

**HUMBOLDT STATE UNIVERSITY
ADVANCEMENT FOUNDATION**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**Including Schedules Prepared for
Inclusion in the Financial Statements of the
California State University**

June 30, 2009 and 2008

With

Report of Certified Public Accountants

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

TABLE OF CONTENTS

June 30, 2009

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Notes to the Financial Statements.....	5 - 16
SUPPLEMENTARY SCHEDULES:	
Schedule of Net Assets.....	17
Statement of Revenues, Expenses, and Changes in Net Assets.....	18
Other Information.....	19-23
Notes to Supplementary Information.....	24-25

John B. Hunter, CPA
James A. Hunter, CPA
Scott E. Hunt, CPA/ABV
Donna L. Taylor, CPA, CFE
Eileen Sacra Capaccio, CPA
Carol Mayes, CPA, CFE
Kim Windsor, CPA/ABV
Jennifer J. Hillegeist, CPA

Hunter, Hunter & Hunt
CERTIFIED PUBLIC ACCOUNTANTS



1315 Fourth Street
Eureka, California 95501
Telephone 707-476-0674
FAX 707-476-0675
admin@hhh-cpa.com

INDEPENDENT AUDITORS' REPORT

Humboldt State University Advancement Foundation
Board of Directors
Arcata, California

We have audited the accompanying statements of financial position of the Humboldt State University Advancement Foundation (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humboldt State University Advancement Foundation as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of net assets, the statement of revenues, expenses and changes in net assets, and other information (supplementary information on pages 17 – 23) are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information has been subjected to auditing procedures applied in the examination 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.

Hunter, Hunter & Hunt

September 22, 2009

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

Assets	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 27,469	\$ 6,042
Cash and cash equivalents - LAIF Funds	<u>161,856</u>	<u>113,937</u>
Total cash	189,325	119,979
Interest receivable	2,150	1,618
Other receivable	<u>60,429</u>	<u>76,123</u>
Total current assets	<u>251,904</u>	<u>197,720</u>
Long-term assets		
Promise to give	4,176	4,176
Stock	1,217	1,217
Investments	18,647,675	20,740,087
Land	<u>675,000</u>	<u>715,000</u>
Total long-term assets	<u>19,328,068</u>	<u>21,460,480</u>
Total assets	<u>\$ 19,579,972</u>	<u>\$ 21,658,200</u>
Liabilities and Net Assets		
Current liabilities		
Payable to HSU	\$ 308	\$ 74,080
Other payable	<u>92,453</u>	<u>83,322</u>
Total current liabilities	92,761	157,402
Long-term liabilities		
CSURMA loan payable	<u>2,535,000</u>	<u>-</u>
Total liabilities	<u>2,627,761</u>	<u>157,402</u>
Net assets		
Unrestricted	(1,438,790)	160,959
Temporarily restricted	4,369,700	7,592,465
Permanently restricted	<u>14,021,301</u>	<u>13,747,374</u>
Total net assets	<u>16,952,211</u>	<u>21,500,798</u>
Total liabilities and net assets	<u>\$ 19,579,972</u>	<u>\$ 21,658,200</u>

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF ACTIVITIES

For the Fiscal Years Ended June 30, 2009 with Comparative Totals for the Year Ended 2008

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and gains				
Contributions, gifts and grants	\$ 3,000	\$ 80,212	\$ 272,927	\$ 360,088
Investment return	114,058	(3,062,975)	-	(453,185)
Misc income	5,500	-	-	633
Total revenues, gains and losses	122,558	(2,982,763)	272,927	(92,464)
Net transfers (to) from other organizations	-	(990,000)	1,000	28,689
Net assets released from restrictions	938,913	(938,913)	-	-
Total revenues, gains, losses and net assets transferred/released from restrictions	1,061,471	(4,911,676)	273,927	(63,775)
Expenses				
Investment fees	338,782	-	-	253,218
Less administration cost recovery	(250,734)	-	-	(172,584)
Net investment fees	88,048	-	-	80,634
Distribution of earnings	601,299	-	-	695,523
Loan interest expense	71,499	-	-	-
General and administrative	211,463	-	-	184,572
Total expenses	972,309	-	-	960,729
Change in net assets before reclassification	89,162	(4,911,676)	273,927	(1,024,504)
Net asset reclassification based on change in law	(1,688,911)	1,688,911	-	-
Change in net assets	(1,599,749)	(3,222,765)	273,927	(1,024,504)
Net assets at beginning of year	160,959	7,592,465	13,747,374	22,525,302
Net assets at end of year	\$ (1,438,790)	\$ 4,369,700	\$ 14,021,301	\$ 21,500,798

See accompanying notes.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (4,548,587)	\$ (1,024,504)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net noncash investment returns and losses	3,029,576	456,327
Fees paid through liquidation of investments	354,477	209,208
Distribution of earnings through liquidation of investments	600,255	695,037
Transfer to other organization through liquidation of investments	1,100,000	339,000
Loss on value of land	40,000	-
Promise to give	-	(4,176)
Donated stock	(110,204)	(29,788)
(Increase) decrease in operating assets:		
Interest receivable	(532)	1,516
Other receivable	15,694	(44,047)
Increase (decrease) in operating liabilities:		
Payable to HSU	(73,772)	(2,831)
Other payable	9,130	96,017
Contributions received restricted for long term purposes:		
Endowment contributions	(464,139)	(701,470)
Net cash provided (used) by operating activities	<u>(48,102)</u>	<u>(9,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	<u>(346,691)</u>	<u>(696,679)</u>
Net cash provided (used) by investing activities	<u>(346,691)</u>	<u>(696,679)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of contributions restricted for long term purposes:		
Endowment fund	<u>464,139</u>	<u>701,470</u>
Net cash provided (used) by financing activities	<u>464,139</u>	<u>701,470</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,346	(4,920)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,979</u>	<u>124,899</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 189,325</u>	<u>\$ 119,979</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	\$ 39,811	-
Noncash investing and financing transaction:		
Investment real estate acquired through debt	2,535,000	-
Investment real estate acquired through liquidation of other investments	1,678,516	-

See accompanying notes.

**HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of Humboldt State University Advancement Foundation (Advancement Foundation) is presented to assist in understanding Advancement Foundation's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Organization

Advancement Foundation is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and is a component unit of the California State University. Advancement Foundation is a nonprofit corporation, whose exclusive purpose is to provide designated support services to HSU in accordance with accepted financial standards, within program and policy objectives of HSU. Advancement Foundation serves as the recipient of gifts and grants intended by the donors, grantors, and HSU "for endowment." The Advancement Foundation Board of Directors is composed of community members, alumni and HSU administrators.

Basis of Accounting

The financial statements of Advancement Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give are recognized as revenues or gains in the period made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Cash and Cash Equivalents

Advancement Foundation considers all short-term, highly liquid investments, with a maturity date of not more than three months from the date of acquisition to be "cash equivalents." At June 30, 2009 and 2008, "cash and cash equivalents" consisted of cash in checking and cash in the State of California Local Agency Investment Fund (LAIF) investment pool.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Endowments

Endowments consist of approximately 86 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and quasi-endowments.

Quasi-endowments (or funds functioning as endowments) are amounts that Advancement Foundation's Board of Directors has determined should be managed as if they were permanent or temporarily restricted endowments. The amounts may come from unrestricted resources, surplus operating funds, unused reserves, or moneys that a donor or other outside entity restricted for a particular purpose. The quasi-endowments are reported as restricted and expendable or as unrestricted, depending on whether there are restrictions on the resources used to create the quasi-endowment. See Note 6.

Effective July 1, 2005, Advancement Foundation's Board of Directors classified as quasi-endowments those funds received from donors who described the purposes for the expenditures of those funds but did not specify an endowment restriction. The quasi-endowments function as endowments for investment and spending purposes. Those funds previously classified as permanently restricted before being transferred to Advancement Foundation continue to be classified in this manner to be consistent with past treatment.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Advancement Foundation continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Advancement Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

Endowment Return Objectives and Risk Parameters

Advancement Foundation has adopted investment and spending policies to establish a framework for the investment of endowment assets and to ensure that future growth of

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

these assets is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the assets for future generations. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

The objectives of the investment policy are defined as follows:

The Absolute Objective is to seek an average total annual net return of at least 5.0%, plus the consumer price index. This shall be measured in real rate-of-return terms (i.e. net of inflation) and shall have the longest time horizon for measurement. Actual returns in any given year may vary from this amount.

The Relative Objective is to seek competitive investment performance versus appropriate or relative capital market measures, such as securities indices. This shall be measured as time-weighted rates of return versus capital market indices.

The Comparative Objective is to seek a total rate of return that is above the median performance of similarly managed funds. This shall be measured as performance of the investment manager(s) as compared to a universe of similar investment funds.

To satisfy its long-term rate-of-return objectives, Advancement Foundation relies on a return strategy in which investments are diversified among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Endowment Spending Policy

For the fiscal years ended June 30, 2009 and 2008, it was Advancement Foundation's goal to distribute annually a target net return of 4.5% of the endowments' average total market value during the twelve quarters ending with the last quarter of the previous calendar year. In establishing this policy, Advancement Foundation considered the long-term expected return on its endowments with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term and to provide additional real growth through new gifts and investment return.

For the fiscal years ended June 30, 2009 and 2008, the Board of Directors authorized an actual distribution rate of 4% of the average total market value during the twelve quarters ending 12/31/07 and 12/31/06, respectively. Earnings shall generally be available for distribution from those participant accounts invested for four or more quarters. Contractual agreements with significant donors may have spending and investment terms that take precedence over the general spending policy.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Fair Value Measurements

Advancement Foundation has adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" which defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The following methods and assumptions are used in estimating fair value disclosures for financial instruments:

Cash, cash equivalents, receivables, short-term unconditional promises to give, and other payables:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Endowment and non-endowed investments:

The fair values of investments are based on quoted market prices for those or similar investments excluding property investments and alternative investments.

The fair market value of property investments are based on appraisals.

Alternative investments are defined as any investment in private equity, non-listed and market priced absolute return strategies, non-listed and market priced vehicles investing in real estate, non-listed and market priced vehicles investing in commodities, non-listed and market priced vehicles, off-shore vehicles, and non-listed and market priced commingled funds. The fair market value of the market priced real estate investments is determined based on annual appraisals of the underlying properties. The fair market value of the commingled trust is determined based on the stock prices underlying the investment.

Long-term unconditional promise to give:

The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using factors from IRS Publication 1457.

Long-term loan:

Fair value approximates carrying value, since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

See Notes 3, 4, 5 and 10.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. This may result from unfavorable

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

market fluctuations and continued appropriation for programs that were deemed prudent by the Board of Directors. Deficiencies of this nature are reclassified as unrestricted net assets. Subsequent gains that restore the fair value of the donor-restricted endowment funds to the required level are classified as increases in unrestricted net assets until the required level is reached. See Note 11.

Implementation of FSP FAS 117-1

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, "*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*" (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. FSP FAS 117-1 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of California enacted UPMIFA effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Advancement Foundation has adopted FSP FAS 117-1 for the year ending June 30, 2009.

Income Taxes

Advancement Foundation qualifies as a tax exempt organization under the applicable sections of the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the accompanying statement of activities as investment return.

Advancement Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. The master investment accounts include the realized and unrealized gains and losses and interest and dividend income from the securities as well as the lease income from a real estate investment. These investment returns are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Non-endowed Investments

Advancement Foundation is managing the investment of the Hydrogen Demonstration Trust non-endowed asset portfolio. See Notes 3 and 7.

Net Assets

Net assets are classified in the following categories:

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Permanently restricted net assets - Net assets subject to donor-imposed stipulations to be maintained permanently by the Advancement Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Advancement Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Recovery of Administration Costs

Advancement Foundation incurs management, accounting, data processing, insurance and related support service expenses. To recover these costs, all funds are charged a quarterly administrative fee. For the year ended June 30, 2009, thirty-seven and one half basis points of the market value of all funds were charged each quarter. For the year ended June 30, 2008, fifteen basis points of the market value of all funds were charged in the first three fiscal quarters and thirty-seven and one half basis points were charged in the fourth quarter. For purposes of financial statement presentation, administration cost recovery fees are netted against investment fees.

NOTE 2 - CONCENTRATION OF RISK:

Advancement Foundation occasionally has a need to maintain a cash balance with a single financial institution in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC).

Advancement Foundation maintains cash in an investment pool with LAIF. The investment is not insured. However, these funds are invested in accordance with California Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account. The total cash in LAIF at June 30, 2009 and 2008, was \$161,856 and \$113,937, respectively.

NOTE 3 - INVESTMENTS:

Long term investments consist of endowment and non-endowment funds managed by investment managers and real estate managed by Advancement Foundation. Investments consist of the following:

Endowment Investments

	<u>2009</u>	<u>2008</u>
Large Cap US Equity, Small/Mid Cap US Equity & Non-US Equity	\$ 5,173,127	\$ 8,830,978
Fixed income	3,990,880	4,195,999
Real estate	2,651,447	1,582,981
All asset strategies	1,036,751	936,978
Short term bonds	381,321	-
Cash equivalents	61,364	525,985
Total	<u>\$13,294,890</u>	<u>\$16,072,921</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

For the fiscal year ended June 30, 2009, the investments listed above include \$2,651,447 in market priced real estate investments and \$1,210,832 in a private commingled trust that invests in publicly traded stocks. For the fiscal year ended June 30, 2008, the investments listed above include \$1,582,981 in market priced real estate investments and \$2,158,289 in a private commingled trust that invests in publicly traded stocks.

Non-endowment Investments

	<u>2009</u>	<u>2008</u>
Hydrogen Demonstration funds		
Mutual funds - equity	\$ 1,097,726	\$ 2,675,982
Mutual funds - fixed income	1,713,507	1,986,297
Cash	6,552	4,887
Real estate managed by Advancement Foundation	<u>2,535,000</u>	-
Total	<u>\$ 5,352,785</u>	<u>\$ 4,667,166</u>

Return on all investments consisted of the following:

	<u>2009</u>	<u>2008</u>
Endowment & non-endowment investments:		
Interest, dividends & other income	\$ 561,188	\$ 669,788
Rental income	237,990	-
Net realized losses carried at fair market value	(397,013)	976,451
Net unrealized losses carried at fair market value	(3,353,972)	(2,103,395)
LAIF interest	2,673	3,971
Checking account interest	217	-
Total	<u>\$(2,948,917)</u>	<u>\$ (453,185)</u>

For purposes of the cash flow statement, investment returns reinvested consisted of the following:

	<u>2009</u>	<u>2008</u>
Interest & dividends	\$ 681,409	\$ 670,617
Net realized losses carried at fair market value	(397,013)	976,451
Net unrealized losses carried at fair market value	<u>(3,313,972)</u>	<u>(2,103,395)</u>
Total	<u>\$(3,029,576)</u>	<u>\$ (456,327)</u>

NOTE 4 - LAND:

In June 2005, Advancement Foundation accepted 385 acres of land commonly known as the Schatz Demonstration Tree Farm. The land is a permanently restricted investment to provide a demonstration tree farm operation for the benefit of the instructional and research needs of the students and faculty of HSU and as an example for owners of small timberland parcels. The appraised value of the land was \$715,000 on October 29, 1987, the date of the trust agreement gifting the property to HSU. The land was reappraised at \$675,000 on July 15, 2008.

NOTE 5 - LOAN PAYABLE:

California State University Risk Management Authority (CSURMA) granted a loan to Advancement Foundation on August 26, 2008. The proceeds of \$2,535,000 financed the acquisition of property located in Arcata, California. The loan is unsecured. See Note 3.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

The loan is non-amortizing, with interest due and payable quarterly. The interest rate charged is equal to the rate of interest paid to CSURMA for funds invested with CalTrust. Interest shall accrue on the outstanding loan balance at the rate in effect during the period being accrued. For the fiscal year ended June 30, 2009, Advancement Foundation incurred interest expense of \$71,499 of which \$39,811 was paid and the balance accrued in other payables. The average interest rate was 2.82%.

All principal and any remaining unpaid interest will be due and payable on October 31, 2013. Principal may be prepaid at any time during the term of the loan. The loan may be assigned to another auxiliary at HSU upon request of the campus President and approval of the CSURMA Chair and Treasurer.

NOTE 6 - ENDOWMENT NET ASSETS:

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2009, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 137,389	\$12,077,921	\$ 12,215,310
Board-designated quasi-endowment funds	<u>32,934</u>	<u>991,463</u>	<u>686,505</u>	<u>1,710,902</u>
Total funds	<u>\$ 32,934</u>	<u>\$ 1,128,852</u>	<u>\$ 12,764,426</u>	<u>\$ 13,926,212</u>

The changes in endowment net assets for the fiscal year ended June 30, 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 36,923</u>	<u>\$ 4,159,668</u>	<u>\$ 12,490,499</u>	<u>\$ 16,687,090</u>
Investment return:				
Investment income	1,357	545,311	-	546,668
Net depreciation: (realized & unrealized)	<u>(7,178)</u>	<u>(2,891,839)</u>	<u>-</u>	<u>(2,899,017)</u>
Total investment return	<u>(5,821)</u>	<u>(2,346,528)</u>	<u>-</u>	<u>(2,352,349)</u>
Contributions	3,000	80,212	272,927	356,139
Net transfers		110,000	1,000	111,000
Appropriation of endowment assets for expenditure	(458)	(590,840)	-	(591,298)
Investment fees	<u>(710)</u>	<u>(283,660)</u>	<u>-</u>	<u>(284,370)</u>
Endowment net assets, end of year	<u>\$ 32,934</u>	<u>\$ 1,128,852</u>	<u>\$ 12,764,426</u>	<u>\$ 13,926,212</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2008, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 3,088,746	\$11,653,424	\$ 14,742,170
Board-designated quasi-endowment funds	<u>36,923</u>	<u>1,070,922</u>	<u>837,075</u>	<u>1,944,920</u>
Total funds	<u>\$ 36,923</u>	<u>\$ 4,159,668</u>	<u>\$12,490,499</u>	<u>\$16,687,090</u>

The changes in endowment net assets for the fiscal year ended June 30, 2008, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 12,403</u>	<u>\$ 4,738,307</u>	<u>\$12,359,342</u>	<u>\$17,110,052</u>
Investment return:				
Investment income	577	502,553	-	503,130
Net depreciation: (realized & unrealized)	<u>(1,670)</u>	<u>(783,384)</u>	<u>-</u>	<u>(785,054)</u>
Total investment return	<u>(1,093)</u>	<u>(280,831)</u>	<u>-</u>	<u>(281,924)</u>
Contributions	26,307	210,858	122,923	360,088
Net transfers	-	234,455	8,234	242,689
Appropriation of endowment assets for expenditure	(440)	(533,629)	-	(534,069)
Investment fees	<u>(254)</u>	<u>(209,492)</u>	<u>-</u>	<u>(209,746)</u>
Endowment net assets, end of year	<u>\$ 36,923</u>	<u>\$ 4,159,668</u>	<u>\$12,490,499</u>	<u>\$16,687,090</u>

Descriptions of amounts classified as permanently restricted net assets and temporarily restricted net assets are as follows:

	<u>2009</u>	<u>2008</u>
<u>Permanently restricted net assets</u>		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$12,764,426</u>	<u>\$12,490,499</u>
Total endowment funds classified as permanently restricted net assets	<u>\$12,764,426</u>	<u>\$12,490,499</u>
<u>Temporarily restricted net assets</u>		
(1) Term endowment funds	\$ -	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	<u>1,128,852</u>	<u>4,159,668</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,128,852</u>	<u>\$ 4,159,668</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

NOTE 7 - TRANSFERS TO AND FROM OTHER ORGANIZATIONS:

Occasionally HSU and its auxiliary organizations find it appropriate to transfer certain fiscal responsibilities to a different entity. The transfers do not change the underlying characteristics of any endowments transferred.

During the years ended June 30, 2009 and 2008, Advancement Foundation received transfers from Humboldt State University Sponsored Programs Foundation (HSUSPF), HSU Alumni Association, and HSU. The endowed and non-endowed assets transferred during the fiscal year ended June 30, 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Transfers from:				
HSUSPF	\$ -	\$ 100,000	\$ -	\$ 100,000
HSU Alumni Association	-	10,000	1,000	11,000
Transfers to HSU	-	(1,100,000)	-	(1,100,000)
Total Assets Transferred	<u>\$ -</u>	<u>\$ (990,000)</u>	<u>\$ 1,000</u>	<u>\$ (989,000)</u>

The transfers to HSU are gift pledges. Per a gift agreement with HSU dated September 30, 2008, Advancement Foundation has pledged \$2,990,500 for the construction of the Schatz Energy Research Center. The funds will be withdrawn from the Hydrogen Demonstration Trust non-endowed asset portfolio.

The endowed and non-endowed assets transferred during the fiscal year ended June 30, 2008, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Transfers from:				
HSUSPF	\$ -	\$ 328,000	\$ 7,234	\$ 335,234
HSU Alumni Association	-	13,500	1,000	14,500
HSU	-	17,955	-	17,955
Transfers to HSUSPF	-	(339,000)	-	(339,000)
Total Assets Transferred	<u>\$ -</u>	<u>\$ 20,455</u>	<u>\$ 8,234</u>	<u>\$ 28,689</u>

The transfer to HSUSPF consists of approved withdrawals from the Hydrogen Demonstration Trust non-endowed asset portfolio.

NOTE 8 - RELATED PARTY TRANSACTIONS:

Humboldt State University Center (UC) is an auxiliary nonprofit organization of HSU. At the request of the Advancement Foundation and with the authorization of HSU, UC provides accounting and financial reporting services to the Advancement Foundation. For the fiscal years ended June 30, 2009 and 2008, Advancement Foundation paid UC a fixed annual fee of \$34,650 and \$33,000, respectively. For the subsequent year, accounting and financial reporting services will be provided by HSU Financial Services.

For the fiscal years ended June 30, 2009 and 2008, Advancement Foundation reimbursed HSU \$155,286 and \$125,080, respectively, for personnel services, of which \$0 and \$74,080 was owed at June 30, 2009 and 2008, respectively.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

Advancement Foundation has leasing agreements with HSU for two investment properties located in Arcata, California. The lease for the property located on C Street commenced on August 11, 2008 and will end on August 10, 2018. The monthly rent payable for the duration of the lease term is \$12,100. Advancement Foundation will receive \$145,200 each year for the next five years. The lease for the property located on Samoa Boulevard commenced on August 29, 2008 and will end on August 28, 2018. The monthly rent payable for the duration of the lease term is \$11,500. Advancement Foundation will receive \$138,600 each year for the next five years.

For the fiscal year ended June 30, 2009, Advancement Foundation received \$116,990 from HSU for the Samoa Boulevard property and approximately \$121,000, for the C Street property, of which no amounts were due at June 30, 2009.

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses by functional classification are as follows:

	<u>2009</u>	<u>2008</u>
Program services	\$ 760,846	\$ 776,157
Fundraising expenses	32,375	32,250
Supporting services	179,088	152,322
Total	<u>\$ 972,309</u>	<u>\$ 960,729</u>

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair values of assets measured on a recurring basis at June 30, 2009, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at 6/30/09 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Equity securities:				
publicly traded	\$ 5,060,021	\$ 5,060,021	\$ -	\$ -
privately traded	1,210,832	-	1,210,832	-
Fixed income	5,704,387	5,704,387	-	-
Real estate	4,232,117	-	4,232,117	-
RREEF	954,330	-	954,330	-
All asset strategies	1,036,751	1,036,751	-	-
Short term bonds	381,321	381,321	-	-
Cash equivalents	67,916	67,916	-	-
Land	675,000	-	675,000	-
Stock	1,217	-	1,217	-
Promise to give	4,176	-	-	4,176
Total	<u>\$ 19,328,068</u>	<u>\$ 12,250,396</u>	<u>\$ 7,073,496</u>	<u>\$ 4,176</u>

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008

NOTE 11 - NET ASSET RECLASSIFICATION BASED ON CHANGE IN LAW:

Per the accounting policy implemented during the current year, Advancement Foundation has reclassified \$1,688,911 of funds with deficiencies to unrestricted net assets as of June 30, 2009. For the year ended June 30, 2008, funds with deficiencies totaled \$9,386. See Note 1.

NOTE 12 - SUBSEQUENT EVENTS:

In preparing these financial statements, Advancement Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2009, the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Schedule of Net Assets

June 30, 2009

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 27,469
Short-term investments	161,856
Accounts receivable, net	—
Leases receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	<u>62,579</u>
Total current assets	<u>251,904</u>

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Student loans receivable, net	—
Promise to give	4,176
Endowment investments	13,294,890
Other long-term investments	5,352,785
Capital assets, net	—
Other assets	<u>676,217</u>
Total noncurrent assets	<u>19,328,068</u>
Total assets	<u>19,579,972</u>

Liabilities:

Current liabilities:

Accounts payable	—
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Due to California State University Risk Management Authority	—
Other liabilities	<u>92,761</u>
Total current liabilities	<u>92,761</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	2,535,000
Depository accounts	—
Other liabilities	<u>—</u>
Total noncurrent liabilities	<u>2,535,000</u>
Total liabilities	<u>2,627,761</u>

Net assets:

Invested in capital assets, net of related debt	—
Restricted for:	
Nonexpendable – endowments	15,045,697
Expendable:	
Other	3,378,237
	—
	—
	—
	—
Unrestricted	<u>(1,471,723)</u>
Total net assets	<u>\$ 16,952,211</u>

See the accompanying independent auditors' report and notes to supplementary information.

Humboldt State University Advancement Foundation
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2009

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$ _____)	\$	—
Grants and contracts, noncapital:		
Federal		—
State and local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)		—
Other operating revenues		—
Total operating revenues		<u>—</u>

Expenses:

Operating expenses:

Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		—
Auxiliary enterprise expenses		—
Depreciation and amortization		—
Total operating expenses		<u>—</u>
Operating income (loss)		<u>—</u>

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Gifts, noncapital		193,212
Investment income, net		(618,870)
Endowment income		(2,668,829)
Interest on capital-related debt		—
Other nonoperating revenues (expenses)		<u>(1,728,027)</u>
Net nonoperating revenues (expenses)		<u>(4,822,514)</u>
Income (loss) before other additions		<u>(4,822,514)</u>

State appropriations, capital		—
Grants and gifts, capital		—
Additions to permanent endowments		<u>273,927</u>
Increase (decrease) in net assets		<u>(4,548,587)</u>

Net assets:

Net assets at beginning of year		<u>21,500,798</u>
Net assets at end of year	\$	<u><u>16,952,211</u></u>

See accompanying notes to financial statements.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2009

(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2009:

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents	—	—
Total restricted cash and cash equivalents	\$	—

2 Composition of investments at June 30, 2009:

	Current	Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$	\$	\$
State of California Local Agency Investment Fund (L.A.I.F.)	161,856	—	161,856
Met West Short Term Fund	—	—	—
Met West Medium Term Fund	—	—	—
Met West Equity Fund	—	—	—
Debt securities	—	—	—
Equity securities	—	5,173,127	5,173,127
Fixed income securities (Treasury notes, GNMA's)	—	3,990,880	3,990,880
Real estate	—	5,186,447	5,186,447
Certificates of deposit	—	—	—
Notes receivable	—	3,847,984	3,847,984
Mutual funds	—	—	—
Collateralized mortgage obligations:	—	—	—
Inverse floaters	—	—	—
Interest-only strips	—	—	—
Agency pass-through	—	—	—
Private pass-through	—	—	—
Other investments:	—	—	—
Money market funds	—	67,916	67,916
Short Term Bonds	—	381,321	381,321
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Total investments	161,856	18,647,675	18,809,531
Less endowment investments (enter as negative number)	—	(13,294,890)	(13,294,890)
Total investments	\$ 161,856	\$ 5,352,785	\$ 5,514,641

See the accompanying auditors' report and notes to supplementary information.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
 Other Information
 June 30, 2009
 (for inclusion in the California State University)

3 Composition of capital assets at June 30, 2009:

	Balance June 30, 2008	Prior period Adjustments	Reclassifications	Balance 30-Jun-08 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2009
Nondepreciable capital assets:	\$							
Land and land improvements								
Works of art and historical treasures								
Construction work in progress (CWIP)								
Total nondepreciable capital assets								
Depreciable capital assets:								
Buildings and building improvements								
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment								
Library books and materials								
Intangible assets								
Total depreciable capital assets								
Total cost								
Less accumulated depreciation:								
Buildings and building improvements								
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment								
Library books and materials								
Intangible assets								
Total accumulated depreciation								
Net capital assets	\$							

Detail of depreciation and amortization expense for the year ended June 30, 2009:

Depreciation and amortization expense related to capital as \$	—
Amortization expense related to other assets	—
Total depreciation and amortization	\$ —

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other information

June 30, 2009

(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2008	Prior period adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Balance June 30, 2009	Long-term portion	Current portion
Accrued compensated absences	\$								
Capitalized lease obligations:									
Gross balance									
Unamortized premium on capitalized lease obligations									
Total capitalized lease obligations									
Long-term debt obligations:									
Revenue Bonds									
Other bonds (non-Revenue Bonds)									
Commercial Paper									
Other:									
California State University Risk Management Authority Loan					2,535,000		2,535,000	2,535,000	
Description									
Description									
Description									
Description									
Total long-term debt obligations					2,535,000		2,535,000	2,535,000	
Unamortized bond premium / (discount)									
Unamortized loss on refunding									
Total long-term debt obligations, net					2,535,000		2,535,000	2,535,000	
Total long-term liabilities	\$				2,535,000		2,535,000	2,535,000	

5 Future minimum lease payments:

Year ending June 30:	Principal	Interest	Principal and Interest
2010			
2011			
2012			
2013			
2014			
2015 - 2019			
2020 - 2024			
2025 - 2029			
2030 - 2034			
2035 - 2039			
2040 - 2044			
2045 - 2049			
2050 - 2054			
2055 - 2059			
Total minimum lease payments			
Less amounts representing interest			
Present value of future minimum lease payments			
Less: current portion			
Capitalized lease obligation, net of current portion			\$

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
 Other Information
 June 30, 2009
 (for inclusion in the California State University)

6 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	—	—	—	75,000	—	75,000
2011	—	—	—	75,000	—	75,000
2012	—	—	—	75,000	—	75,000
2013	—	—	2,535,000	25,000	2,560,000	25,000
2014	—	—	—	—	—	—
2015 - 2019	—	—	—	—	—	—
2020 - 2024	—	—	—	—	—	—
2025 - 2029	—	—	—	—	—	—
2030 - 2034	—	—	—	—	—	—
2035 - 2039	—	—	—	—	—	—
2040 - 2044	—	—	—	—	—	—
2045 - 2049	—	—	—	—	—	—
2050 - 2054	—	—	—	—	—	—
2055 - 2059	—	—	—	—	—	—
Total	—	—	2,535,000	250,000	2,785,000	250,000
					2,535,000	2,785,000

7 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total	
	GASB	FASB	Auxiliaries	
Capital assets, net of accumulated depreciation	—	—	—	—
Capitalized lease obligations - current portion	—	—	—	—
Capitalized lease obligations, net of current portion	—	—	—	—
Long-term debt obligations - current portion	—	—	—	—
Long-term debt obligations, net of current portion	—	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—	—
Other:				
(description)	—	—	—	—
(description)	—	—	—	—
(description)	—	—	—	—
(description)	—	—	—	—
(description)	—	—	—	—
Net assets - invested in capital assets, net of related debt	—	—	—	—

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

Other Information

June 30, 2009

(for inclusion in the California State University)

8 The nature and amount of the prior period adjustment(s) recorded to beginning net assets

	<u>Net Asset Class</u>	<u>Amount Dr. (Cr.)</u>
Net assets as of June 30, 2008, as previously reported		\$ —
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
		<hr/>
Net assets as of June 30, 2008, as restated		\$ <u>—</u>

Provide a detailed breakdown of the journal entries booked to record each prior period adjustments:

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

See the accompanying auditors' report and notes to supplementary information.

HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2009

NOTE 1 - SUPPLEMENTARY SCHEDULES

As an auxiliary organization of the California State University (CSU), Advancement Foundation is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in the reporting format between Advancement Foundation's financial statements and the supplementary schedules for CSU.

Investments

Other long-term investments on the schedule of net assets consist of the investments of non-endowed funds. Endowment investments includes net earnings on endowments in excess of corpus.

Net Assets

For purposes of the supplementary schedules, quasi-endowments are recognized as permanent endowments. Net assets restricted for expendable-other consist of temporarily restricted net assets that are not quasi-endowed. Unrestricted net assets consist of unrestricted net assets that are not quasi-endowed.

Net assets restricted for nonexpendable-endowments:

Permanently restricted net assets	\$ 14,021,301
Quasi-endowed unrestricted net assets	32,933
Quasi-endowed temporarily restricted net assets	991,463
Total	<u>\$ 15,045,697</u>

Nonoperating Revenues and Expenses

For purposes of the supplementary schedules, Advancement Foundation does not meet the criteria to be considered an auxiliary enterprise. As a result, Advancement Foundation's revenues and expenses are considered to be nonoperating.

Noncapital gifts:

Unrestricted contributions	\$ 3,000
Temporarily restricted contributions	80,212
Transfers	110,000
Total	<u>\$ 193,212</u>

Investment income, net:

Net investment return on non-endowed investments	\$ (566,420)
Unrestricted LAIF interest income	2,673
Investment fees related to non-endowed investments	(55,123)
Total	<u>\$ (618,870)</u>

**HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2009**

Endowment income:

Net investment return on endowed investments	\$ (2,385,170)
Investment fees related to endowed investments	(283,659)
Total	<u>\$ (2,668,829)</u>

Investment and endowment income include interest and dividend revenues and net realized and unrealized gains and losses.

Other nonoperating revenues (expenses):

Administrative cost recovery revenue	\$ 250,734
Miscellaneous income	5,500
Distributions of earnings	(601,299)
Non-endowed withdrawals	(1,100,000)
Loan interest	(71,499)
General and administrative expenses	(211,463)
Total	<u>\$ (1,728,027)</u>

Additions to permanent endowments:

Permanently restricted contributions	\$ 272,927
Transfers	1,000
Total	<u>\$ 273,927</u>

NOTE 2 - DISTRIBUTIONS OF EARNINGS

Earnings were distributed as follows:

Humboldt State University Sponsored Programs Foundation	\$ 436,083
Humboldt State University Financial Aid	153,599
Humboldt State University Center	10,573
Other	1,044
Total	<u>\$ 601,299</u>

NOTE 3 - LONG TERM DEBT OBLIGATION

California State University Risk Management Authority (CSURMA) granted a loan to Advancement Foundation on August 26, 2008. The proceeds of \$2,535,000 financed the acquisition of property located in Arcata, California. The loan is unsecured. All principal and any remaining unpaid interest will be due and payable on October 31, 2013. The loan is non-amortizing, with interest due and payable quarterly. The interest rate charged is equal to the rate of interest paid to CSURMA for funds invested with CalTrust. For the fiscal year ended June 30, 2009, Advancement Foundation incurred interest expense of \$71,499, at an average interest rate of 2.82%. For the following four years, it is estimated that Advancement Foundation will pay interest of \$75,000 per year for three years and \$25,000 in the final year, based on an estimated interest rate of approximately 2.95%.