment	23,948,823	3,634,088	(3,495,986)	24,086,925
Total depreciable capital assets	<u>106,904,704</u>	<u>4,687,390</u>	<u>(3,495,986)</u>	<u>108,096,108</u>
Less accumulated depreciation:				
Buildings and improvements	27,605,203	2,833,235	—	30,438,438
Furniture, fixtures and equipment	19,741,540	1,541,968	(3,460,569)	17,822,939
Total accumulated depreciation	<u>47,346,743</u>	<u>4,375,203</u>	<u>(3,460,569)</u>	<u>48,261,377</u>
Depreciable capital assets, net	\$ <u>59,557,961</u>	<u>312,187</u>	<u>(35,417)</u>	<u>59,834,731</u>
Total capital assets	\$ <u><u>80,023,270</u></u>	<u><u>1,754,539</u></u>	<u><u>(35,417)</u></u>	<u><u>81,742,392</u></u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Depreciation expense totaled \$4,840,250 and \$4,375,203 for the years ended June 30, 2012 and 2011, respectively, and was allocated among programs in the accompanying statements of revenues, expenses and changes in net assets as follows:

	<u>2012</u>	<u>2011</u>
Sponsored programs	\$ 1,335,547	1,176,161
Community and campus programs	393,560	225,935
Property management	<u>3,111,143</u>	<u>2,973,107</u>
Total depreciation	<u>\$ 4,840,250</u>	<u>4,375,203</u>

(6) Affiliated Organizations

The Campanile Foundation

The Campanile Foundation (TCF) is the philanthropic auxiliary organization for the University. The amount shown in the statements of net assets as *Due to The Campanile Foundation* represents TCF's claim on cash and investments of SDSU Research Foundation.

Pursuant to an agreement with TCF, SDSU Research Foundation provides certain administrative services that include cash management processes, gift account administration, and accounting and financial reporting assistance through June 2013. SDSU Research Foundation charges and retains an administrative charge on non-student aid funds at the time TCF expends the funds. Amounts received under this agreement for the years ended June 30, 2012 and 2011 totaled \$472,393 and \$409,851, respectively. SDSU Research Foundation also retains interest earnings on all funds that are not endowment funds. The arrangement may be renegotiated at the end of the agreement.

Other

Included in accounts payable and accrued expenses were payables to the affiliated organizations in the approximate amounts of \$928,000 and \$786,000 at June 30, 2012 and 2011, respectively. These amounts have accrued in the normal course of business among the affiliated organizations.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

(7) Long-term Debt Obligations

Long-term debt obligations consisted of the following as of June 30, 2012 and 2011:

	2012	2011
CSU Systemwide Revenue Bonds, Series 2010A Refunding previous 1998 COPs (a)	\$ 5,380,000	5,570,000
CSU Systemwide Revenue Bonds, Series 2010A Refunding previous 1999 revenue bonds (a)	4,665,000	4,990,000
Insured student residence revenue bonds issued by SDSU Research Foundation in 2001, insured by MBIA Insurance Corporation (b)	9,035,000	9,330,000
Insured revenue bonds issued by SDSU Research Foundation in 2002, insured by MBIA Insurance Corporation (c)	32,080,000	32,405,000
Note payable (d)	2,854,597	2,908,732
	54,014,597	55,203,732
Unamortized Bond Premium (a)	804,164	863,651
	54,818,761	56,067,383
Less current portion	(1,220,366)	(1,172,692)
	\$ 53,598,395	54,894,691

(a) In April 2010, the California State University System issued \$11,020,000 in systemwide revenue bonds (SRB 2010A) to replace the 1998 certificates of participation and the 1999 insured revenue refunding bonds. The SRB 2010A bonds bear interest at rates ranging from 1.0% to 5.0%, and are due in semiannual principal and interest payments consistent with the terms of the original bonds. The portion related to the 1998 issue matures in 2030 and the portion related to the 1999 issue matures in 2023.

The SRB 2010A bonds sold at amounts greater than par. The resulting bond premium of \$938,009 is being amortized over the life of the bonds using the straight-line method. The amortization amount was \$59,487 for each of the years ended June 30, 2012 and 2011.

As part of the issuance of the SRB 2010A bonds, SDSU Research Foundation recorded the difference between the reacquisition price and the net carrying amount of the old debt of approximately \$405,000 and \$377,000, respectively, which is included in other assets and is being amortized over the applicable term of the newly issued SRB 2010A bonds using the effective interest method.

For the portion of the 2010A bonds related to refunding the 1998 bond (\$5,570,000), revenues from the Piedra Del Sol housing projects are pledged as security. For the portion related to the refunding of the 1999 bond (\$4,990,000), the payments are secured by pledged revenues, including indirect cost recovery payments.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

- (b) The 2001 insured student residence revenue bonds bear interest at rates graduating from 3.5% to 5.0%, are due in semiannual principal and interest payments through June 2031, and are secured by a fraternity housing project, including the facilities revenue fund and all general intangibles, proceeds, products, rents and profits received and receivable. In connection with the certificates, SDSU Research Foundation is required to maintain a deposit with the trustee bank of approximately \$746,000, which represents the maximum annual payment during the term of the certificates. These funds are included in restricted investments. SDSU Research Foundation is required to make sinking account payments for certain bonds beginning in June 2023.

As part of the issuance of the 2001 bonds, SDSU Research Foundation incurred debt issuance costs of approximately \$618,000, which are included in other assets and are being amortized over the term of the certificates using the effective interest method. The agreement also calls for certain restrictive and financial covenants, including generating associated housing revenues in each fiscal year in an amount at least equal to 1.0 times the aggregate annual debt service.

As discussed in Note 12 – Subsequent Events, these 2001 insured student residence revenue bonds were defeased in August 2012 using California State University System systemwide revenue bonds and previously restricted debt reserve funds.

- (c) The 2002 insured revenue bonds, aggregating \$34,660,000 in original principal amount, consist of Series 2002A bonds (tax-exempt) in the amount of \$24,215,000 and Series 2002B bonds (taxable) in the amount of \$10,445,000. The 2002 bonds bear interest at rates ranging from 3.0% to 6.9%, are due in semiannual principal and interest payments through June 2037, and are secured by pledged revenues, including indirect cost recovery payments. In connection with the bonds, SDSU Research Foundation is required to maintain a debt service reserve deposit with the trustee bank of approximately \$2,834,000, which represents the maximum annual debt service payment during the term of the certificates. These funds are included in restricted investments.

As part of the issuance of the 2002 bonds, SDSU Research Foundation incurred debt issuance costs of approximately \$1,176,000, which are included in other assets and are being amortized over the term of the certificates using the effective interest method. The agreement also calls for certain restrictive and financial covenants, including generating revenues in each fiscal year in an amount at least equal to 1.30 times the aggregate annual debt service.

As discussed in Note 12 – Subsequent Events, these 2002 insured revenue bonds were also defeased in August 2012 using California State University System systemwide revenue bonds and previously restricted debt reserve funds.

- (d) Mortgage note, secured by a first deed of trust and assignment of rents on real property, fully amortized over 30 years at a variable interest rate that is originally fixed at 6.875% until November 1, 2015.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

SDSU Research Foundation has a revolving loan agreement with a bank. The loan is secured by two parcels of real property. The loan agreement is available for short-term cash needs, with a maximum amount available of \$12,000,000. The agreement calls for certain restrictive and financial covenants to be maintained. The agreement requires monthly interest-only payments at a variable interest rate of 1% above the applicable LIBOR rate. The loan agreement expires on June 30, 2013. There were no amounts outstanding on the loan as of June 30, 2012 and 2011.

Total interest incurred on all of the borrowings was approximately \$2,850,000 and \$2,890,000 for the years ended June 30, 2012 and 2011, respectively.

Future maturities on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 1,220,366	2,869,780	4,090,146
2014	1,280,647	2,814,528	4,095,175
2015	1,337,637	2,752,749	4,090,386
2016	1,396,017	2,688,013	4,084,030
2017	1,469,637	2,619,238	4,088,875
2018–2022	8,557,142	11,889,698	20,446,840
2023–2027	11,759,981	9,360,028	21,120,009
2028–2032	13,789,173	5,856,733	19,645,906
2033–2037	13,012,760	2,314,408	15,327,168
2038–2041	<u>191,237</u>	<u>6,085</u>	<u>197,322</u>
	54,014,597	<u>43,171,260</u>	<u>97,185,857</u>
Unamortized Bond Premium	<u>804,164</u>		
	<u>\$ 54,818,761</u>		

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Long-term debt activity for the years ended June 30, 2012 and 2011 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u>
CSU SRB 2010A -					
1998 Refunding	\$ 5,570,000	—	(190,000)	5,380,000	195,000
CSU SRB 2010A -					
1999 Refunding	4,990,000	—	(325,000)	4,665,000	335,000
Student Residence Revenue					
Bonds (2001)	9,330,000	—	(295,000)	9,035,000	305,000
Revenue Bonds (2002)	32,405,000	—	(325,000)	32,080,000	345,000
Note payable	2,908,732	—	(54,135)	2,854,597	40,366
Unamortized Bond Premium					
CSU SRB 2010A	863,651	—	(59,487)	804,164	—
	<u>\$ 56,067,383</u>	<u>—</u>	<u>(1,248,622)</u>	<u>54,818,761</u>	<u>1,220,366</u>
	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>Portion</u>
CSU SRB 2010A -					
1998 Refunding	\$ 5,735,000	—	(165,000)	5,570,000	190,000
CSU SRB 2010A -					
1999 Refunding	5,285,000	—	(295,000)	4,990,000	325,000
Student Residence Revenue					
Bonds (2001)	9,615,000	—	(285,000)	9,330,000	295,000
Revenue Bonds (2002)	32,720,000	—	(315,000)	32,405,000	325,000
Note payable	2,943,927	—	(35,195)	2,908,732	37,692
Unamortized Bond Premium					
CSU SRB 2010A	923,137	—	(59,486)	863,651	—
	<u>\$ 57,222,064</u>	<u>—</u>	<u>(1,154,681)</u>	<u>56,067,383</u>	<u>1,172,692</u>

(8) Leasing Arrangements

Operating Lease Revenues

Land, buildings and improvements, with a current net book value of approximately \$44,000,000, are leased to University-related and commercial organizations. The following is a schedule of approximate minimum future rentals to be received on these operating leases, by year, as of June 30, 2012:

Year ending June 30:	
2013	\$ 4,390,000
2014	2,375,000
2015	1,759,000
2016	1,004,000
2017	748,000
2018-2019	357,000
	<u>\$ 10,633,000</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Operating Lease Obligations

SDSU Research Foundation executed a 30-year ground and facility lease with the Board of Trustees of the California State University for the SDSU BioScience Center in March 2004. Lease payments began in May 2006. SDSU Research Foundation incurred rental expense for the years ended June 30, 2012 and 2011 of \$506,400 and \$507,500, respectively.

SDSU Research Foundation has also executed commercial leases for a project located away from the campus. The lease terms expire in the fiscal years 2013-2016. Monthly lease payments currently total \$30,000.

The total minimum rental commitment at June 30, 2012 under these leases is due as follows:

Year ending June 30:	BioScience Center	Other	Total
2013	\$ 505,000	369,000	874,000
2014	507,000	385,000	892,000
2015	509,000	117,000	626,000
2016	505,000	11,000	516,000
2017	506,000	—	506,000
2018-2022	2,531,000	—	2,531,000
2023-2027	2,534,000	—	2,534,000
2028-2032	2,533,000	—	2,533,000
2033-2036	2,030,000	—	2,030,000
	\$ 12,160,000	882,000	13,042,000

(9) Risk Management

SDSU Research Foundation is subject to risks of loss such as general liabilities, torts and employee health expenses. SDSU Research Foundation participates in the California State University risk management pool for most of its insurance needs. However, for its unemployment and workers' compensation plans, it is partially self-insured. Using insurance policies with commercial carriers to cover these risks of loss, SDSU Research Foundation maintains excess unemployment insurance coverage of \$1,500,000, in the aggregate, and excess workers' compensation coverage for claims in excess of \$250,000 per occurrence.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Liabilities under these programs were included in other liabilities on the statements of net assets for the years ended June 30, 2012 and 2011 as follows:

	<u>Balance</u>	<u>Incurred Claims</u>	<u>Claims</u>	<u>Balance</u>
	<u>June 30, 2011</u>	<u>(Including IBNR)</u>	<u>Paid</u>	<u>June 30, 2012</u>
Unemployment insurance	\$ 867,754	628,289	(803,883)	692,160
Workers' compensation	2,047,011	864,924	(670,796)	2,241,139
	<u>\$ 2,914,765</u>	<u>1,493,213</u>	<u>(1,474,679)</u>	<u>2,933,299</u>

	<u>Balance</u>	<u>Incurred Claims</u>	<u>Claims</u>	<u>Balance</u>
	<u>June 30, 2010</u>	<u>(Including IBNR)</u>	<u>Paid</u>	<u>June 30, 2011</u>
Unemployment insurance	\$ 916,691	647,668	(696,605)	867,754
Workers' compensation	1,757,071	1,060,761	(770,821)	2,047,011
	<u>\$ 2,673,762</u>	<u>1,708,429</u>	<u>(1,467,426)</u>	<u>2,914,765</u>

There has been no significant reduction in insurance coverage and the amount of settlements has not exceeded coverage in the past three years.

(10) Postretirement Benefit Plan

SDSU Research Foundation provides health insurance benefits for retirees who meet certain eligibility requirements as established by Board policy. There are three groups of eligible retirees, as follows:

- (i) Group 1 Retirees – individuals who retired prior to July 1, 1991 and, as of July 1, 1991, were receiving benefits under SDSU Research Foundation’s “Health Insurance at Retirement” policy, which was approved by SDSU Research Foundation’s Board of Directors on May 14, 1984.
- (ii) Group 2 Retirees – individuals who were employed as eligible employees on June 30, 1991 and, at the time of retirement, had 10 years of service as eligible employees, and retired either (a) under the “SDSURF Defined Contribution Retirement Plan” offered through Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) after attaining age 55 (or after attaining age 50 if the individual was employed by SDSU Research Foundation and covered by PERS on June 30, 1982), or (b) due to permanent and total disability, as approved by TIAA-CREF, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”
- (iii) Group 3 Retirees – individuals who were employed as eligible employees on or after July 1, 1991 and, at the time of retirement, had 15 years of service as eligible employees, and retired either (a) under the “SDSURF Defined Contribution Retirement Plan” offered through TIAA-CREF after attaining age 60, or (b) due to permanent total disability, as approved by TIAA-CREF, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Group 1 retirees pay nothing toward the cost of health insurance. SDSU Research Foundation pays all of the cost for the least expensive health insurance coverage for Group 2 and Group 3 retirees. The retiree pays the costs for more expensive coverages and the cost for dependents.

Only certain regular salaried employees of SDSU Research Foundation are eligible. Regular salaried employees are members of either (a) central staff under the programmatic direction of SDSU Research Foundation's Executive Director, (b) KPBS, (c) Extended Studies, (d) University Advancement or (e) the University's Department of Intercollegiate Athletics. A regular salaried employee is appointed to an approved class code, works a regular schedule of 20 hours or more per week, and is not a temporary or leased employee. The number of regular salaried employee participants at June 30, 2012 was 335. No contributions to the plan are required from employees.

On August 1, 1982, SDSU Research Foundation created a self-administered, single-employer benefit plan named the Health, Welfare, Vision, Life Insurance/AD&D and Employee Assistance Program of San Diego State University Foundation. The assets are held in a separate VEBA trust with a registered investment company. The plan issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the Human Resources Department at SDSU Research Foundation.

SDSU Research Foundation has voluntarily opted for a funding policy under which it always contributes 100% of the actuarially determined annual required contribution (ARC); therefore, there was no net Other Postretirement Benefits Other Than Pension (OPEB) obligation at June 30, 2012 or 2011. The actuarially determined contribution amounts for the years ended June 30, 2012 and 2011 were \$397,256 and \$478,366, respectively. The actuarially determined annual required contribution for the year ending June 30, 2013 is \$419,143.

The following table sets forth the plan's funded status as of December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Accumulated postretirement benefit obligation:			
Retirees	\$ 3,717,299	3,609,862	3,819,969
Fully eligible active employees	1,879,559	1,720,851	1,791,835
Other active employees	2,314,227	2,242,944	2,239,793
	<u>7,911,085</u>	<u>7,573,657</u>	<u>7,851,597</u>
Actuarial accrued liability (AAL)			
Less plan assets at fair value	6,109,732	5,873,589	4,911,886
Unfunded actuarial accrued liability (UALL)	<u>\$ 1,801,353</u>	<u>1,700,068</u>	<u>2,939,711</u>
Funded ratio	77.2%	77.6%	62.6%
Covered payroll	17,881,731	17,244,550	15,978,773
UALL as a percentage of covered payroll	10.1%	9.9%	18.4%

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

The following table shows the components of SDSU Research Foundation's annual OPEB costs for the years ended December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB costs for the year:			
Service cost	\$ 273,748	276,098	270,016
30-year amortization of Unfunded Accrued Liability (UAL)	<u>123,508</u>	<u>202,268</u>	<u>201,825</u>
Annual Required Contribution (ARC)	<u>397,256</u>	<u>478,366</u>	<u>471,841</u>
Interest on net OPEB obligation	—	—	—
Amortization of net OPEB obligation	<u>—</u>	<u>—</u>	<u>—</u>
Annual OPEB cost	<u><u>\$ 397,256</u></u>	<u><u>478,366</u></u>	<u><u>471,841</u></u>

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of covered health care was assumed for 2012, with such annual rate of increase gradually declining to 5.0% in 2013. The weighted-average discount rate used in estimating the accumulated postretirement benefit obligation at December 31, 2011 was 6.0%. The actuarial cost method used was Projected Unit Credit. The amortization method used was Level Dollar over a remaining amortization period of Rolling 30 Years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the preceding table, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2012 and 2011

Other Retirement Benefits

SDSU Research Foundation contracts with TIAA-CREF to provide retirement and disability benefits to its employees. Benefit liabilities are funded through individually owned non-participating annuity contracts. The obligation for payment of the benefits has been transferred to TIAA-CREF. Total contributions included to fund benefits and pay administrative costs in operating expenses for the years ended June 30, 2012 and 2011 were approximately \$5,265,000 and \$5,432,000, respectively.

(11) Contingencies

As a result of inquiries from an outside funding source, SDSU Research Foundation conducted in-depth reviews of specific grant funds to ensure costs were appropriately charged. As a result of the ongoing internal reviews, SDSU Research Foundation included \$365,500 and \$600,000 in accrued expenses for the years ended June 30, 2012 and 2011, respectively.

The Foundation is also conducting another in-depth review of specific grant funds to ensure costs were appropriately charged. As a result of this internal review, the Foundation has accrued approximately \$232,000 as of June 30, 2012.

SDSU Research Foundation is involved in various legal proceedings arising in the normal course of business. Management believes that the final outcomes of these proceedings will not have a material adverse effect on SDSU Research Foundation's results of operations or financial position.

(12) Subsequent Events

In August 2012, SDSU Research Foundation defeased its 2001 insured student revenue bonds in the amount of \$9,035,000 and its 2002 insured revenue bonds in the amount of \$32,080,000 using California State University System systemwide revenue bonds and previously restricted debt reserve funds.

The effective interest rates on the new bonds are substantially less than the 2001 and 2002 bonds; interest paid over the life of the bonds will be reduced by \$15 million. The new bonds do not require debt service reserve deposits; however, the taxable portion (\$7,750,000) of the new bonds includes a "make-whole" provision. For the new bonds, all payments are secured by substantially all of the net assets of the organization that are not otherwise encumbered.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Assets

June 30, 2012

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current assets:				
Cash and cash equivalents	\$ 3,922,936	—	550	—
Short-term investments	16,066,794	858,675	—	—
Receivables:				
Sponsored programs	—	—	—	—
Other receivables	319,410	444	597,066	—
Receivables from other activities	—	—	1,651,653	—
Prepaid expenses and other	42,302	—	—	—
Total current assets	<u>20,351,442</u>	<u>859,119</u>	<u>2,249,269</u>	<u>—</u>
Investments and other assets:				
Long-term investments	35,100,360	14,497,570	—	3,583,905
Restricted assets - land	—	—	—	1,853,532
Other receivables	87,729	—	—	—
Other assets, net	—	989,329	65,062	2,098,313
	<u>35,188,089</u>	<u>15,486,899</u>	<u>65,062</u>	<u>7,535,750</u>
Capital assets:				
Land and land improvements	—	—	—	20,351,441
Buildings and improvements	—	—	—	87,684,366
Construction work-in-progress	—	498,140	—	—
Furniture, fixtures and equipment	—	—	—	25,075,625
	—	498,140	—	133,111,432
Less accumulated depreciation and amortization				
	—	—	—	51,656,176
	—	498,140	—	81,455,256
Total assets	<u>\$ 55,539,531</u>	<u>16,844,158</u>	<u>2,314,331</u>	<u>88,991,006</u>

Schedule 1 (cont.)

<u>Sponsored Programs</u>	<u>Community and Campus Programs</u>	<u>Endowment</u>	<u>Eliminating Entries</u>	<u>Total</u>
—	7,600	—	—	3,931,086
—	—	299,175	(471,669)	16,752,975
17,082,076	—	—	—	17,082,076
—	3,227,483	—	—	4,144,403
—	32,525,810	—	(34,177,463)	—
2,477	47,649	—	—	92,428
<u>17,084,553</u>	<u>35,808,542</u>	<u>299,175</u>	<u>(34,649,132)</u>	<u>42,002,968</u>
—	26,500	19,961,125	(15,756,108)	57,413,352
—	—	—	—	1,853,532
—	81,800	—	—	169,529
—	—	—	—	3,152,704
<u>—</u>	<u>108,300</u>	<u>19,961,125</u>	<u>(15,756,108)</u>	<u>62,589,117</u>
—	—	—	—	20,351,441
—	—	—	—	87,684,366
—	—	—	—	498,140
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,075,625</u>
—	—	—	—	133,609,572
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,656,176</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>81,953,396</u>
<u>17,084,553</u>	<u>35,916,842</u>	<u>20,260,300</u>	<u>(50,405,240)</u>	<u>186,545,481</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Assets

June 30, 2012

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 6,934,761	2,335,389	896,922	—
Due to The Campanile Foundation	30,122,582	—	—	—
Payable to other activities	12,840,083	5,222,378	—	5,404,519
Long-term debt obligations, current portion	—	—	—	1,692,035
Sponsored programs receipts over expenditures	—	—	—	—
Total current liabilities	<u>49,897,426</u>	<u>7,557,767</u>	<u>896,922</u>	<u>7,096,554</u>
Noncurrent liabilities:				
Long-term debt obligations, net of current portion	—	—	—	68,550,339
Bond Premium	—	—	—	804,164
Other liabilities	—	2,933,299	—	—
Liabilities for amounts held for others	—	—	—	—
Total liabilities	<u>49,897,426</u>	<u>10,491,066</u>	<u>896,922</u>	<u>76,451,057</u>
Net assets:				
Invested in capital assets, net of related debt	—	498,140	—	32,318,702
Restricted/expendable	—	811,148	—	—
Restricted/nonexpendable	—	—	—	1,853,532
Unrestricted	5,642,105	5,043,804	1,417,409	(21,632,285)
Total net assets	<u>5,642,105</u>	<u>6,353,092</u>	<u>1,417,409</u>	<u>12,539,949</u>
Total liabilities and net assets	<u>\$ 55,539,531</u>	<u>16,844,158</u>	<u>2,314,331</u>	<u>88,991,006</u>

Schedule 1 (cont.)

<u>Sponsored Programs</u>	<u>Community and Campus Programs</u>	<u>Endowment</u>	<u>Eliminating Entries</u>	<u>Total</u>
2,125,700	3,522,555	—	—	15,815,327
—	—	—	—	30,122,582
9,124,258	—	1,586,225	(34,177,463)	—
—	—	—	(471,669)	1,220,366
5,834,595	—	—	—	5,834,595
<u>17,084,553</u>	<u>3,522,555</u>	<u>1,586,225</u>	<u>(34,649,132)</u>	<u>52,992,870</u>
—	—	—	(15,756,108)	52,794,231
—	—	—	—	804,164
—	—	—	—	2,933,299
—	—	503,593	—	503,593
—	—	503,593	(15,756,108)	57,035,287
<u>17,084,553</u>	<u>3,522,555</u>	<u>2,089,818</u>	<u>(50,405,240)</u>	<u>110,028,157</u>
—	—	—	—	32,816,842
—	185,576	10,315,158	—	11,311,882
—	—	2,882,384	—	4,735,916
—	32,208,711	4,972,940	—	27,652,684
—	32,394,287	18,170,482	—	76,517,324
<u>17,084,553</u>	<u>35,916,842</u>	<u>20,260,300</u>	<u>(50,405,240)</u>	<u>186,545,481</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Revenues:				
Program income	\$ —	—	—	—
Facilities and administrative cost recovery	22,840,780	—	—	—
Contributions	—	—	—	—
Investment income	2,710,918	2,159	138,601	—
Net realized and unrealized gains (losses) on investments	(826,867)	(30,677)	(66,892)	—
Rental income	—	—	9,840,238	—
Other income	530,541	622,839	102,959	—
Total revenues	<u>25,255,372</u>	<u>594,321</u>	<u>10,014,906</u>	<u>—</u>
Expenses:				
Program expenses	14,738,398	6,001,212	7,695,391	—
Depreciation and amortization	—	—	—	5,005,320
Interest	—	—	3,730,145	—
Equipment disposals	—	—	—	93,123
Total expenses	<u>14,738,398</u>	<u>6,001,212</u>	<u>11,425,536</u>	<u>5,098,443</u>
Other activity:				
Equipment acquisitions, sponsored programs	—	—	—	(1,554,245)
	<u>14,738,398</u>	<u>6,001,212</u>	<u>11,425,536</u>	<u>3,544,198</u>
Excess (deficiency) of revenues over expenses	<u>10,516,974</u>	<u>(5,406,891)</u>	<u>(1,410,630)</u>	<u>(3,544,198)</u>
Transfers and allocations:				
General fund allocations	6,192,768	(6,192,768)	—	—
Interfund transfers in (out)	(16,541,890)	13,046,996	1,387,583	5,037,438
Capitalized asset transfers	(252,163)	(598,093)	(17,504)	1,450,418
	<u>(10,601,285)</u>	<u>6,256,135</u>	<u>1,370,079</u>	<u>6,487,856</u>
Changes in net assets	(84,311)	849,244	(40,551)	2,943,658
Net assets, beginning of year	<u>5,726,416</u>	<u>5,503,848</u>	<u>1,457,960</u>	<u>9,596,291</u>
Net assets, end of year	<u>\$ 5,642,105</u>	<u>6,353,092</u>	<u>1,417,409</u>	<u>12,539,949</u>

Schedule 2 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
122,853,501	35,321,205	—	—	158,174,706
—	—	—	(22,368,386)	472,394
—	16,904,862	203,759	—	17,108,621
—	360,616	(179,503)	(880,380)	2,152,411
—	(826)	(521,557)	—	(1,446,819)
—	—	—	—	9,840,238
—	—	9,298	—	1,265,637
122,853,501	52,585,857	(488,003)	(23,248,766)	187,567,188
122,853,501	46,146,888	—	(22,368,386)	175,067,004
—	—	—	—	5,005,320
—	—	—	(880,380)	2,849,765
—	—	—	—	93,123
122,853,501	46,146,888	—	(23,248,766)	183,015,212
—	—	—	—	(1,554,245)
122,853,501	46,146,888	—	(23,248,766)	181,460,967
—	6,438,969	(488,003)	—	6,106,221
—	—	—	—	—
—	(2,768,237)	(161,890)	—	—
—	(582,658)	—	—	—
—	(3,350,895)	(161,890)	—	—
—	3,088,074	(649,893)	—	6,106,221
—	29,306,213	18,820,375	—	70,411,103
—	32,394,287	18,170,482	—	76,517,324