

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

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

**June 30, 2009**

**With**

**Report of Certified Public Accountants**

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITORS' REPORT</b>	<u>Page</u> 1
<b>FINANCIAL STATEMENTS:</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 14
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Net Assets	15
Schedule of Revenues, Expenses, and Changes in Net Assets	16
Other Information	17 - 21
Note to Supplementary Information	22

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 Center  
Board of Directors  
Arcata, California

We have audited the accompanying statement of financial position of the Humboldt State University Center Board of Directors as of June 30, 2009, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 the Humboldt State University Center Board of Directors as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of net assets, the schedule of revenues, expenses and changes in net assets, and other information (supplementary information on pages 15 - 21) are presented for purposes of additional analysis and are not a required part 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 24, 2009

HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2009

ASSETS

Current Assets:

Cash on hand & commercial accounts	\$	370,082
Deposits held in custody for Humboldt State University Alumni Association		187,906
Unreserved cash in LAIF funds		<u>2,875,832</u>
Total Cash		3,433,820

Accounts and other receivables		457,728
Inventory		1,229,213
Prepaid expenses		57,971
Vendor credit available		<u>156,176</u>
Total Current Assets		<u>5,334,908</u>

Fixed Assets:

Building & improvements		2,931,964
Equipment, furniture & fixtures		<u>1,743,832</u>
Total		4,675,796
Less: Accumulated depreciation		<u>(3,768,473)</u>
Total Fixed Assets		907,323

Other Assets:

Cash reserved for pension costs and postretirement health benefits		<u>7,440,270</u>
--------------------------------------------------------------------	--	------------------

TOTAL ASSETS	\$	<u><u>13,682,501</u></u>
--------------	----	--------------------------

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable	\$	519,660
Accrued liabilities		545,575
Postretirement health benefits		229,418
Deposits held in custody for Humboldt State University Alumni Association		187,906
Deferred revenues		<u>98,473</u>
Total Current Liabilities		1,581,032

Long-term Liabilities:

Net pension cost liability		699,266
Postretirement health benefits		<u>6,741,004</u>
TOTAL LIABILITIES		<u>9,021,302</u>

Net Assets:

Unrestricted net assets		<u>4,661,199</u>
TOTAL NET ASSETS		<u>4,661,199</u>

TOTAL LIABILITIES & NET ASSETS	\$	<u><u>13,682,501</u></u>
--------------------------------	----	--------------------------

See Accompanying Notes

HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CHANGE IN UNRESTRICTED NET ASSETS

OPERATING REVENUES & SUPPORT:

Revenues from operations	
Revenues from operations	\$ 15,177,771
Less cost of sales	<u>7,199,357</u>
Net revenues from operations	7,978,414
Return of surplus revenue funds	850,000
Interest	<u>229,163</u>
Total Operating Revenues & Support	<u>9,057,577</u>

OPERATING EXPENDITURES:

Salaries & wages	3,664,012
Employee benefits	1,352,745
Rent	528,674
Depreciation	214,451
Advertising & promotion	11,857
Repairs & maintenance	597,848
Utilities	252,017
Communications	68,159
Bank service charges	198,607
Outside professional services	26,998
Dues & subscriptions	12,600
Business & professional meetings	24,436
Insurance	77,317
Services from other funds	107,090
Supplies & services	248,027
Event costs	805,507
Vehicle	12,175
Loss on disposal of equipment, net	7,252
Other & miscellaneous	<u>251,414</u>
Total Operating Expenditures	<u>8,461,186</u>

OPERATING INCOME 596,391

NONOPERATING REVENUES (EXPENSES):

    Postretirement related changes other than net periodic pension cost ( 621,236)

CHANGE IN UNRESTRICTED NET ASSETS ( 24,845)

NET ASSETS, BEGINNING OF YEAR, before restatement 5,017,259

CORRECTION OF PRIOR YEAR PENSION RELATED COSTS (See Note 6) ( 331,215)

NET ASSETS, BEGINNING OF YEAR, restated 4,686,044

NET ASSETS, END OF YEAR \$ 4,661,199

See Accompanying Notes

HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in unrestricted net assets	\$ ( 24,845)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Loss on disposal of equipment	7,252
Depreciation	214,451
Employee pension benefits	( 20,299)
Employee postretirement health benefits	( 36,527)
Nonoperating employee postretirement health benefit costs	621,236
 (Increase) Decrease in operating assets:	
Receivables, net	( 144,019)
Inventories	( 46,833)
Prepaid expenses	( 45,060)
Vendor credit available	( 108,727)
 Increase (Decrease) in operating liabilities:	
Accounts payable	165,095
Accrued liabilities	35,364
Deposits held in custody	27,517
Deferred revenues	598
Postretirement health benefits	<u>344,662</u>
Net cash provided by (used by) operating activities	<u>989,865</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment/improvements	( 141,607)
Transfer from cash to reserves	<u>( 1,010,869)</u>
Net cash provided by (used by) investing activities	<u>( 1,152,476)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ( 162,611)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 3,596,431

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 3,433,820

See Accompanying Notes

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Humboldt State University Center Board of Directors (University Center) is presented to assist in understanding University Center'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**

University Center is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and is a component unit of the California State University. University Center is a nonprofit corporation formed to promote the welfare of HSU and its students and employees. The primary activities of University Center are to develop, finance and operate the College Union, bookstore, and dining services on the HSU campus. During the fiscal year ending June 30, 2009, University Center provided management services to the HSU Advancement Foundation, HSU Alumni Association, and the Northern Humboldt Recreation and Park District. University Center is primarily supported by student fees, bookstore and dining sales, and contracted revenues from students at HSU.

**Basis of Accounting**

Assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

**Accounts Receivable**

University Center provides a reserve for uncollectible accounts that is based upon a review of outstanding receivables. Accounts receivable considered uncollectible are charged against the reserve account in the year they are deemed to be uncollectible. No reserve for uncollectible accounts was deemed necessary as of June 30, 2009.

**Reserved Cash**

The Board of Directors has reserved cash in the amount of \$7,440,270 to be used for pension and postretirement health benefits.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows University Center considers all certificates of deposits and insured money market accounts with a maturity of three months or less, to be cash equivalents

**Deposits Held in Custody**

Funds administered by University Center on behalf of HSU Alumni Association are recorded as deposits held in custody and are recorded as a current liability. University Center is acting as an agent for the transactions of the HSU Alumni Association and accordingly, HSU Alumni Association's financial activities have not been recorded in the accompanying statement of activities.

**Fair Value Measurements**

University Center 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:

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

For cash, cash equivalents, receivables, and other payables, the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**Fixed Assets**

Fixed assets are recorded at cost less depreciation calculated by the straight-line method. Building improvements are depreciated over a five to twenty year life. Equipment, furniture, and fixtures are depreciated over a three to ten year life.

University Center capitalizes acquisitions of equipment that have a useful life greater than one year and are in excess of \$5,000, improvements in excess of \$10,000, and intangible property in excess of \$5,000.

At June 30, 2009, \$160,080 of equipment is used by University Center but is not recorded on the statement of financial position because title is held by an outside granting agency. Additionally, University Center uses office facilities and equipment which are the property of the California State University. No lease payments are required for the use of these facilities.

**Inventories**

The bookstore inventory is recorded at cost and maintained on the retail method. The food and beverage inventory is stated at cost, using the first-in, first-out (FIFO) method. At June 30, 2009, the cost of the bookstore inventory was \$1,105,655, and the cost of the food and beverage inventory was \$123,558.

**Pension and Postretirement Health Benefits Liabilities**

University Center recognizes the underfunded status of defined benefit pension and other postretirement plans as a liability in the statement of financial position and recognizes changes in the funded status in the year in which the changes occur in unrestricted net assets.

**Revenue Recognition**

Student Fees - Student union fees are recorded when received from the revenue bond program.

Commercial Revenue - All commercial revenue including, but not limited to, book and supply sales, food sales, and vending, is recorded when earned.

Investment Income - Investment income is recorded at the time it is earned.

**Use of Estimates**

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

**NOTE 2 - CASH AND CASH INVESTMENTS**

Deposits held in custody for HSU Alumni Association includes \$81,377 in cash and cash equivalents and \$106,529 held in a six-month certificate of deposit that matures in August 2009 and earns an annual percentage yield of 2.25%. (See Note 5).

University Center maintains cash in the State of California Local Agency Investment Fund (LAIF), an investment pool. The investment is not insured. However, these funds are invested in accordance with



**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

California Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account. At June 30, 2009, cash in LAIF was \$10,316,102. Of this amount, \$7,440,270 is reserved for pension and postretirement health benefits.

Net pension cost liability was restated for the fiscal year ended June 30, 2008, resulting in a change in cash reserved for pension and postretirement health benefits from \$6,429,401 as previously reported to the corrected amount of \$6,760,616. See Note 6.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

University Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The maximum amount of loss due to this risk would be \$121,869 as of June 30, 2009. Management believes the company is not exposed to any significant credit risk related to cash.

**NOTE 4 - ACCRUED LIABILITIES**

Accrued liabilities as of June 30, 2009, consist of the following:

Salaries and benefits payable	\$ 88,924
Compensated absences	181,404
Other	275,247
Total	<u>\$ 545,575</u>

**NOTE 5 - HSU ALUMNI ASSOCIATION**

University Center has an agreement with HSU Alumni Association to provide accounting and business services. The initial term of the agreement was July 1, 2006 through June 30, 2007, with the option to continue for an additional two years. In August, 2009, the agreement was extended through June 30, 2010, with the option to continue the agreement on an annual basis. University Center was paid \$6,930 for the services provided for the year ended June 30, 2009.

The financial position of the HSU Alumni Association as of June 30, 2009, is as follows:

Current assets:	
Cash & cash equivalents	\$ 187,906
Other receivables	10
Prepaid expenses	420
Total current assets	<u>\$ 188,336</u>
Current liabilities:	
Accounts payable	\$ 2,693
Other payables	727
Total current liabilities	<u>3,420</u>
Unrestricted net assets	184,916
Total current liabilities and net assets	<u>\$ 188,336</u>

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

The activities of the HSU Alumni Association for the year ended June 30, 2009, are as follows:

Revenues:	
Revenue from operations	\$ 106,582
Interest revenues	<u>6,529</u>
Total revenues	<u>113,111</u>
Expenditures:	
Outside professional services	11,430
Accounting services	6,930
Distribution to others	14,660
Other general and administrative expenses	<u>52,164</u>
Total expenditures	<u>85,184</u>
Increase in unrestricted net assets	27,927
Beginning net assets	<u>156,989</u>
Ending net assets	<u><u>\$ 184,916</u></u>

HSU Alumni Association distributed \$11,000 to HSU Advancement Foundation and \$3,660 to HSU Financial Aid during the year ended June 30, 2009.

**NOTE 6 - PENSION PLAN**

University Center contracts with the California Public Employee's Retirement System (CalPERS) to provide its salaried employees retirement and disability benefits which are paid by the State of California. Through June 30, 2003, the CalPERS retirement and disability plan was an agent multiple-employer retirement plan, therefore the provisions of SFAS No. 87, *Employers' Accounting for Pensions*, was applicable.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Effective July 1, 2003, University Center began participation in a CalPERS cost-sharing multiemployer pension plan whereby other entities with benefits similar to the University Center participate in the same cost-sharing plan. At the date the University Center began participating in the cost-sharing plan, a liability was determined by CalPERS for each of the cost-sharing plan participants, called a "side fund liability," which was established to account for each organization's share of the Pool's unfunded liability. The side fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on Plan assets in accordance with SFAS No. 5, *Accounting for Contingencies*.

Amounts recognized in the statement of financial position at June 30, 2009, consist of:

Pension liability	<u>\$ 699,266</u>
-------------------	-------------------

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

The following table sets forth the calculation of the University Center's side fund liability as of June 30, 2009:

Accrued employee benefit cost related to side fund liability:	
Balance at beginning of year	\$ 388,350
Correction of beginning balance	331,215
Service cost	127,156
Actual employer contributions	(200,435)
Interest cost	52,980
Side fund liability at year end	<u>\$ 699,266</u>

At June 30, 2008, information regarding the accrued employee benefit cost related to the side fund liability was not available. Net pension cost liability at June 30, 2008, of \$388,350 was an estimate based on June 30, 2006, information provided by CalPERS. Per June 30, 2007, information provided by CalPERS, the projected net pension cost liability at June 30, 2008, should be \$719,565. The correction of the prior year liability has resulted in an additional \$331,215 in prior year pension related costs. Beginning unrestricted net assets have been restated for this correction. Employee benefit costs were \$1,696,342 for the fiscal year ended June 30, 2008, compared to the previously reported amount of \$1,365,127.

Service cost was calculated using 7.891% of payroll for the year ended June 30, 2009. The contribution rate to CalPERS was 12.557% of actual payroll of \$1,596,200 for the year ended June 30, 2009. The side fund is credited on an annual basis with the actuarial investment return assumption. This assumption was 7.75% for the year ended June 30, 2009. The employees' contributions were \$107,529 for the year ended June 30, 2009. Contributions expected to be paid to the plan by the University Center during the next fiscal year are \$209,010.

The net pension cost liability is a significant estimate and it is at least reasonably possible that the estimate will change within one year of the date of the financial statements and the effect of that change would be material.

**NOTE 7 - INCOME TAXES**

University Center is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701, except for amounts based on unrelated business income. Unrelated business income is derived from contracts at the College of the Redwoods and North Humboldt Recreation and Park District. For the fiscal year ending June 30, 2009, no income tax is due on unrelated business income. Further, the Internal Revenue Service has determined that University Center is not a private foundation within the meaning of IRC Section 509(a).

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 8 - OPERATING LEASES**

University Center leases its facilities under several operating leases from HSU (See Note 1). Following is a summary of operating leases and renewal options:

	Contingent Annual Rental	Expiration Date	Renewal Options
Jolly Giant Commons - food service facilities	7% of gross sales	June 30, 2010	None
BSS Marketplace	ranges from 6-7% of gross sales	June 30, 2012	5 years
South Campus Marketplace	ranges from 6-7% of gross sales	June 30, 2012	5 years
Giant's Cupboard - food service facility	7% of gross sales	June 30, 2010	None

Following is a summary by property of rental expense under all operating leases:

Jolly Giant Commons (HSU)	\$ 369,413
BSS Marketplace (HSU)	10,326
South Campus Marketplace (HSU)	32,768
Giant's Cupboard (HSU)	116,168
Total	<u>\$ 528,675</u>

No amounts were due at June 30, 2009.

**NOTE 9 - POSTRETIREMENT HEALTH BENEFITS**

University Center provides medical coverage through the CalPERS medical plan. Benefited employees hired prior to July 1, 2006, who are eligible to retire from CalPERS, are 100% vested. Benefited employees hired on or after July 1, 2006, are 50% vested at age 50 if they have 10 years of service. With every additional year of service the vesting increases by 5% reaching 100% for employees who are age 50 or older who have at least 20 years of service. The University Center's premium contribution cannot be less than what is defined by CalPERS Section 22892(b).

The following information is based on a measurement date of June 30, 2009:

Change in benefit obligation:	
Benefit obligation at end of prior year	\$ 5,996,510
Service cost	141,124
Interest cost	383,535
Amendments	-
Actuarial (gain)/loss	621,236
Benefits paid	<u>(171,983)</u>
Benefit obligation at end of year	<u>\$ 6,970,422</u>

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

Change in plan assets:	
Fair value of plan assets at beginning of year	\$ -
Actual return on assets	-
Employer contribution	171,983
Benefits paid	<u>(171,983)</u>
Fair value of plan assets at end of year	<u>\$ -</u>

Funded status: \$ (6,970,422)

Amounts recognized in the statement of financial position consist of:	
Current assets	\$ -
Noncurrent assets	-
Current liabilities	229,418
Noncurrent liabilities	<u>6,741,004</u>
Total	<u>\$ 6,970,422</u>

Amounts recognized in unrestricted net assets consist of:	
Net actuarial gain/(loss)	\$ (576,695)
Prior service (cost)/credit	-
Transition obligation (cost)/credit	-
Net amount recognized in unrestricted net assets	<u>\$ (576,695)</u>

Components of net periodic postretirement benefit cost:	
Service cost	\$ 141,124
Interest cost	383,535
Expected return on net assets	-
Amortization of unrecognized net (gain)/loss	-
Amortization of unrecognized prior service cost	-
Amortization of unrecognized transition obligation	-
Total net periodic postretirement benefit cost	<u>524,659</u>

Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net actuarial (gain)/loss incurred in year	<u>621,236</u>
Total recognized in net benefit cost and unrestricted net assets	<u>\$ 1,145,895</u>

Accumulated postretirement benefit obligation \$ 6,970,422

The assumptions used in the measurement of the University Center's benefit obligation and net periodic benefit cost for the year ended June 30, 2009, are as follows:

Weighted-average assumptions used to determine pension benefit obligation at June 30, 2009:	
Discount rate	6.00%
Rate of compensation increase	N/A

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

Weighted-average assumptions used to determine net periodic postretirement benefit cost for year ended June 30, 2009:

Discount rate	6.50%
Expected rate of return on plan assets	0.00%
Rate of compensation increase	N/A

Medical trend:

Initial	9.50%
Ultimate	4.50%
Number of years to ultimate trend rate	9

If assumed health care trend rates were increased by 1%, the service cost, interest cost and accumulated benefit obligation would be increased as indicated below:

	Increase in <u>Dollars</u>	Percent <u>Increase</u>
Service	\$ 41,435	32.03%
Interest cost	68,357	17.54%
Accumulated postretirement benefit obligation	1,139,291	17.16%

The University Center does not expect to contribute any funds to the plan during the next fiscal year. Projected net periodic costs of \$548,547 are expected to be accrued during the next fiscal year. The following benefit payments are expected to be paid:

Years ending June 30,	
2010	\$ 229,418
2011	259,354
2012	288,842
2013	317,913
2014	349,603
2015-2018	2,212,246

The accumulated postretirement benefit obligation is a significant estimate and it is at least reasonably possible that the estimate will change within one year of the date of the financial statements and the effect of that change would be material.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

**Management Services**

University Center provides accounting and/or other management services to HSU Alumni Association (See Note 5), HSU Associated Students, and HSU Advancement Foundation. Based on agreements, University Center was paid \$222,518 by HSU Associated Students and \$34,650 by Advancement Foundation for services during the year ended June 30, 2009. No amounts were owed at June 30, 2009.

**Leases**

University Center has lease agreements with HSU that are described in Note 8.

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses by functional classification for the year ended June 30, 2009, are as follows:

Operating program services expenditures:	
Bookstore	\$ 5,032,129
Dining	6,951,214
CenterArts	1,086,333
Center Activities	<u>818,103</u>
Total program services expenditures	13,887,779
Supporting services expenditures:	
General operations/facilities & administration	<u>1,772,764</u>
Total operating expenditures	15,660,543
Nonoperating program services expenses:	
Pension related costs	<u>621,236</u>
Total expenses by functional classification	16,281,779
Less cost of sales included with revenues on the statement of activities	<u>(7,199,357)</u>
Total expenditures in the operating and nonoperating expenditures section of the statement of activities	<u>\$ 9,082,422</u>

**NOTE 12 - FAIR VALUE MEASUREMENTS**

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

	Fair Value	Fair Value Measurements at 6/30/09 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Pension liability	\$ 699,266	\$ -	\$ -	\$ 699,266
Postretirement health benefits liability	<u>6,970,422</u>	<u>-</u>	<u>-</u>	<u>6,970,422</u>
Total	<u>\$ 7,669,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,669,688</u>

The fair value for the pension liability is determined by CalPERS using estimated employer payroll and estimated returns on plan assets. The fair value for the postretirement health benefits liability is determined by an actuarial consulting firm, based on assumptions and a discount rate authorized by CalPERS, the plan sponsor.

**HUMBOLDT STATE UNIVERSITY CENTER**  
**BOARD OF DIRECTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

Liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pension liability:	
July 1, 2008	\$ 719,565
Service and interest costs	180,136
Employer contributions	<u>(200,435)</u>
June 30, 2009	<u>\$ 699,266</u>
Postretirement health benefits liability:	
July 1, 2008	\$ 5,996,510
Service and interest costs	524,659
Actuarial (gain)/loss	621,236
Benefits paid	<u>(171,983)</u>
June 30, 2009	<u>\$ 6,970,422</u>

The postretirement health benefits actuarial loss of \$621,236 is reported as a nonoperating expense in the statement of activities.

**NOTE 13 - SUBSEQUENT EVENTS**

In preparing these financial statements, University Center has evaluated events and transactions for potential recognition or disclosure through September 24, 2009, the date the financial statements were available to be issued.



## **SUPPLEMENTARY INFORMATION**

HUMBOLDT STATE UNIVERSITY CENTER

BOARD OF DIRECTORS

Schedule of Net Assets

June 30, 2009

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 370,082
Short-term investments	10,316,102
Accounts receivable, net	—
Leases receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	<u>1,901,088</u>
Total current assets	<u>12,587,272</u>

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	907,323
Other assets	<u>—</u>
Total noncurrent assets	<u>907,323</u>
Total assets	<u>13,494,595</u>

Liabilities:

Current liabilities:

Accounts payable	519,660
Accrued salaries and benefits payable	88,924
Accrued compensated absences— current portion	181,404
Deferred revenue	98,473
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Other liabilities	<u>504,665</u>
Total current liabilities	<u>1,393,126</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	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other liabilities	<u>7,440,270</u>
Total noncurrent liabilities	<u>7,440,270</u>
Total liabilities	<u>8,833,396</u>

Net assets:

Invested in capital assets, net of related debt	907,323
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	<u>3,753,876</u>
Total net assets	<u>\$ 4,661,199</u>

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

HUMBOLDT STATE UNIVERSITY CENTER

BOARD OF DIRECTORS

Schedule of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2009

(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ 850,000
Grants and contracts, noncapital:	
Federal	---
State	---
Local	---
Nongovernmental	---
Sales and services of educational activities	---
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	15,177,771
Other operating revenues	---
Total operating revenues	<u>16,027,771</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	15,446,092
Depreciation and amortization	214,451
Total operating expenses	<u>15,660,543</u>
Operating income (loss)	<u>367,228</u>

Nonoperating revenues (expenses):	
State appropriations, noncapital	---
Gifts, noncapital	---
Investment income, net	229,163
Endowment income	---
Interest on capital-related debt	---
Other nonoperating revenues (expenses)	<u>(621,236)</u>
Net nonoperating revenues (expenses)	<u>(392,073)</u>
Income (loss) before other additions	<u>(24,845)</u>

State appropriations, capital	---
Grants and gifts, capital	---
Additions to permanent endowments	---
Increase (decrease) in net assets	<u>(24,845)</u>

Net assets:	
Net assets at beginning of year, as previously reported	5,017,259
Restatements	<u>(331,215)</u>
Net assets at end of year, as restated	<u>\$ 4,661,199</u>

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

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS**

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 (LAIF)	10,316,102	---	10,316,102
Met West Short Term Fund	---	---	---
Met West Medium Term Fund	---	---	---
Met West Equity Fund	---	---	---
Debt securities	---	---	---
Equity securities	---	---	---
Fixed income securities (Treasury notes, GNMA's)	---	---	---
Real estate	---	---	---
Certificates of deposit	---	---	---
Notes receivable	---	---	---
Mutual funds	---	---	---
Collateralized mortgage obligations:		---	
Inverse floaters	---	---	---
Interest-only strips	---	---	---
Agency pass-through	---	---	---
Private pass-through	---	---	---
Other investments:			
Money market funds	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Total investments	10,316,102	---	10,316,102
Less endowment investments (enter as negative number)	---	---	---
Total investments	\$ 10,316,102	\$ ---	\$ 10,316,102

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

**HUMBOLDT STATE UNIVERSITY CENTER**  
**BOARD OF DIRECTORS**  
 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)	—	—	—	—	10,040	—	—	10,040
Total nondepreciable capital assets	—	—	—	—	10,040	—	—	10,040
Depreciable capital assets:								
Buildings and building improvements	2,888,914	—	—	2,888,914	43,050	—	—	2,931,964
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	1,818,868	—	—	1,818,868	88,517	(173,593)	—	1,733,792
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	4,707,782	—	—	4,707,782	131,567	(173,593)	—	4,665,756
Total cost	4,707,782	—	—	4,707,782	141,607	(173,593)	—	4,675,796
Less accumulated depreciation:								
Buildings and building improvements	(2,146,643)	—	—	(2,146,643)	(118,696)	—	—	(2,265,339)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	(1,573,719)	—	—	(1,573,719)	(95,755)	166,340	—	(1,503,134)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	(3,720,362)	—	—	(3,720,362)	(214,451)	166,340	—	(3,768,473)
Net capital assets	\$ 987,420	—	—	987,420	(72,844)	(7,253)	—	907,323

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

Depreciation and amortization expense related to cap	\$ 214,451
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 214,451

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

**HUMBOLDT STATE UNIVERSITY CENTER**  
**BOARD OF DIRECTORS**  
 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	\$ 173,618	—	—	\$ 173,618	7,786	—	\$ 181,404	—	\$ 181,404
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:									
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 173,618	—	—	\$ 173,618	7,786	—	\$ 181,404	—	\$ 181,404

**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	—	—	—
<b>Capitalized lease obligation, net of current portion</b>	—	—	\$ —

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

**HUMBOLDT STATE UNIVERSITY CENTER**  
**BOARD OF DIRECTORS**  
 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	Principal	Interest
2010	—	—	—	—	—	—	—	—
2011	—	—	—	—	—	—	—	—
2012	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—
2015 - 2019	—	—	—	—	—	—	—	—
2020 - 2024	—	—	—	—	—	—	—	—
2025 - 2029	—	—	—	—	—	—	—	—
2030 - 2034	—	—	—	—	—	—	—	—
2035 - 2039	—	—	—	—	—	—	—	—
2040 - 2044	—	—	—	—	—	—	—	—
2045 - 2049	—	—	—	—	—	—	—	—
2050 - 2054	—	—	—	—	—	—	—	—
2055 - 2059	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**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	\$	907,323	\$	907,323
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)	—	—	—	—
<b>Net assets - invested in capital assets, net of related debt</b>	<b>\$</b>	<b>907,323</b>	<b>\$</b>	<b>907,323</b>

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

**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS**

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**

	Net Asset	
	Class	Amount
		Dr. (Cr.)
Net assets as of June 30, 2008, as previously reported		\$ 5,017,259
Prior period adjustments:		
1 Pension liability was understated in prior year		(331,215)
2 (list description of each adjustment)		---
3 (list description of each adjustment)		---
4 (list description of each adjustment)		---
5 (list description of each adjustment)		---
6 (list description of each adjustment)		---
7 (list description of each adjustment)		---
8 (list description of each adjustment)		---
9 (list description of each adjustment)		---
10 (list description of each adjustment)		---
Net assets as of June 30, 2008, as restated		\$ 4,686,044

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

	Debit	Credit
Net asset class: Unrestricted		
1 Correct pension liability for June 30, 2008		
Prior period adjustment	\$ 331,215	
Pension liability		331,215
Net asset class: unrestricted		
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 independent auditors' report and notes to supplementary information.



**HUMBOLDT STATE UNIVERSITY CENTER  
BOARD OF DIRECTORS  
NOTE TO SUPPLEMENTARY INFORMATION  
June 30, 2009**

**NOTE 1 – SUPPLEMENTARY SCHEDULES**

As an auxiliary organization of the California State University (CSU), Humboldt State University Center Board of Directors (University Center) 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 reporting format between University Center's financial statements and the supplementary schedules for CSU.