

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

(a Component Unit of San Diego State University)

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2-11
Financial Statements:	
Statements of Net Assets	12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flows	14-15
Notes to Financial Statements	16-36
Supplementary Information:	
Schedule 1 – Combining Schedule of Net Assets	37-40
Schedule 2 – Combining Schedule of Revenues, Expenses, and Changes in Net Assets	41-42



Independent Auditors' 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, 2011 and 2010, 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 audit.

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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego State University Research Foundation as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

San Diego, CA
September 14, 2011

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

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, 2011 and 2010. 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, noncapital financing, 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, 2011 and 2010. 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, 2011

There were no individually significant events during the year.

Significant Events – Year Ended June 30, 2010

In 2005, SDSU Research Foundation paid the Redevelopment Agency of the City of San Diego (the Agency), approximately \$5 million to purchase property on behalf of SDSU Research Foundation. The agreement required that the Agency return the \$5 million advance or transfer the property to SDSU Research Foundation. On December 14, 2009, the Agency transferred the property to SDSU Research Foundation in full satisfaction of the receivable.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

In prior years, SDSU Research Foundation also capitalized costs related to various redevelopment projects, a portion of which was to be reimbursed by the Agency. When the redevelopment plans changed, the full amounts originally capitalized were charged against operations in the year of the change. In June 2010, the Agency paid SDSU Research Foundation \$750,000 in settlement for a portion of the costs advanced.

In March 2010, the final remaining parcel not owned by SDSU Research Foundation in the Alvarado Medical Center complex was acquired for \$5,067,000.

In May 2010, the 1998 certificates of participation and the 1999 insured revenue refunding bonds were refunded using California State University system-wide revenue bonds (SRB 2010A – issued April 2010) and previously restricted debt reserve funds related to the 1998 and 1999 issues.

SDSU Research Foundation's condensed summary of net assets as of June 30, 2011, 2010 and 2009 is as follows:

Condensed Summary of Net Assets

	June 30		
	2011	2010	2009 (as Restated)
Assets:			
Current assets	\$ 40,266,070	44,299,200	51,906,833
Capital assets	81,742,392	80,023,270	71,480,764
Other noncurrent assets	64,925,460	57,528,120	52,403,748
Total assets	186,933,922	181,850,590	175,791,345
Liabilities:			
Current liabilities	58,146,066	60,726,497	57,518,481
Noncurrent liabilities	58,376,753	59,493,822	61,437,899
Total liabilities	116,522,819	120,220,319	118,956,380
Net assets:			
Invested in capital assets, net of related debt	31,589,182	28,901,108	19,687,985
Restricted – nonexpendable	4,683,818	4,646,977	4,607,788
Restricted – expendable	11,775,140	10,543,883	9,705,952
Unrestricted	22,362,963	17,538,303	22,833,240
Total net assets	\$ 70,411,103	61,630,271	56,834,965

Assets

Total assets increased by \$5.1 million from FY 2010 to FY 2011 due primarily to results of operations. Total assets increased by \$6.1 million from FY 2009 to FY 2010 due to operations, investment gains and income from a legal settlement of redevelopment costs.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

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. Current assets decreased \$7.6 million from FY 2009 to FY 2010 due to conscientious efforts to improve accounts receivable billing and collections and the cash purchase of a parcel in the Alvarado Medical Center complex.

Capital assets increased \$1.7 million from FY 2010 to FY 2011 due to acquisitions of new equipment and payment of construction costs for the broadcasting station offices. Capital assets increased \$8.5 million from FY 2009 to FY 2010 because a long-term accounts receivable from the Redevelopment Agency was converted to real property and the purchase of a parcel in the Alvarado Medical Center complex.

Other noncurrent assets increased by \$7.4 million from FY 2010 to FY 2011 because current assets were invested in long-term investments. Other noncurrent assets increased \$5.1 million from FY 2009 to FY 2010 due to the investment of current assets into long-term investments to improve investment returns. This was partially offset by the conversion of a long-term accounts receivable into real property and the liquidation of long-term investments restricted for debt-service payments to reduce debt in conjunction with two bond refundings.

Liabilities

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). Current liabilities increased by \$3.2 million from FY 2009 to FY 2010 due to the increases in the amount due to TCF and the timing of salary reimbursement payments to the University.

Noncurrent liabilities decreased by \$1.1 million from FY 2010 to FY 2011 due to the payment of scheduled annual principal payments on long-term debt. Noncurrent liabilities decreased by \$1.9 million from FY 2009 to FY 2010 due to the payment of scheduled annual principal payments on long-term debt and the subsequent bond refunding using previously restricted debt reserve funds related to the 1998 and 1999 issues to pay down the outstanding amounts.

Net Assets

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. Total net assets increased by \$4.8 million from FY 2009 to FY 2010 because net operating income totaled \$4.0 million and nonoperating revenue was \$0.8 million.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

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		
	2011	2010	2009
Nonexpendable	\$ 4,683,818	4,646,977	4,607,788
Expendable:			
Campus programs and projects	\$ 9,606,088	8,377,407	7,454,965
KPBS capital campaign	788,645	819,312	849,446
Student aid	94,126	92,436	75,391
Annuity trust agreements	1,286,281	1,254,728	1,326,150
Total restricted expendable net assets	\$ 11,775,140	10,543,883	9,705,952

Nonexpendable net assets remained approximately the same in FY 2011, FY 2010 and FY 2009. The increases in expendable net assets of \$1.2 million from FY 2010 to FY 2011 and \$0.8 million from FY 2009 to FY 2010 were due primarily to increases 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, 2011 and 2010

SDSU Research Foundation's condensed summary of revenues, expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009 is as follows:

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30		
	2011	2010	2009
Operating revenues:			
Sponsored programs support	\$ 135,239,456	126,100,292	119,238,251
Community and campus programs	32,520,901	28,893,518	28,528,834
Contributions	15,910,677	14,038,731	12,695,562
Other operating revenues	10,927,880	10,656,280	10,300,738
Total operating revenues	<u>194,598,914</u>	<u>179,688,821</u>	<u>170,763,385</u>
Operating expenses:			
Sponsored programs	116,273,794	109,583,121	104,398,709
Community and campus programs, including fundraising	45,294,981	41,956,908	40,215,484
Other operating expenses	25,018,325	24,156,910	23,091,118
Total operating expenses	<u>186,587,100</u>	<u>175,696,939</u>	<u>167,705,311</u>
Operating income	<u>8,011,814</u>	<u>3,991,882</u>	<u>3,058,074</u>
Nonoperating revenues (expenses):			
Interest expense	(2,887,603)	(3,188,283)	(3,232,598)
Investment income, net	1,828,508	1,569,739	932,565
Net increase (decrease) in fair value of investments	1,914,085	1,719,010	(2,741,370)
Gain (loss) on disposition of property and equipment	(35,417)	(9,570)	13,724,845
Income from settlements	—	750,000	4,238,573
Net nonoperating revenues (expenses)	<u>819,573</u>	<u>840,896</u>	<u>12,922,015</u>
Income before changes to permanent endowments	8,831,387	4,832,778	15,980,089
(Decreases) to permanent endowments	<u>(50,555)</u>	<u>(37,472)</u>	<u>(68,771)</u>
Change in net assets	8,780,832	4,795,306	15,911,318
Net assets at beginning of year	<u>61,630,271</u>	<u>56,834,965</u>	<u>40,923,647</u>
Net assets at end of year	<u>\$ 70,411,103</u>	<u>61,630,271</u>	<u>56,834,965</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

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

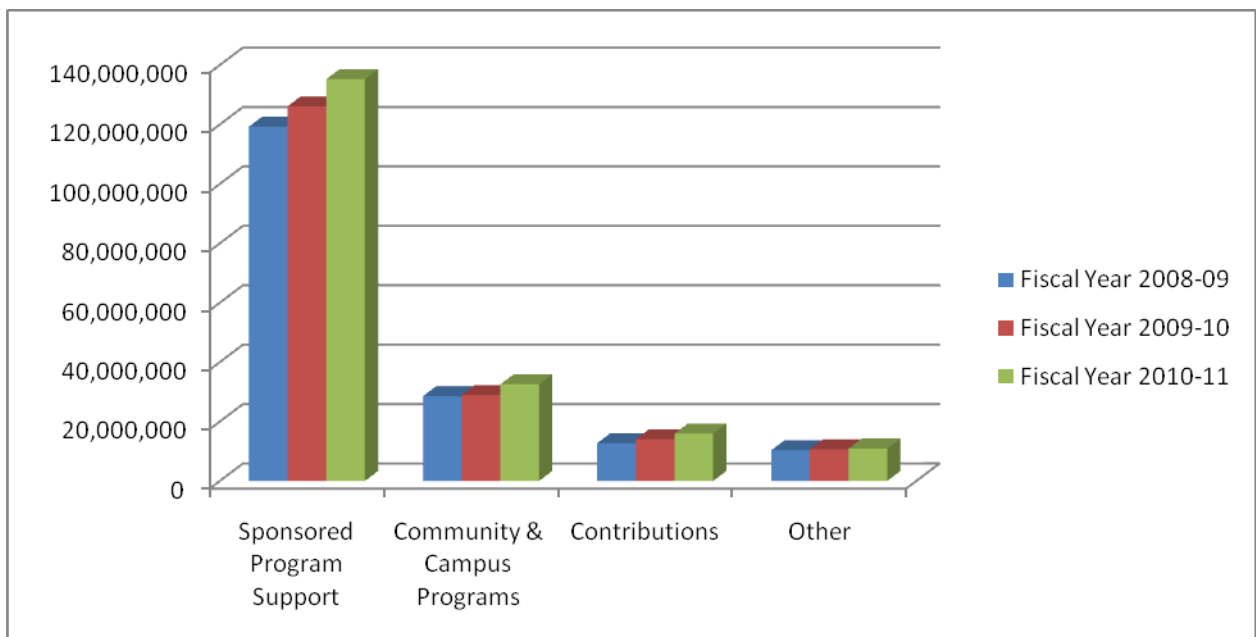
Sponsored programs support increased \$9.1 million from FY 2010 to FY 2011 and by \$6.9 million from FY 2009 to FY 2010 due to overall increases in grant and contract awards. Sponsored programs support included \$11.2 million and \$5.4 million in America Recovery and Reinvestment Act revenue in FY 2011 and FY 2010, respectively.

Community and campus programs increased \$3.6 million from FY 2010 to FY 2011 due to increased revenues earned by the College of Extended Studies. Community and campus programs increased \$0.4 million from FY 2009 to FY 2010 due to normal fluctuations in business volume in community and campus programs.

Contributions increased by \$1.9 million from FY 2010 to FY 2011 due to a major gift to support the construction costs for the broadcasting station offices and increased by \$1.3 million from FY 2009 to FY 2010 due to regular fluctuations in the level of gifts received.

Other operating revenue increased \$0.3 million from FY 2010 to FY 2011 and increased \$0.4 million from FY 2009 to FY 2010 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, 2009, 2010 and 2011:



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

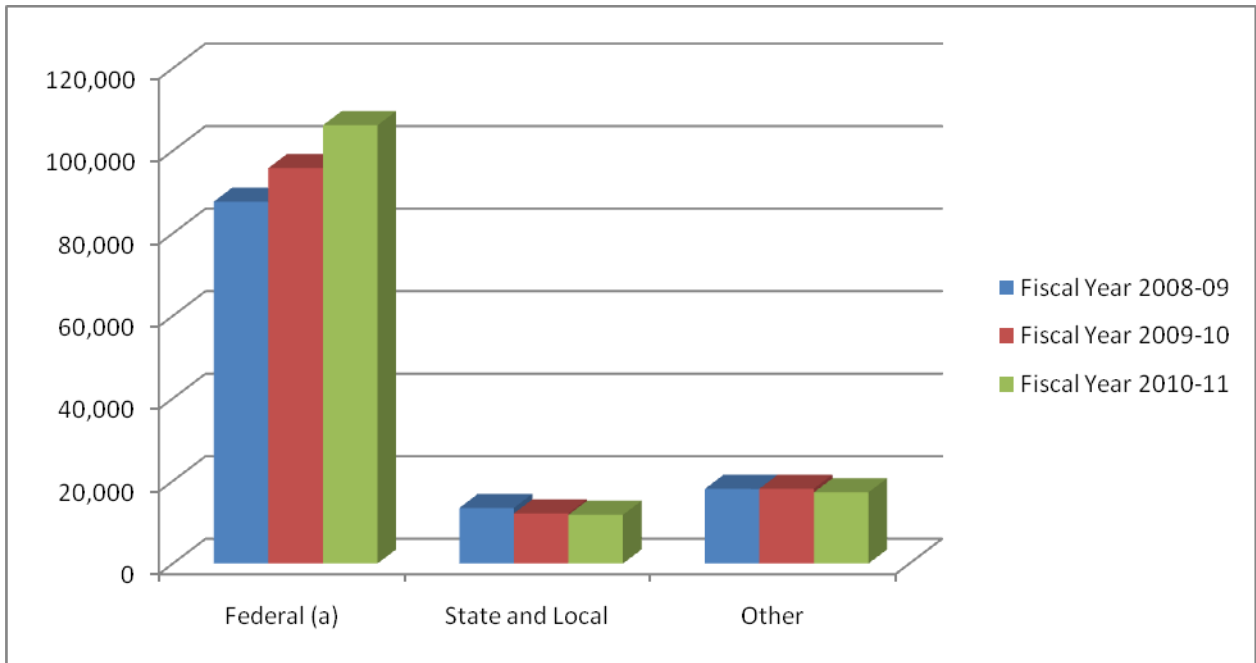
Management's Discussion and Analysis

June 30, 2011 and 2010

The sources of *Sponsored Program Support* for the years ending June 30, 2011, 2010 and 2009 are as follows:

	Year Ended June 30,					
	2011		2010		2009	
	\$	%	\$	%	\$	%
Federal:						
Department of Health & Human Services	55,566,871	41.1	52,346,139	41.5	44,331,280	37.2
Department of Education	12,357,736	9.1	10,883,852	8.6	11,881,599	10.0
Department of Defense	11,308,384	8.4	10,412,866	8.3	12,496,558	10.5
National Science Foundation	11,556,813	8.5	8,497,836	6.7	6,396,225	5.4
Department of Agriculture	6,880,592	5.1	6,382,548	5.1	5,935,440	5.0
Other	8,519,536	6.3	7,293,795	5.8	6,655,236	5.4
	<u>106,189,932</u>	<u>78.5</u>	<u>95,817,036</u>	<u>76.0</u>	<u>87,696,338</u>	<u>73.5</u>
State and Local	11,798,177	8.7	12,148,745	9.6	13,464,756	11.3
Other	17,251,347	12.8	18,134,511	14.4	18,077,157	15.2
	<u>135,239,456</u>	<u>100.0</u>	<u>126,100,292</u>	<u>100.0</u>	<u>119,238,251</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, 2009, 2010 and 2011:



(a) Includes \$11.2 million and \$5.4 million in America Recovery and Reinvestment Act revenue in FY 2011 and FY 2010, respectively.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

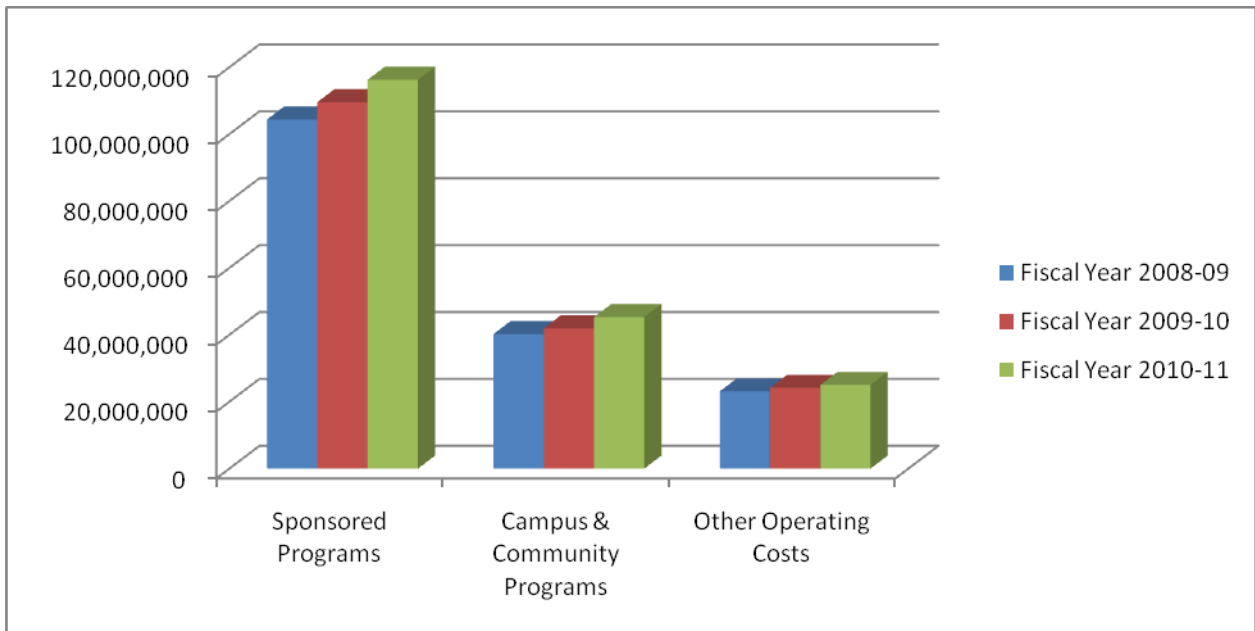
Operating Expenses

Sponsored programs expenses increased by \$6.7 million from FY 2010 to FY 2011 and by \$5.2 million from FY 2009 to FY 2010. These increases follow the related increases in sponsored programs support revenues.

Community and campus programs expenses, including fundraising increased by \$3.3 million from FY 2010 to FY 2011 and by \$1.7 million from FY 2009 to FY 2010. These increases follow the related increases in community and campus programs revenue and the normal fluctuations in expenditures of the funds.

Other operating expenses increased by \$0.9 million from FY 2010 to FY 2011 and \$1.1 million from FY 2009 to FY 2010 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, 2009, 2010, and 2011:



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, 2011 and 2010

Interest expense 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. Interest expense decreased slightly from FY 2009 to FY 2010 due to normal scheduled reductions of debt.

Investment income increased by \$0.3 million from FY 2010 to FY 2011 due primarily to larger amounts being available for investment. Investment income increased by \$0.6 million from FY 2009 to FY 2010 due primarily to the investment of operating cash into long-term investments to improve investment returns.

Net increase (decrease) in fair value of investments increased by \$0.2 million from FY 2010 to FY 2011 and by \$4.5 million from FY 2009 to FY 2010 due to the ongoing volatility in the market.

Gain (loss) on disposition of property and equipment decreased slightly from FY 2010 to FY 2011 and decreased by \$13.7 million from FY 2009 to FY 2010 due primarily to the sale of 10 real property parcels in FY 2009.

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. During FY 2009, SDSU Research Foundation received \$4.2 million in settlement of a construction defect lawsuit.

Capital Assets

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

	June 30		
	2011	2010	2009
Land, land improvements and construction in progress	\$ 21,907,661	20,465,309	17,327,239
Buildings and building improvements	53,570,745	55,350,678	50,043,061
Furniture, fixtures and equipment	6,263,986	4,207,283	4,110,464
Total capital assets, net of accumulated depreciation	\$ 81,742,392	80,023,270	71,480,764

Capital assets increased \$1.7 million from FY 2010 to FY 2011 due to acquisitions of new equipment and payment of construction costs for the broadcasting station offices. Capital assets increased \$8.5 million from FY 2009 to FY 2010 because a long-term accounts receivable from the Redevelopment Agency was converted to real property and the purchase of a parcel in the Alvarado Medical Center complex.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2011 and 2010

Long-Term Debt Obligations

Debt outstanding at June 30, 2011, 2010 and 2009 is summarized below by the type of debt instrument:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Certificates of Participation	\$ —	—	6,605,000
Revenue Bonds	52,295,000	53,355,000	49,730,000
Note payable	2,908,732	2,943,927	2,976,790
Total	<u>55,203,732</u>	<u>56,298,927</u>	<u>59,311,790</u>
Unamortized Bond Premium	863,651	923,137	—
Total long-term debt	<u>56,067,383</u>	<u>57,222,064</u>	<u>59,311,790</u>
Less current portion	<u>(1,172,692)</u>	<u>(1,095,195)</u>	<u>(1,142,862)</u>
Total long-term debt, net of current portion	<u>\$ 54,894,691</u>	<u>56,126,869</u>	<u>58,168,928</u>

Long-term debt, net of current portion decreased \$1.2 million from FY 2010 to FY 2011 due to the payment of scheduled annual principal payments on long-term debt. Long-term debt, net of current portion decreased \$2.0 million from FY 2009 to FY 2010 due to the payment of scheduled annual principal payments on long-term debt and the bond refunding using previously restricted debt reserve funds related to the 1998 and 1999 issues to pay down the outstanding amounts.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Net Assets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,397,102	2,482,499
Short-term investments (note 3)	16,197,158	19,617,915
Restricted assets – investments (note 3)	254,222	254,724
Accounts receivable (note 4)	21,920,991	21,703,665
Prepaid expenses and other assets	496,597	240,397
Total current assets	<u>40,266,070</u>	<u>44,299,200</u>
Noncurrent assets:		
Accounts receivable (note 4)	369,447	450,147
Long-term investments (note 3)	40,884,998	34,741,398
Restricted assets – investments (notes 3 and 7)	18,002,001	17,000,871
Restricted assets – land	1,853,532	1,853,532
Capital assets, net (notes 5, 7 and 12)	81,742,392	80,023,270
Other assets (note 7)	3,815,482	3,482,172
Total noncurrent assets	<u>146,667,852</u>	<u>137,551,390</u>
Total assets	<u><u>186,933,922</u></u>	<u><u>181,850,590</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (note 6)	3,137,587	3,888,337
Accrued expenses (notes 6 and 11)	11,547,132	12,974,830
Sponsored programs receipts over expenses	9,005,522	7,201,368
Long-term debt obligations – current portion (note 7)	1,172,692	1,095,195
Due to The Campanile Foundation (note 6)	33,283,133	35,566,767
Total current liabilities	<u>58,146,066</u>	<u>60,726,497</u>
Noncurrent liabilities:		
Long-term debt obligations, net of current portion (note 7)	54,894,691	56,126,869
Liabilities for amounts held for others	567,297	693,191
Other liabilities (note 9)	2,914,765	2,673,762
Total noncurrent liabilities	<u>58,376,753</u>	<u>59,493,822</u>
Total liabilities	<u>116,522,819</u>	<u>120,220,319</u>
Commitments and Contingencies (notes 8, 9, 10 and 11)		
Net assets		
Invested in capital assets, net of related debt	31,589,182	28,901,108
Restricted for:		
Nonexpendable – endowments and property	4,683,818	4,646,977
Expendable:		
Campus programs and projects	9,606,088	8,377,407
KPBS capital campaign	788,645	819,312
Student aid	94,126	92,436
Annuity trust agreements	1,286,281	1,254,728
Unrestricted	22,362,963	17,538,303
Total net assets	\$ <u><u>70,411,103</u></u>	<u><u>61,630,271</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Sponsored programs support	\$ 135,239,456	126,100,292
Community and campus programs	32,520,901	28,893,518
Contributions	15,910,677	14,038,731
Rental income	9,615,112	9,432,268
Other operating revenues (note 6)	<u>1,312,768</u>	<u>1,224,012</u>
Total operating revenue	<u>194,598,914</u>	<u>179,688,821</u>
Operating expenses (notes 8, 9 and 10):		
Sponsored programs (note 5)	116,273,794	109,583,121
Community and campus programs (note 5)	43,166,090	39,941,116
Fundraising – broadcasting	2,128,891	2,015,792
Property management (note 5)	10,799,394	10,302,097
General administration	<u>14,218,931</u>	<u>13,854,813</u>
Total operating expense	<u>186,587,100</u>	<u>175,696,939</u>
Operating income	<u>8,011,814</u>	<u>3,991,882</u>
Nonoperating revenues (expenses):		
Interest expense (note 7)	(2,887,603)	(3,188,283)
Investment income, net	1,828,508	1,569,739
Net increase in fair value of investments (note 3)	1,914,085	1,719,010
Loss on disposition of property and equipment	(35,417)	(9,570)
Income from settlements (note 12)	<u>—</u>	<u>750,000</u>
Net nonoperating income	<u>819,573</u>	<u>840,896</u>
Income before changes to permanent endowments	8,831,387	4,832,778
(Decreases) in permanent endowments	<u>(50,555)</u>	<u>(37,472)</u>
Change in net assets	8,780,832	4,795,306
Net assets:		
Net assets at beginning of year	<u>61,630,271</u>	<u>56,834,965</u>
Net assets at end of year	<u>\$ <u>70,411,103</u></u>	<u>61,630,271</u>

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Sponsored programs receipts	\$ 136,786,875	126,581,721
Community and campus programs receipts	31,979,704	28,952,519
Contributions	16,005,396	14,231,491
Rents received	9,028,246	9,606,173
Payments to suppliers	(83,377,503)	(75,788,339)
Payments to employees	(100,729,187)	(93,468,189)
Monies received (paid) on behalf of The Campanile Foundation	(2,283,634)	2,266,476
Monies disbursed on behalf of others, net	(125,894)	(183,626)
Other receipts	1,666,647	517,460
	<u>8,950,650</u>	<u>12,715,686</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	—	11,958,009
Principal payments on long-term debt	(1,095,195)	(14,032,863)
Interest paid	(2,988,568)	(3,243,409)
Purchase of real property	—	(5,067,600)
Purchase of building improvements and construction-in-progress	(2,495,655)	(1,020,331)
Purchase of equipment	(3,634,089)	(1,672,299)
Proceeds from sale of property and equipment	—	96,808
Proceeds from settlements	—	1,350,000
	<u>(10,213,507)</u>	<u>(11,631,685)</u>
Net cash (used in) capital and related financing activities		
Cash flows from investing activities:		
Investment income	2,037,399	1,673,962
Proceeds from sale of investments	16,456,287	20,164,528
Purchase of investments	(18,316,226)	(24,078,315)
	<u>177,460</u>	<u>(2,239,825)</u>
Net cash provided by (used in) investing activities		
Net (decrease) in cash and cash equivalents	(1,085,397)	(1,155,824)
Cash and cash equivalents, beginning of year	<u>2,482,499</u>	<u>3,638,323</u>
Cash and cash equivalents, end of year	<u><u>1,397,102</u></u>	<u><u>2,482,499</u></u>

See accompanying notes to financial statements.

(Continued)

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows (Continued)

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,011,814	3,991,882
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,375,203	4,124,424
Amortization	169,045	172,746
(Increase) decrease in assets:		
Accounts receivable	(345,517)	746,678
Prepaid expenses and other assets	(758,555)	286,037
Increase (decrease) in liabilities:		
Accounts payable	(750,750)	55,605
Accrued expenses	(1,386,219)	1,706,990
Sponsored programs receipts over expenses	1,804,154	(733,133)
Due to The Campanile Foundation	(2,283,634)	2,266,475
Liabilities for amounts held for others	(125,894)	(183,626)
Other liabilities	241,003	281,608
Net cash provided by operating activities	<u>\$ 8,950,650</u>	<u>12,715,686</u>

Supplemental disclosure of noncash investing activity:

Increase in fair value of investments	\$ 1,914,085	1,719,010
(Decrease) in permanent endowments	(50,555)	(37,472)
Real property received for long-term account receivable	—	5,013,078

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(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, self-financed and 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. SDSU Research Foundation applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(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, 2011 and 2010.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(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 \$2,443,000 and \$2,426,000 for the years ended June 30, 2011 and 2010, 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 Expenses* in the accompanying statements of net assets.

SDSU Research Foundation received 54.6% and 53.3% of its total operating revenue from federal sources during the years ended June 30, 2011 and 2010, respectively. The Department of Health and Human Services provided 28.6% and 29.1% of the total operating revenue for the years ended June 30, 2011 and 2010, respectively. The Department of Education provided 6.4% and 6.1% of SDSU Research Foundation total operating revenue for the years ended June 30, 2011 and 2010, 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, 2011 and 2010

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 which 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, 2010 financial statements in order to conform to the current year presentation. 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, 2011 and 2010

(q) *Pronouncements Issued*

SDSU Research Foundation has implemented the following GASB statements that became effective for the year ended June 30, 2010:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

Implementation of GASB statements 51 and 53 did not have a significant impact on the financial statements.

SDSU Research Foundation has implemented the following GASB statements that became effective for the year ended June 30, 2011:

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

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

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); and 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). Management has not currently determined what, if any, impact implementation may have on the financial statements of SDSU Research Foundation.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(3) Cash, Cash Equivalents and Investments

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

	2011	2010
Cash and cash equivalents	\$ 1,397,102	2,482,499
Short-term investments	16,197,158	19,617,915
Short-term restricted investments	254,222	254,724
Long-term investments	40,884,998	34,741,398
Long-term restricted investments	18,002,001	17,000,871
	\$ 76,735,481	74,097,407

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

	2011	2010
Cash and cash equivalents	\$ 1,397,102	2,482,499
U.S. treasury issues	293,006	393,394
Federally sponsored enterprises - interest bearing	14,684,705	16,799,204
Federally sponsored enterprises - zero coupon	6,439,961	5,344,457
Intermediate Term Fund (Commonfund)	421,565	405,956
Money market funds	5,387,324	9,381,111
Nonmarketable certificates of deposit	195,000	1,185,000
Marketable certificates of deposit	4,936,951	7,964,443
Corporate Bonds	24,722,465	14,427,626
The Campanile Foundation Endowment Pool	14,646,316	12,172,272
Real property	1,031,821	1,031,821
Notes receivable	234,194	234,194
Other investments	2,345,071	2,275,430
	\$ 76,735,481	74,097,407

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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

The Campanile Foundation Endowment Pool

SDSU Research Foundation invests in *The Campanile Endowment Pool*, a unitized pool managed by TCF, another SDSU auxiliary organization. The \$14,646,316 and \$12,172,272 shown above reflect the market value of SDSU Research Foundation's share of the TCF Endowment Pool as of June 30, 2011 and 2010, respectively.

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools, with primary investment categories of stocks (59%), fixed income (26%), alternative investments and real estate (15%), and cash equivalents (0%) as of June 30, 2011. 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 gains of \$2,352,339 and \$1,388,182 for the years ended June 30, 2011 and 2010, respectively, from its investment in the TCF Endowment Pool.

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 to the life expectancies of beneficiaries.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

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			
Money Market Funds							
	5,387,324	5,387,324					
	<u>\$ 56,885,977</u>	<u>19,568,501</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>

Maturities as of June 30, 2010 are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	> 5 Years
U.S. Treasury							
Deferred gifts	\$ 393,394	100,210			137,852	155,332	
Federally Sponsored Enterprises							
Pooled	13,312,614	3,430,856	5,877,581	2,165,000	1,839,177		
Debt reserves	3,025,480	2,305,158	338,200		382,122		
Deferred gifts	461,110		79,923	271,185	110,002		
	<u>16,799,204</u>						
Federally Sponsored Enterprises - zero coupon							
Pooled	4,814,977	1,045,696	1,568,333	2,200,948			
Deferred gifts	529,480		171,518		117,484	174,348	66,130
	<u>5,344,457</u>						
Certificates of Deposit							
Pooled	7,964,442	3,527,063	1,812,806	1,476,982	1,147,591		
Corporate Bonds							
Pooled	14,427,626	1,989,055	1,370,408	5,996,255	5,071,908		
Intermediate Term Fund (Commonfund)							
Pooled	405,956			405,956			
Money Market Funds							
	9,381,111	9,381,111					
	<u>\$ 54,716,190</u>	<u>21,779,149</u>	<u>11,218,769</u>	<u>12,516,326</u>	<u>8,806,136</u>	<u>329,680</u>	<u>66,130</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

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	A to AAA

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, 2011

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

June 30, 2010

Federal National Mortgage Association	\$ 4,074,422
Federal Home Loan Banks	5,111,389
Federal Home Loan Mortgage Corp	6,513,139

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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

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.

(4) Accounts Receivable

Accounts receivable as of June 30, 2011 and 2010 consisted of the following:

		2011		
		<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
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>
		2010		
		<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Accounts receivable - sponsored programs	\$	18,390,327	—	18,390,327
Other receivables		3,313,338	450,147	3,763,485
	\$	<u>21,703,665</u>	<u>450,147</u>	<u>22,153,812</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(5) Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010 consisted of the following:

	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>80,023,270</u>	<u>1,754,539</u>	<u>(35,417)</u>	<u>81,742,392</u>
	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Nondepreciable capital assets:				
Land and land improvements	\$ 17,327,239	3,024,202	—	20,351,441
Construction-in-progress	—	113,868	—	113,868
Total nondepreciable capital assets	<u>17,327,239</u>	<u>3,138,070</u>	<u>—</u>	<u>20,465,309</u>
Depreciable capital assets:				
Buildings and improvements	75,059,490	7,962,940	(66,549)	82,955,881
Furniture, fixtures and equipment	23,165,705	1,672,299	(889,181)	23,948,823
Total depreciable capital assets	<u>98,225,195</u>	<u>9,635,239</u>	<u>(955,730)</u>	<u>106,904,704</u>
Less accumulated depreciation:				
Buildings and improvements	25,016,429	2,647,806	(59,032)	27,605,203
Furniture, fixtures and equipment	19,055,241	1,476,618	(790,319)	19,741,540
Total accumulated depreciation	<u>44,071,670</u>	<u>4,124,424</u>	<u>(849,351)</u>	<u>47,346,743</u>
Depreciable capital assets, net	\$ <u>54,153,525</u>	<u>5,510,815</u>	<u>(106,379)</u>	<u>59,557,961</u>
Total capital assets	\$ <u>71,480,764</u>	<u>8,648,885</u>	<u>(106,379)</u>	<u>80,023,270</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

Depreciation expense totaled \$4,375,203 and \$4,124,424 for the years ended June 30, 2011 and 2010, respectively, and was allocated among programs in the accompanying statements of revenues, expenses and changes in net assets as follows:

	<u>2011</u>	<u>2010</u>
Sponsored programs	\$ 1,176,161	1,106,781
Community and campus programs	225,935	226,020
Property management	<u>2,973,107</u>	<u>2,791,623</u>
Total depreciation	<u>\$ 4,375,203</u>	<u>4,124,424</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 2012. 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, 2011 and 2010 totaled \$409,851 and \$415,842, 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 \$786,000 and \$2,509,000 at June 30, 2011 and 2010, 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, 2011 and 2010

(7) Long-term Debt Obligations

Long-term debt obligations consisted of the following as of June 30, 2011 and 2010:

	2011	2010
CSU Systemwide Revenue Bonds, Series 2010A Refunding previous 1998 COPs (a)	\$ 5,570,000	5,735,000
CSU Systemwide Revenue Bonds, Series 2010A Refunding previous 1999 revenue bonds (a)	4,990,000	5,285,000
Insured student residence revenue bonds issued by SDSU Research Foundation in 2001, insured by MBIA Insurance Corporation (b)	9,330,000	9,615,000
Insured revenue bonds issued by SDSU Research Foundation in 2002, insured by MBIA Insurance Corporation (c)	32,405,000	32,720,000
Note payable (d)	2,908,732	2,943,927
	55,203,732	56,298,927
Unamortized Bond Premium (a)	863,651	923,137
	56,067,383	57,222,064
Less current portion	(1,172,692)	(1,095,195)
	\$ 54,894,691	56,126,869

(a) In April 2010, the California State University System issued \$11,020,000 in system-wide revenue bonds (SRB 2010A) to replace the 1998 certificates of participation and the 1999 insured revenue refunding bonds. The proceeds were deposited into an escrow account along with previously restricted debt reserve funds related to the 1998 and 1999 issues and were used to fully refund the outstanding bonds on May 11, 2010. At June 30, 2010, SDSU Research Foundation has recorded these new bonds as CSU Systemwide Revenue Bonds, Series 2010A. 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. The amortization amounts were \$59,487 and \$14,872 for the years ended June 30, 2011 and 2010, respectively.

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, 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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

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.

- (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 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.

- (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.

- (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, 2011 and 2010

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, 2011 and 2010.

Total interest incurred on all of the borrowings was approximately \$2,890,000 and \$3,188,000 for the years ended June 30, 2011 and 2010, respectively.

Future maturities on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 1,172,692	2,918,168	4,090,860
2013	1,220,367	2,870,947	4,091,314
2014	1,278,231	2,815,778	4,094,009
2015	1,336,298	2,754,088	4,090,386
2016	1,394,584	2,689,446	4,084,030
2017–2021	8,130,961	12,319,076	20,450,037
2022–2026	10,996,051	9,950,630	20,946,681
2027–2031	14,212,283	6,631,665	20,843,948
2032–2036	12,285,567	3,032,369	15,317,936
2037–2041	<u>3,176,698</u>	<u>189,117</u>	<u>3,365,815</u>
	55,203,732	<u>46,171,284</u>	<u>101,375,016</u>
Unamortized Bond Premium	<u>863,651</u>		
	<u>\$ 56,067,383</u>		

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

Long-term debt activity for the years ended June 30, 2011 and 2010 was as follows:

	<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>
	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>portion</u>
CSCDA Certificates of					
Participation (1998)	\$ 6,605,000	—	(6,605,000)	—	—
CSU SRB 2010A -					
1998 Refunding	—	5,735,000	—	5,735,000	165,000
Refunding Bonds (1999)	6,825,000	—	(6,825,000)	—	—
CSU SRB 2010A -					
1999 Refunding	—	5,285,000	—	5,285,000	295,000
Student Residence Revenue					
Bonds (2001)	9,885,000	—	(270,000)	9,615,000	285,000
Revenue Bonds (2002)	33,020,000	—	(300,000)	32,720,000	315,000
Note payable	2,976,790	—	(32,863)	2,943,927	35,195
Unamortized Bond Premium					
CSU SRB 2010A	—	938,009	(14,872)	923,137	—
	<u>\$ 59,311,790</u>	<u>11,958,009</u>	<u>(14,047,735)</u>	<u>57,222,064</u>	<u>1,095,195</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(8) Leasing Arrangements

Operating Lease Revenues

Land, buildings and improvements, with a current net book value of approximately \$45,000,000, are leased to University-related and commercial organizations. The following is a schedule by years of approximate minimum future rentals to be received on these operating leases as of June 30, 2011:

Year ending June 30:		\$	
2012		\$	3,771,000
2013			2,297,000
2014			1,796,000
2015			1,321,000
2016			588,000
2017-2018			699,000
			10,472,000
		\$	10,472,000

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, 2011 and 2010 of \$507,500 and \$508,225, respectively.

SDSU Research Foundation has also executed two commercial leases for projects located away from the campus. The lease terms expire in 2011-2015. Monthly lease payments currently total \$40,300.

The total minimum rental commitment at June 30, 2011 under these leases is due as follows:

Year ending June 30:	BioScience Center	Other	Total
2012	\$ 506,000	405,000	911,000
2013	505,000	315,000	820,000
2014	507,000	325,000	832,000
2015	509,000	55,000	564,000
2016	505,000	—	505,000
2017-2021	2,530,000	—	2,530,000
2022-2026	2,534,000	—	2,534,000
2027-2031	2,533,000	—	2,533,000
2032-2036	2,537,000	—	2,537,000
	\$ 12,666,000	1,100,000	13,766,000

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

(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.

Liabilities under these programs were included in other liabilities on the statements of net assets for the years ended June 30, 2011 and 2010 as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Incurred claims</u> <u>(including IBNR)</u>	<u>Claims</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2011</u>
Unemployment insurance \$	916,691	647,668	(696,605)	867,754
Workers' compensation	<u>1,757,071</u>	<u>615,132</u>	<u>(325,192)</u>	<u>2,047,011</u>
\$	<u><u>2,673,762</u></u>	<u><u>1,262,800</u></u>	<u><u>(1,021,797)</u></u>	<u><u>2,914,765</u></u>

	<u>Balance</u> <u>June 30, 2009</u>	<u>Incurred claims</u> <u>(including IBNR)</u>	<u>Claims</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2010</u>
Unemployment insurance \$	931,842	629,376	(644,527)	916,691
Workers' compensation	<u>1,460,312</u>	<u>567,977</u>	<u>(271,218)</u>	<u>1,757,071</u>
\$	<u><u>2,392,154</u></u>	<u><u>1,197,353</u></u>	<u><u>(915,745)</u></u>	<u><u>2,673,762</u></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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

- (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.”

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 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, 2011 was 326. 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, 2011 or 2010. The actuarially determined contribution amounts for the years ended June 30, 2011 and 2010 were \$478,366 and \$471,841, respectively. The actuarially determined annual required contribution for the year ended June 30, 2012 is \$397,256.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

The following table sets forth the plan's funded status as of December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Accumulated postretirement benefit obligation:			
Retirees	\$ 3,609,862	3,819,969	3,024,683
Fully eligible active employees	1,720,851	1,791,835	1,795,614
Other active employees	<u>2,242,944</u>	<u>2,239,793</u>	<u>2,013,947</u>
Actuarial accrued liability (AAL)	7,573,657	7,851,597	6,834,244
Less plan assets at fair value	<u>5,873,589</u>	<u>4,911,886</u>	<u>3,731,688</u>
Unfunded actuarial accrued liability (UALL)	\$ <u>1,700,068</u>	<u>2,939,711</u>	<u>3,102,556</u>
Funded Ratio	77.6%	62.6%	54.6%
Covered Payroll	17,244,550	15,978,773	15,680,763
UALL as a percentage of covered payroll	9.9%	18.4%	19.8%

The following table shows the components of SDSU Research Foundation's annual OPEB costs for the years ending December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPEB costs for the year:			
Service cost	\$ 276,098	270,016	302,363
30-year amortization of Unfunded Accrued Liability (UAL)	<u>202,268</u>	<u>201,825</u>	<u>142,934</u>
Annual Required Contribution (ARC)	478,366	471,841	445,297
Interest on net OPEB obligation	—	—	—
Amortization of net OPEB obligation	<u>—</u>	<u>—</u>	<u>—</u>
Annual OPEB cost	\$ <u>478,366</u>	<u>471,841</u>	<u>445,297</u>

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care was assumed for 2011, with such annual rate of increase gradually declining to 5.0% in 2012. The weighted-average discount rate used in estimating the accumulated postretirement benefit obligation at December 31, 2010 was 5.5%. 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

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to Financial Statements

June 30, 2011 and 2010

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.

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, 2011 and 2010 were approximately \$5,589,000 and \$5,184,000, respectively.

(11) Contingencies

As a result of inquiries from an outside funding source, SDSU Research Foundation conducted an in-depth review of specific grant funds to ensure costs were appropriately charged. As a result of the ongoing internal review, SDSU Research Foundation included \$600,000 in accrued expenses for each year as of June 30, 2011 and 2010.

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) Significant Items

On December 14, 2009, the Redevelopment Agency of the City of San Diego (the Agency), transferred real property to SDSU Research Foundation in full satisfaction of a \$5 million advance. In prior years, SDSU Research Foundation also capitalized costs related to various redevelopment projects, a portion of which was to be reimbursed by the Agency. When the redevelopment plans changed, the full amounts originally capitalized were charged against operations in the year of the change. In June 2010, the Agency paid SDSU Research Foundation \$750,000 in settlement for the costs advanced.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Assets

June 30, 2011

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current assets:				
Cash and cash equivalents	\$ 1,389,452	—	550	—
Short-term investments	15,768,588	851,860	—	—
Receivables:				
Sponsored programs	—	—	—	—
Other receivables	274,331	476	698,018	19,183
Receivables from other activities	—	—	1,597,325	—
Prepaid expenses and other	28,178	9,120	—	—
Total current assets	<u>17,460,549</u>	<u>861,456</u>	<u>2,295,893</u>	<u>19,183</u>
Investments and other assets:				
Long-term investments	35,787,794	14,929,005	—	3,650,797
Restricted assets - land	—	—	—	1,853,532
Other receivables	130,437	—	—	—
Other assets, net	—	622,603	119,178	2,263,376
	<u>35,918,231</u>	<u>15,551,608</u>	<u>119,178</u>	<u>7,767,705</u>
Capital assets:				
Land and land improvements	—	—	—	20,351,441
Buildings and improvements	—	—	—	84,009,183
Construction work-in-progress	—	—	—	—
Furniture, fixtures and equipment	—	—	—	24,086,925
	—	—	—	128,447,549
Less accumulated depreciation and amortization	—	—	—	48,261,377
	—	—	—	80,186,172
Total assets	<u>\$ 53,378,780</u>	<u>16,413,064</u>	<u>2,415,071</u>	<u>87,973,060</u>

Schedule 1 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
—	7,100	—	—	1,397,102
—	—	283,912	(452,980)	16,451,380
18,647,062	—	—	—	18,647,062
—	2,281,921	—	—	3,273,929
—	27,368,433	—	(28,965,758)	—
341,515	117,784	—	—	496,597
<u>18,988,577</u>	<u>29,775,238</u>	<u>283,912</u>	<u>(29,418,738)</u>	<u>40,266,070</u>
—	26,500	20,715,608	(16,222,705)	58,886,999
—	—	—	—	1,853,532
—	239,010	—	—	369,447
—	810,325	—	—	3,815,482
<u>—</u>	<u>1,075,835</u>	<u>20,715,608</u>	<u>(16,222,705)</u>	<u>64,925,460</u>
—	—	—	—	20,351,441
—	—	—	—	84,009,183
—	1,556,220	—	—	1,556,220
—	—	—	—	24,086,925
<u>—</u>	<u>1,556,220</u>	<u>—</u>	<u>—</u>	<u>130,003,769</u>
—	—	—	—	48,261,377
—	1,556,220	—	—	81,742,392
<u>18,988,577</u>	<u>32,407,293</u>	<u>20,999,520</u>	<u>(45,641,443)</u>	<u>186,933,922</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Assets

June 30, 2011

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 6,979,918	2,307,993	957,111	—
Due to The Campanile Foundation	33,283,133	—	—	—
Payable to other activities	7,389,313	5,686,458	—	5,633,701
Long-term debt obligations, current portion	—	—	—	1,625,672
Sponsored programs receipts over expenditures	—	—	—	—
Total current liabilities	<u>47,652,364</u>	<u>7,994,451</u>	<u>957,111</u>	<u>7,259,373</u>
Noncurrent liabilities:				
Long-term debt obligations, net of current portion	—	—	—	70,253,746
Bond Premium	—	—	—	863,650
Other liabilities	—	2,914,765	—	—
Liabilities for amounts held for others	—	—	—	—
Total liabilities	<u>47,652,364</u>	<u>10,909,216</u>	<u>957,111</u>	<u>78,376,769</u>
Net assets:				
Invested in capital assets, net of related debt	—	—	—	30,032,962
Restricted/expendable	—	788,645	—	—
Restricted/nonexpendable	—	—	—	1,853,532
Unrestricted	5,726,416	4,715,203	1,457,960	(22,290,203)
Total net assets	<u>5,726,416</u>	<u>5,503,848</u>	<u>1,457,960</u>	<u>9,596,291</u>
Total liabilities and net assets	<u>\$ 53,378,780</u>	<u>16,413,064</u>	<u>2,415,071</u>	<u>87,973,060</u>

Schedule 1 (cont.)

<u>Sponsored Programs</u>	<u>Community and Campus Programs</u>	<u>Endowment</u>	<u>Eliminating Entries</u>	<u>Total</u>
1,338,617	3,101,080	—	—	14,684,719
—	—	—	—	33,283,133
8,644,438	—	1,611,848	(28,965,758)	—
—	—	—	(452,980)	1,172,692
<u>9,005,522</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,005,522</u>
<u>18,988,577</u>	<u>3,101,080</u>	<u>1,611,848</u>	<u>(29,418,738)</u>	<u>58,146,066</u>
—	—	—	(16,222,705)	54,031,041
—	—	—	—	863,650
—	—	—	—	2,914,765
<u>—</u>	<u>—</u>	<u>567,297</u>	<u>—</u>	<u>567,297</u>
<u>—</u>	<u>—</u>	<u>567,297</u>	<u>(16,222,705)</u>	<u>58,376,753</u>
<u>18,988,577</u>	<u>3,101,080</u>	<u>2,179,145</u>	<u>(45,641,443)</u>	<u>116,522,819</u>
—	1,556,220	—	—	31,589,182
—	176,203	10,810,292	—	11,775,140
—	—	2,830,286	—	4,683,818
<u>—</u>	<u>27,573,790</u>	<u>5,179,797</u>	<u>—</u>	<u>22,362,963</u>
<u>—</u>	<u>29,306,213</u>	<u>18,820,375</u>	<u>—</u>	<u>70,411,103</u>
<u>18,988,577</u>	<u>32,407,293</u>	<u>20,999,520</u>	<u>(45,641,443)</u>	<u>186,933,922</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2011

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Revenues:				
Program income	\$ —	—	—	—
Facilities and administrative cost recovery	25,070,886	—	—	—
Contributions	—	—	—	—
Investment income	2,391,711	—	150,091	—
Net realized and unrealized gains (losses) on investments	(565,079)	(30,667)	(16,682)	—
Rental income	—	—	9,615,112	—
Other income	144,856	608,467	114,594	—
Total revenues	<u>27,042,374</u>	<u>577,800</u>	<u>9,863,115</u>	<u>—</u>
Expenses:				
Program expenses	14,218,931	5,818,145	7,711,415	—
Depreciation and amortization	—	—	—	4,544,248
Interest	—	—	3,791,543	—
Equipment disposals	—	—	—	35,417
Total expenses	<u>14,218,931</u>	<u>5,818,145</u>	<u>11,502,958</u>	<u>4,579,665</u>
Other activity:				
Equipment acquisitions, sponsored programs	—	—	—	(2,765,290)
	<u>14,218,931</u>	<u>5,818,145</u>	<u>11,502,958</u>	<u>1,814,375</u>
Excess (deficiency) of revenues over expenses	<u>12,823,443</u>	<u>(5,240,345)</u>	<u>(1,639,843)</u>	<u>(1,814,375)</u>
Transfers and allocations:				
General fund allocations	6,677,135	(6,677,135)	—	—
Interfund transfers	(18,603,157)	13,666,281	1,586,787	2,453,654
Capitalized asset transfers	(47,073)	(96,467)	(39,900)	868,799
	<u>(11,973,095)</u>	<u>6,892,679</u>	<u>1,546,887</u>	<u>3,322,453</u>
Changes in net assets	850,348	1,652,334	(92,956)	1,508,078
Net assets, beginning of year	<u>4,876,068</u>	<u>3,851,514</u>	<u>1,550,916</u>	<u>8,088,213</u>
Net assets, end of year	<u>\$ 5,726,416</u>	<u>5,503,848</u>	<u>1,457,960</u>	<u>9,596,291</u>

Schedule 2 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
135,239,456	32,520,901	—	—	167,760,357
—	—	—	(24,661,035)	409,851
—	15,734,229	125,893	—	15,860,122
—	301,261	(110,615)	(903,940)	1,828,508
—	24,479	2,502,034	—	1,914,085
—	—	—	—	9,615,112
—	—	35,000	—	902,917
<u>135,239,456</u>	<u>48,580,870</u>	<u>2,552,312</u>	<u>(25,564,975)</u>	<u>198,290,952</u>
135,239,456	46,481,230	—	(24,661,035)	184,808,142
—	—	—	—	4,544,248
—	—	—	(903,940)	2,887,603
—	—	—	—	35,417
<u>135,239,456</u>	<u>46,481,230</u>	<u>—</u>	<u>(25,564,975)</u>	<u>192,275,410</u>
—	—	—	—	(2,765,290)
<u>135,239,456</u>	<u>46,481,230</u>	<u>—</u>	<u>(25,564,975)</u>	<u>189,510,120</u>
—	2,099,640	2,552,312	—	8,780,832
—	—	—	—	—
—	806,389	90,046	—	—
—	(685,359)	—	—	—
—	121,030	90,046	—	—
—	2,220,670	2,642,358	—	8,780,832
—	27,085,543	16,178,017	—	61,630,271
—	29,306,213	18,820,375	—	70,411,103