

**SONOMA STATE UNIVERSITY ACADEMIC  
FOUNDATION, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sonoma State University Academic Foundation, Inc.  
Rohnert Park, California

We have audited the accompanying basic financial statements of Sonoma State University Academic Foundation, Inc. (Foundation), a component unit of the California State University System, as of June 30, 2009 and June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our 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 amounts and disclosures in 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 Foundation as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The supplemental information provided on pages 34 and 35 are not a required part of the basic financial statements. The supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Moss Adams, LLP*

For Moss Adams LLP  
Eugene, Oregon  
September 10, 2009

Sonoma State University Academic Foundation, Inc.  
Management's Discussion and Analysis  
June 30, 2009

This section of the Sonoma State University Academic Foundation, Inc. (Foundation) annual financial report presents management's overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2009. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

**Introduction to the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Foundation's audited financial statements, which are comprised of the basic financial statements (pages 10-13) and the footnotes (pages 14-33). This annual report is prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The Business-Type Activity (BTA) reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

The four auxiliary not-for-profit corporations serving Sonoma State University (University), of which the Foundation is one, have also adopted the BTA reporting model primarily for efficiencies gained in combining the four auxiliaries' annual financial statements with the University and ultimately the combined CSU financial statements.

The required financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Notes to the financial statements, supplementary detail and/or statistical information, and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

The Foundation's financial statements include:

Statement of Net Assets: This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Assets". This section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Foundation as a whole. Over time, increases and decreases in total net assets can be an indicator of whether the financial health of the organization is improving or declining.

Statement of Revenues, Expenses and Changes in Net Assets: This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenditures reported during this fiscal year may result in changes to cash flow in a future period.

Statement of Cash Flows: This statement reflects inflows and outflows of cash, summarized by operating, capital financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

## Reporting Entity

The financial statements of Sonoma State University will be separated between the University and its component units. The latter are separate I.R.C. 501(c) (3) not-for-profit, tax-exempt auxiliary corporations established to support and further the mission of the University.

The auxiliary corporations' financial information will be presented in a discrete column and in the footnotes of the University's financial statements. Consequently, these auxiliaries must comply with the same governmental rulings and must present their individual separate audited financial statements in the same format or include supplementary schedules which align with the University format.

## Analytical Overview

### **Summary**

The following discussion highlights management's understanding of the key financial aspects of the Foundation's activities.

Included in management's discussion is an analysis of current year activities and balances; a discussion of restrictions of Foundation net assets; and factors impacting future reporting periods.

### **Condensed Summary of Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 4,914,885	\$ 7,256,478	\$ 8,546,367
Restricted cash and cash equivalents	-	20,526,196	24,594,340
Capital assets, net	1,008,629	1,036,767	1,064,905
Other noncurrent assets	33,816,079	43,661,460	53,141,965
Total assets	<u>\$ 39,739,593</u>	<u>\$ 72,480,901</u>	<u>\$ 87,347,577</u>
Liabilities:			
Current liabilities	\$ 557,663	\$ 12,364,589	\$ 970,533
Long-term debt	-	-	12,679,675
Other noncurrent liabilities	3,487,052	3,470,703	5,561,612
Total liabilities	<u>4,044,715</u>	<u>15,835,292</u>	<u>19,211,820</u>
Net assets:			
Invested in capital assets	1,008,629	1,036,767	1,064,905
Restricted, nonexpendable	25,556,344	29,064,636	29,265,420
Restricted, expendable	8,921,935	19,535,449	28,805,152
Unrestricted	207,970	7,008,757	9,000,280
Total net assets	<u>\$ 35,694,878</u>	<u>\$ 56,645,609</u>	<u>\$ 68,135,757</u>

## **Assets**

### Current assets

The \$2.3 million net decrease in current assets is primarily due to a decrease in pledges receivable, net (\$3.2 million) which is partially offset by a slight increase in cash and cash equivalents along with an increase in short-term investments.

From 2007 to 2008, the \$1.3 million net decrease in current assets was primarily due to a decrease in the cash and cash equivalents (\$2.2 million) partially offset by an increase in pledges receivable, net (\$1 million). A portion of Charitable Remainder Trust assets invested in cash equivalents at June 30, 2007 was converted into cash during the year and was reflected in Restricted cash and cash equivalents which were restricted in their use to support the construction of the Green Music Center.

Restricted cash and cash equivalents represented funds held by the Bank of New York for the Green Music Center Concert Hall. The \$20.5 million from 2008 includes \$19.9 million in the construction fund and \$461 thousand in the debt reserve accounts for interest payments.

The \$20.5 million decrease is primarily related to funds transferred to the University to support the construction of the Green Music Center (\$10.3 million) along with the payment in full of the outstanding notes payable (\$11.2 million) and the payment of the two interest payments along with the final arbitrage payment (total of \$679 thousand). These decreases were partially offset by cash donations transferred to the Bank of New York and a small amount of net investment income. Once all of the Foundation's obligations in relation to the notes were paid the remaining funds that were held by the Bank of New York were transferred to the Foundation's general cash account. These funds were donated to support the Green Music Center and as the University continues to incur construction expenses these funds are transferred to reimburse the University.

From 2007 to 2008, the \$4.1 million decrease is primarily related to funds transferred to the University to support the construction of the Green Music Center (\$21 million), funds transferred to the Bank New York escrow account as related to the defeasance of a portion of the Foundation's outstanding notes payable (\$1.5 million), and interest expense (\$380 thousand). These decreases are offset by funds transferred from the investment account held at the Bank of New York (\$7.4 million), net investment income earned during the year (\$1.2 million), and cash donations deposited with the Bank of New York (\$10.2 million).

### Noncurrent assets

During the current year, other noncurrent assets decreased by \$10 million. This decrease was primarily related to the current market conditions and investment depreciation.

From 2007 to 2008, other noncurrent assets decreased by \$9.5 million. This decrease was primarily related to the transfer of GMC investments (\$7.4 million) and the termination of a Charitable Remainder Trust (\$2.8 million) which were offset by an increase in investment appreciation.

Capital assets, included in noncurrent assets, decreased by \$28 thousand in 2009 and 2008, which is related to depreciation recorded during the year. Capital assets consist of land, buildings, building improvements, and equipment. There were no significant additions or disposals of capital assets in either year.

## **Liabilities**

Current liabilities decreased by approximately \$11.8 million. This decrease is primarily related to the payment of the debt obligation associated with the issuance of the Sonoma State University Academic Foundation, Inc. Auxiliary Organization Revenue Notes (Green Music Concert Hall), Series 2005. In 2008 the debt obligation equaled \$11.2 million and was classified to current liabilities as the balance was due on March 1, 2009. The remaining current year

decrease in current liabilities is due to the payment of accrued interest and final arbitrage rebate in relation to the Revenue Notes mentioned above.

As of June 30, 2009, other noncurrent liabilities represent the Foundation's liability to its charitable remainder trust beneficiaries. Other noncurrent liabilities increased by \$16 thousand which represents an adjustment for the calculated change in the present value of future benefits payable to charitable remainder trust beneficiaries.

From 2007 to 2008, other noncurrent liabilities decreased by \$2.1 million. During the year a Charitable Remainder Trust was terminated which lowered the noncurrent liability to charitable remainder trust beneficiaries (\$1.6 million). Additionally the arbitrage rebate was reclassified from noncurrent to current. The remainder of the decrease in the liability is related to the calculated change in the present value of future benefits payable to charitable remainder trust beneficiaries.

### **Net assets**

The Foundation's net assets decreased \$21 million from 2008 and decreased \$11.5 million from 2007. These decreases were the result of the Foundation's significant donations to the University to support the construction of the Green Music Center and the negative impact of economic factors on the appreciation and return of the Foundation's investments. These factors were offset in the current year by approximately \$1.4 million of revenues primarily in the form of donations.

The Foundation's net assets consisted of:

***Invested in capital assets, net of related debt*** - \$1,008,629 in 2009 and \$1,036,767 in 2008; represents the investment in townhouses net of accumulated depreciation.

***Restricted, non-expendable*** - \$25,556,344 in 2009 and \$29,064,636 in 2008; represents endowments created by a multitude of donors over time. These endowments provide a perpetual stream of annual income in support of University academic and academic-related programs and scholarships. This net asset category is reduced by net investment depreciation (realized and unrealized) that resulted from recent market declines. See discussion under the *Unrestricted* net asset category.

#### ***Restricted, expendable:***

- ***Scholarships*** - \$656,670 in 2009 and \$643,473 in 2008; represents donations and annual revenue distributions from endowments to a variety of donor directed scholarships.
- ***Debt service*** - \$0 in 2009 and \$334,343 in 2008; represents restricted cash and cash equivalents for the interest payments on the notes less accrued or paid interest expenses.
- ***Other*** - \$8,265,265 in 2009 and \$18,557,633 in 2008; represents a variety of University department programs that receive direct donations and the Green Music Center Concert Hall funds.

***Unrestricted*** - \$207,970 in 2009 and \$7,008,757 in 2008; in the current year this category represents the general fund cumulative net revenue. This category is not restricted by external restrictions. Its use is designated by management or the Board of Directors of the Foundation. The net general fund revenue is designated as an operational reserve. On September 30, 2008 the state of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires organizations to record net investment capital depreciation (realized and unrealized) on investments in the *Restricted, non-expendable* category. In the prior year this net asset category included net investment capital appreciation (realized and unrealized).

### Condensed Summary of Revenues and Expenses

	June 30, 2009	June 30, 2008	June 30, 2007
Revenues and expenses:			
Operating revenues	\$ 318,229	\$ 349,562	\$ 236,794
Operating expenses	<u>(957,592)</u>	<u>(1,148,138)</u>	<u>(1,488,654)</u>
Net operating loss	<u>(639,363)</u>	<u>(798,576)</u>	<u>(1,251,860)</u>
Non-operating revenues (expenses)			
Gifts to the Foundation, noncapital	1,487,293	11,418,444	1,835,169
Gifts from the Foundation to the University, noncapital	(13,933,162)	(22,940,076)	-
Investment income, net	211,777	921,084	1,560,838
Endowment income (loss), net	(8,234,147)	(1,041,437)	5,662,565
Other nonoperating expenses	<u>(337,696)</u>	<u>(1,270,018)</u>	<u>(402,466)</u>
Net nonoperating revenues (expenses)	<u>(20,805,935)</u>	<u>(12,912,003)</u>	<u>8,656,106</u>
Income (loss) before other additions	(21,445,298)	(13,710,579)	7,404,246
Additions to permanent endowments	<u>494,567</u>	<u>2,220,431</u>	<u>1,598,776</u>
Other revenue	<u>494,567</u>	<u>2,220,431</u>	<u>1,598,776</u>
Increase (decrease) in net assets	<u>\$ (20,950,731)</u>	<u>\$ (11,490,148)</u>	<u>\$ 9,003,022</u>
Total revenues	2,511,866	14,909,521	12,298,440
Total expenses	(23,462,597)	(26,399,669)	(3,295,419)
Beginning net assets	<u>56,645,609</u>	<u>68,135,757</u>	<u>59,132,735</u>
Ending net assets	<u>\$ 35,694,878</u>	<u>\$ 56,645,609</u>	<u>\$ 68,135,757</u>

The decrease in the operating loss was the result of decreased operating expenses (\$190 thousand) and a decrease in operating revenues (\$31 thousand) for a net decrease in the operating loss of \$159 thousand. The decrease in operating expenses was primarily related to an effort made by the Foundation in the current year to encourage the campus programs to incur initial expense in their University funds and then get reimbursed from the Foundation campus program funds. This effort showed a decrease in operating expenses for the Foundation and an increase in transfers to the University. Operating revenues remain relatively unchanged from the prior year.

In 2008 the decrease in the operating loss was the result of decreased operating expenses (\$340 thousand) and an increase in operating revenues (\$113 thousand) for a net decrease in the operating loss of \$453 thousand. The decrease in operating expenses was primarily related to an effort made by the Foundation to encourage the campus programs to incur initial expense in their University funds and then get reimbursed from Foundation. Increased revenues are related to certain revenues classified as operating revenues for campus programs involving the Athletics Department and the Anthropological Studies Center.

Net nonoperating revenues (expenses), of \$20.8 million in 2009 compare to \$12.9 million of net nonoperating revenues (expenses), in 2008. This change is primarily attributable to the significant decline in Gifts to the Foundation along with the overall market decline. Donations the Foundation made to the University to support the construction of the Green Music Center declined over the prior year but the donations the Foundation made to the University to support campus programs increased.

In 2008, nonoperating revenues (expenses), of \$12.9 million compare to \$8.7 million in 2007. This change is primarily attributable to the significant donations the Foundation made to the University to support the construction of the Green Music Center and decreases in investment and endowment income.

Gifts to the Foundation, noncapital are donations to support the University. These gifts do not include donations that support the endowments. Donations to support the endowments are reported as Additions to permanent endowments in the Statement of Revenues, Expenses and Changes in Net Assets.

These gifts may include direct gifts, matching gifts and pledges. Detailed below are gifts to the Foundation in 2009.

	<u>2009</u>
Academic Programs	\$ 1,121,597
Scholarships	<u>365,696</u>
Total	<u>\$ 1,487,293</u>

Gifts outflowing from the Foundation were approximately \$13.9 million. These gifts represent donations from the Foundation to the University in support of a variety of academic departments, scholarships, and for the Green Music Center. Detailed below are gifts from the Foundation in 2009.

	<u>2009</u>
Scholarships	\$ 746,303
Academic Programs	1,278,417
Green Music Center	<u>11,908,442</u>
Total	<u>\$ 13,933,162</u>

Investment income, net was approximately \$212 thousand. This income is ordinary income, realized and unrealized gains or losses on investments, premium interest amortization and management fees for non-endowment investments. Investment income was primarily attributable to realized gains and investment income earned at the Bank of New York as shown below.

	<u>2009</u>
Investment income, Bank of New York	\$ 86,952
Investment income on bonds	51,362
Investment management fees	(18,656)
Other investment income	23,634
Realized gains, net of realized losses	87,832
Unrealized losses	<u>(19,347)</u>
Total investment income, net	<u>\$ 211,777</u>

In 2008, investment income net was approximately \$921 thousand. The primary investments that generated this result were the Bank of New York money market and bond holdings and the Morgan Stanley Active Assets. In 2008 there was a realized gain of \$691 thousand from the investments that were held at the Bank of New York which accounts for most of the change when compared to 2009.

The current year endowment losses were approximately \$8.2 million, which were primarily made up of unrealized losses due to the economic downturn in the market, compared to a loss in 2008 of \$1.0 million. The current year loss is the result of investment income, net of investment management fees; realized gains, net of realized losses; separately recorded investment management fees; and unrealized losses, net of unrealized gains.

Investment income, net of investment management fees, of \$724,897 decreased approximately \$313 thousand from 2008. Realized losses, net of realized gains, were \$691 thousand compared to a gain position of \$2.1 million in 2008. Unrealized losses, net of unrealized gains equaled \$8.2 and increased \$4.1 million from the 2008 unrealized loss position of \$4.1 million. Separately recorded investment management fees decreased \$17 thousand from 2008.

The realized losses are primarily attributable to the rebalancing of the endowment investments at Commonfund. As investments were transitioned from one fund to another, gains or losses were realized on the sale activity. Unrealized losses are generally consistent with the negative economic conditions experienced during the year.

	<u>2009</u>
Investment income	\$ 724,897
Realized gains, net of realized losses	(690,736)
Investment management fees	(70,006)
Unrealized losses	<u>(8,198,302)</u>
Total endowment income, net	<u><u>\$ (8,234,147)</u></u>

Additions to permanent endowments in 2009 were \$495 thousand, a decrease of \$1.7 million from 2008. In 2008, additions to the permanent endowment were \$2.2 million, approximately \$600 thousand more than in 2007. Additions to permanent endowments may include direct gifts, matching gifts and gift annuities held at the California State University Foundation. Pledges made for endowments are not recorded until the actual gift has been made.

Endowment contributions are down from the prior year due to the overall decline in the economy. For the current year the Foundation had only three endowment fund contributions in excess of \$20 thousand compared to five in the prior year. Comparing to 2008 there was one large endowment gift (\$1.8 million) that was received as the result of the termination of a Charitable Remainder Trust. This gift, as approved by the Board of Directors of the Foundation and consistent with donors' wishes, was immediately transferred out of the endowment and used to support the construction of the Green Music Center.

	<u>2009</u>
Additions to Charitable Remainder Trusts	\$ 120,000
Vadasz Family Fund	250,000
Lori Maycock Men's Soccer Fund	68,773
Korbel Champagne Cellars Fund	20,684
Additions between \$5,001 and \$20,000	29,057
Additions of \$5,000 or less	62,544
Change in Charitable Remainder Trust	<u>(56,491)</u>
Total additions to permanent endowments	<u><u>\$ 494,567</u></u>

### **Budgetary Highlights**

The General Fund is the only Foundation fund with an established budget for operations. The budget is approved annually by the Board of Directors.

### **Factors Impacting Future Periods**

The Green Music Center is a multi-purpose and multi-funded complex. It will consist of a world class concert hall, a Music Education Hall and a Hospitality Center. Construction of the Green Music Center, including the Green Music Center Concert Hall began late spring 2006. Construction was ongoing throughout the fiscal year ending June 30, 2009 and will continue into the next phase to complete the concert hall, recital hall and landscaping. Funding for the complex comes from private donations and California State University State and Non-State Capital Outlay programs. The Foundation is assisting the University in the planning and financing for the Green Music Center complex through on-going fundraising activities. As construction progresses during 2010, the Foundation will continue to transfer funds raised for this project to the University for construction expenses.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,754,376	\$ 2,546,685
Restricted cash and cash equivalents	-	20,526,196
Short-term investments	1,411,153	620,190
Accounts receivable, net	-	163,391
Pledges receivable, net	743,911	3,897,971
Prepaid expenses and other assets	5,445	28,241
Total current assets	<u>4,914,885</u>	<u>27,782,674</u>
Noncurrent assets:		
Pledges receivable, net	235,765	746,833
Endowment investments	24,128,028	28,430,365
Other long-term investments	8,571,687	13,094,286
Capital assets, net	1,008,629	1,036,767
Other assets	880,599	1,389,976
Total noncurrent assets	<u>34,824,708</u>	<u>44,698,227</u>
Total assets	<u>39,739,593</u>	<u>72,480,901</u>
Liabilities:		
Current liabilities:		
Accounts payable	41,619	2,561
Accrued salaries and benefits payable	-	114
Accrued compensated absences - current portion	-	1,190
Long-term debt obligations - current portion	-	11,161,870
Other liabilities	516,044	1,198,854
Total current liabilities	<u>557,663</u>	<u>12,364,589</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	-	9,766
Other liabilities	3,487,052	3,460,937
Total noncurrent liabilities	<u>3,487,052</u>	<u>3,470,703</u>
Total liabilities	<u>4,044,715</u>	<u>15,835,292</u>
Net assets:		
Invested in capital assets, net of related debt	1,008,629	1,036,767
Restricted for:		
Nonexpendable-endowments	25,556,344	29,064,636
Expendable:		
Scholarships and fellowships	656,670	643,473
Debt service	-	334,343
Other	8,265,265	18,557,633
Unrestricted	207,970	7,008,757
Total net assets	<u>\$ 35,694,878</u>	<u>\$ 56,645,609</u>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2009 AND 2008**

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	<u>2009</u>	<u>2008</u>
Revenues:		
Operating revenues:		
Sales and services of educational activities	\$ 6,799	\$ 12,552
Other operating revenues	<u>311,430</u>	<u>337,010</u>
Total operating revenues	<u>318,229</u>	<u>349,562</u>
Expenses:		
Operating expenses:		
Public service	27,436	139,474
Academic support	354,788	279,493
Student services	20,947	14,500
Institutional support	496,205	678,337
Operation and maintenance of plant	28,314	7,087
Student grants and scholarships	1,764	1,109
Depreciation	<u>28,138</u>	<u>28,138</u>
Total operating expenses	<u>957,592</u>	<u>1,148,138</u>
Operating loss	<u>(639,363)</u>	<u>(798,576)</u>
Nonoperating revenues (expenses):		
Gifts to the Foundation, noncapital	1,487,293	11,418,444
Gifts to the University from the Foundation, noncapital	(13,933,162)	(22,940,076)
Investment income, net	211,777	921,084
Endowment income, net	(8,234,147)	(1,041,437)
Other nonoperating revenues (expenses), net	<u>(337,696)</u>	<u>(1,270,018)</u>
Net nonoperating revenues (expenses)	<u>(20,805,935)</u>	<u>(12,912,003)</u>
Loss before other additions	<u>(21,445,298)</u>	<u>(13,710,579)</u>
Additions to permanent endowments	<u>494,567</u>	<u>2,220,431</u>
Total other additions	<u>494,567</u>	<u>2,220,431</u>
Decrease in net assets	<u>(20,950,731)</u>	<u>(11,490,148)</u>
Net assets:		
Net assets at beginning of year	<u>56,645,609</u>	<u>68,135,757</u>
Net assets at end of year	<u>\$ 35,694,878</u>	<u>\$ 56,645,609</u>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Cash flows from operating activities:		
Payments to suppliers	\$ (876,906)	\$ (1,192,347)
Payment to students	(1,764)	(1,109)
Other operating receipts	316,771	331,669
Other operating payments	8,750	8,125
Net cash used in operating activities	(553,149)	(853,662)
Cash flows from noncapital financing activities:		
Gifts received	5,810,346	10,513,647
Gifts made to the University	(13,933,162)	(22,940,076)
Transfers of Funds to Trustee for Bonds	(11,150,000)	(1,500,000)
Interest paid	(422,605)	(300,010)
Net cash used in noncapital activities	(19,695,421)	(14,226,439)
Cash flows from investing activities:		
Sales and maturities of investments	7,638,189	24,938,985
Purchase of investments	(7,054,496)	(16,998,777)
Investment income received	271,396	1,190,888
Investment expenses paid	(925,024)	(281,235)
Net cash provided by (used in) investing activities	(69,935)	8,849,861
Net decrease in cash and cash equivalents	(20,318,505)	(6,230,240)
Cash and cash equivalents, beginning of year	23,072,881	29,303,121
Cash and cash equivalents, end of year	\$ 2,754,376	\$ 23,072,881

*The accompanying notes are an integral part of these statements.*

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS (Continued)**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Cash and cash equivalents consist of:		
Current assets	\$ 2,754,376	\$ 2,546,685
Restricted assets	-	20,526,196
Total	\$ 2,754,376	\$ 23,072,881
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (639,363)	\$ (798,576)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	28,138	28,138
Change in assets and liabilities:		
Accounts receivable	5,341	(5,341)
Prepaid expenses	22,796	(26,927)
Accounts payable	39,058	(35,941)
Accrued salaries	(114)	114
Accrued compensated absences	(10,956)	(10,702)
Other liabilities	1,951	(4,427)
Total adjustments	86,214	(55,086)
Net cash used in operating activities	\$ (553,149)	\$ (853,662)

# SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC. NOTES TO FINANCIAL STATEMENTS

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## NOTE 1 - ORGANIZATION

The Sonoma State University Academic Foundation, Inc., (Foundation) was established in 1974, as an auxiliary organization of the California State University system (the System), as defined in the California Education Code, Title V, Section 42400, to engage in activities furthering and enhancing the educational effectiveness of Sonoma State University (University) and supplement services provided by the State of California.

The Foundation manages assets and funds from the following programs and activities:

- Campus programs and activities of the University departments and organizations. These activities are supported by restricted and unrestricted contributions and income generated from endowments.
- Expenditures and withdrawals are authorized and directed by the respective departments and organizations.
- Endowments, consisting of money or other assets for which the donor has specified that the principal may not be expended.
- The scholarship program provides scholarships and student aid to currently enrolled students. Support for this program is controlled and budgeted, subject to donor restrictions, by the Board of Directors.
- The fiduciary trust program manages assets held in trust for donors under split interest agreements. Funds are disbursed to the beneficiaries under terms of the various trust documents.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

The Foundation is a legally separate tax-exempt component unit of Sonoma State University (the University). The University is part of the California State University (the System). The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's board appointments require approval from the University President, and as a result, the Foundation follows the reporting principles promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements present only the *Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows* of Sonoma State University Academic Foundation, Inc. and do not purport to, and do not, present fairly the financial position of the California State University System as of June 30, 2009 and 2008 and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

# SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The basic financial statements required by Governmental Accounting Standards Board (GASB) Statements No. 34 and 35 include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. As a component unit of a public institution, the Foundation has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. The effect of internal activity between funds has been eliminated from these financial statements. In accordance with the business-type activities reporting model, the Foundation prepares its statement of cash flows using the direct method.

#### **Election of Applicable FASB Statements**

The Foundation uses all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Foundation has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

#### **Classification of Current and Noncurrent Assets and Liabilities**

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

#### **Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts, money market funds and bond funds.

#### **Pledges Receivable**

Unconditional pledges receivable are recorded as receivables and revenue. To be recorded, the pledge must be documented, reasonably measured and probable of collection. The Foundation distinguishes between contributions received for each asset category in accordance with donor-imposed restrictions. Pledges receivable are discounted to the anticipated net present value of future cash flows. Pledges received for endowments are not recorded until received as cash.

#### **Investments**

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying *Statement of Revenues, Expenses, and Changes in Net Assets* as investment income, net. It is the policy of the Foundation to invest all funds that are not required for day-to-day operations. The four general pools are current funds (working capital) funds, endowment pool, special investment pool and the charitable remainder pool. Alternative types of investment may be considered, although, in no case are assets to be invested exclusively in trading in securities on margin, selling short, and purchasing of warrants and options or derivatives.

The investment goal of the endowment pool is to achieve a total return (actual value minus inflation) that preserves the fair value of the assets, while generating sufficient income to support the Foundation's campus accounts. The long term total return objective for the portfolio is inflation, as determined by the U.S. Higher Education Price Index (HEPI), plus five percent.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are stated at cost or estimated historical cost if purchased, or if donated, at estimated fair value at date of donation. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from five to thirty-five years.

Depreciation expense is shown separately in the *Statement of Revenues, Expenses, and Changes in Net Assets* rather than being allocated among other categories of operating expenses.

**Net Assets**

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

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

*Restricted - nonexpendable:* Net assets subject to externally imposed conditions that the Foundation retains them in perpetuity; net assets in this category consist of endowments held by the Foundation.

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

*Unrestricted:* All other categories of net assets; In addition, unrestricted net assets may be designated for use by management or the Board of Directors of the Foundation.

The Foundation has adopted a policy of generally utilizing restricted – expendable funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

**Classification of Revenues**

The Foundation considers operating revenues and expenses in the *Statement of Revenues, Expenses, and Changes in Net Assets* to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses or capital contributions in accordance with GASB Statement No. 35. These non-operating activities include net investment income, gifts, and interest expense.

**Income Taxes**

The Foundation is a not-for-profit corporation and is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities.

**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 the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassifications**

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The majority of the Foundation's cash and investments are pooled; however, separate accounting is maintained as to the amounts allocable to the various funds and programs.

***Cash and cash equivalents at June 30:***

	<b>2009</b>	<b>2008</b>
Book balance	\$ 2,754,376	\$ 2,546,685
Bank balance	2,738,256	2,486,141
Difference between Book Balance and Bank	\$ 16,120	\$ 60,544
Significant reconciling items consist of:		
Deposits in Transit	\$ 109,839	\$ 347,419
Outstanding Checks	(93,719)	(286,875)
	\$ 16,120	\$ 60,544

***Restricted Cash and cash equivalents at June 30:***

	<b>2009</b>	<b>2008</b>
All other restricted cash and cash equivalents	\$ -	\$ 20,526,196
Total restricted cash and cash equivalents	\$ -	\$ 20,526,196

Restricted cash was held at the Bank of New York as part of the construction of the Green Music Center concert hall and debt-service payments on the notes payable that were issued on March 1, 2005. The remaining balance on these notes were paid on March 1, 2009, thus fully liquidating the current year restricted cash and cash equivalent balance.

**NOTE 4 - INVESTMENTS**

**Composition of Investments**

Investments include demand deposits, real property, debt and equity securities, and notes from individuals and corporations. Investments are reported at fair market value. All notes are secured by deeds of trust with the exception of one note to a related auxiliary (see note 18). Changes in the fair value of investments are reported as part of Investment income, net in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS (Continued)**

Quoted market prices are used to value the Foundation's debt and equity investments. Land and other alternative investments are valued at fair value. Fair value for these assets are determined using a hierarchy; first based on quoted prices for identical assets then using quotes that are observable in the market or if the quotes are unobservable in the market then the value reflects assumptions based on the best information available. These prices and values are estimates from financial institutions as of June 30, 2009 and 2008.

**Composition of investments at June 30, 2009:**

	Current Unrestricted	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
US Bank SWIFT pool	\$ 1,006,295	\$ -	\$ -	\$ -	\$ 1,006,295
Common Fund - Others	-	-	24,281,181	24,281,181	24,281,181
Equity securities	404,858	-	5,748	5,748	410,606
Fixed income securities (Treasury notes, GNMA's)	-	-	952,174	952,174	952,174
Land and other real estate	-	-	859,552	859,552	859,552
Notes receivable	-	-	6,495,309	6,495,309	6,495,309
Mutual funds	-	-	78,397	78,397	78,397
Other major investments:					
Annuity and Life Insurance	-	-	27,354	27,354	27,354
<b>Total investments</b>	<b>1,411,153</b>	<b>-</b>	<b>32,699,715</b>	<b>32,699,715</b>	<b>34,110,868</b>
Less endowment investments (enter as negative number)	-	-	(24,128,028)	(24,128,028)	(24,128,028)
<b>Total investments, net of endowments</b>	<b>\$ 1,411,153</b>	<b>\$ -</b>	<b>\$ 8,571,687</b>	<b>\$ 8,571,687</b>	<b>\$ 9,982,840</b>

Current investments are reported as Short-term investments on the *Statement of Net Assets* and totaled \$1,411,153 at June 30, 2009.

Noncurrent investments are reported as Endowment investments of \$24,128,028 and other long-term investments of \$8,571,687 at June 30, 2009.

**Composition of investments at June 30, 2008:**

	Current Unrestricted	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
US Bank SWIFT pool	\$ -	\$ -	\$ -	\$ -	\$ -
Common Fund - Other	-	5,942,213	26,354,558	32,296,771	32,296,771
Equity securities	620,190	-	5,748	5,748	625,938
Fixed income securities (Treasury notes, GNMA's)	-	-	985,361	985,361	985,361
Land and other real estate	-	-	884,584	884,584	884,584
Notes receivable	-	-	7,190,901	7,190,901	7,190,901
Mutual funds	-	-	110,386	110,386	110,386
Other major investments:					
Annuity and Life Insurance	-	-	25,900	25,900	25,900
Other collectibles	-	-	25,000	25,000	25,000
<b>Total investments</b>	<b>620,190</b>	<b>5,942,213</b>	<b>35,582,438</b>	<b>41,524,651</b>	<b>42,144,841</b>
Less endowment investments (enter as negative number)	-	-	(28,430,365)	(28,430,365)	(28,430,365)
<b>Total investments, net of endowments</b>	<b>\$ 620,190</b>	<b>\$ 5,942,213</b>	<b>\$ 7,152,073</b>	<b>\$ 13,094,286</b>	<b>\$ 13,714,476</b>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - INVESTMENTS (Continued)**

Current investments are reported as Short-term investments on the *Statement of Net Assets* and totaled \$620,190 at June 30, 2008.

Noncurrent investments are reported as Endowment investments of \$28,430,365 and other long-term investments of \$13,094,286 at June 30, 2008.

**Investments Held Under Contractual Agreements**

The Foundation does not hold investments on behalf of others.

**Investment Costs and Fair Market Values**

**Aggregated costs and fair values of debt, equity and real estate investments at June 30 are as follows:**

	<b>2009</b>	
	<b>Cost</b>	<b>Fair Value</b>
Notes receivable with interest between 7.0% and 9.0% per annum, final maturities due on demand through October 2013, secured by deeds of trust with the exception of one note receivable (see Note 18)	\$ 6,495,309	\$ 6,495,309
SWIFT	1,006,295	1,006,295
Common Fund	29,033,091	24,281,181
Mutual funds	103,081	78,397
Equity Securities	1,158,033	410,606
Debt & Fixed Income Securities	896,119	952,174
Annuity and life insurance	27,354	27,354
Subtotal	<u>\$ 38,719,282</u>	<u>\$ 33,251,316</u>
Real property at market includes the following:		
Undeveloped land	<u>859,552</u>	<u>859,552</u>
Total	<u>\$ 39,578,834</u>	<u>\$ 34,110,868</u>

The Foundation has leased undeveloped land to the University since July 1, 2002. The University pays \$99,000, per annum. This rental income is included in other operating revenues on the *Statement of Revenues, Expenses, and Changes in Net Assets*. The lease terminates on June 30, 2011. The land is reported at market value of \$859,552.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - INVESTMENTS (Continued)**

	2008	
	Cost	Fair Value
Notes receivable with interest between 7.0% and 9.5% per annum, final maturities due on demand through October 2013, secured by deeds of trust with the exception of one note receivable (see Note 18)	\$ 7,190,901	\$ 7,190,901
Mutual funds	29,256,654	32,407,157
Equity Securities	1,158,033	625,938
Debt & Fixed Income Securities	988,589	985,361
Annuity and life insurance	25,900	25,900
Other collectibles	25,000	25,000
Subtotal	\$ 38,645,077	\$ 41,260,257
Real property at cost includes the following:		
Undeveloped land	884,584	884,584
Total	\$ 39,529,661	\$ 42,144,841

**Endowment investments**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) authorizes the spending of corpus and net appreciation. California adopted this act on September 30, 2008 with the passage of Senate Bill 1329. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation the Foundation classifies the original value of the gift donated along with original value of subsequent gifts donated to the permanent endowment. These are included in the Restricted, Nonexpendable-endowment net asset category on the *Statement of Net Assets*. The Foundation's current spending policy is to distribute an amount equal to or greater than the prior year taking into account the required prudence evaluation as guided by UPMIFA which requires considering the donor's intent as well as several economic factors.

Net investment capital appreciation, realized and unrealized, are reported in the Restricted, Expendable – Other net asset category on the *Statement of Net Assets* until appropriated for spending pursuant to donor agreements. However, net investment capital depreciation, realized and unrealized, are reported in the Restricted, Nonexpendable-endowment net asset category on the *Statement of Net Assets*.

The current year impact of the adoption of UPMIFA resulted in a reclassification of approximately \$6.8 million from the Unrestricted net asset category to the Restricted, Expendable – Other net asset category on the *Statement of Net Assets*. This amount represents the accumulated net investment capital appreciation as of June 30, 2008. At June 30, 2009, the cumulative amount of net investment capital depreciation on endowments was approximately \$3.6 million and was reported within the Restricted, Nonexpendable-endowment net asset category on the *Statement of Net Assets*.

Undistributed endowment earnings are included in the Restricted, Expendable – Other net asset category on the *Statement of Net Assets*.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 - DEPOSIT AND INVESTMENT RISK**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Foundation would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Financial instruments that potentially subject the Foundation to custodial risk consist primarily of bank demand deposits and investments in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investors Protector Corporation (SIPC). The Foundation places its cash investments, including savings accounts and money market funds with a number of quality financial institutions to limit the exposure to loss by any one institution.

The Foundation had cash and cash equivalent deposits of \$2,738,256 which represents the balance recorded at the respective financial institutions compared to the book balance recorded by the Foundation of \$2,754,376 at June 30, 2009, of which \$656,918 is not covered by the FDIC or SIPC insurance programs. Coverage amounts are based on the balance recorded by the financial institution.

Investments other than cash are held in the name of the Foundation. No policy exists related to custodial risk specifically. The Foundation's investment policy does not prohibit deposits in single institutions that expose the Foundation to custodial credit risk.

**Concentration of Credit Risk**

The Foundation does not limit the amount that may be invested in any one issuer. At June 30, 2009, the Foundation had \$24,281,181 or 74% of its noncurrent investments in the Common Fund. These investments are mutual funds and are diversified into debt, equity, realty, and hedge funds. These funds are not rated, however, the Common Fund carries \$50 million coverage for Errors and Omissions (E&O) and Directors and Officers (D&O).

At June 30, 2009, the Foundation had three notes receivable from two separate borrowers with balances representing 98% of the total notes receivable. These notes receivable are included in Other long-term investments in *the Statement of Net Assets*. Two of these notes are fully collateralized while the other note is from a related auxiliary (see Note 18) and has a balance of \$5,027,903 at June 30, 2009.

The Foundation has no policy which limits concentration of credit risk.

**Interest Rate Risk**

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Foundation has various types of fixed income investments.

- *Notes receivable.* Relative to recent interest rates, these notes have minimal interest rate risks because they are typically held to maturity. The notes have interest rates ranging from 7.0% to 9.0%. The notes receivable are private money and are not rated. These notes are fully collateralized with the exception of the note from a related auxiliary.
- *Mutual fund investments.* The other investments subject to interest rate risk are bond funds, which are invested in mutual funds that mitigate interest rate risk through a multi-strategy approach. The mutual funds are also not rated.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 - DEPOSIT AND INVESTMENT RISK (Continued)**

**Investment Maturities (in Years)**

<b>Investment Type</b>	<b><u>Fair Value</u></b>	<b><u>Less than 1 year to 10</u></b>	<b><u>More than 10</u></b>
Notes Receivable	\$ 6,495,309	\$ 1,467,406	\$ 5,027,903
Total	<u>\$ 6,495,309</u>	<u>\$ 1,467,406</u>	<u>\$ 5,027,903</u>

**NOTE 6 - RECEIVABLES**

**Pledges Receivable**

**Pledges receivable at June 30, 2009 consisted of the following**

	<b><u>Current</u></b>	<b><u>Noncurrent</u></b>	<b><u>Total</u></b>
Year ending June 30, 2010	\$ 825,170	\$ -	\$ 825,170
Years ending June 30, 2011 through 2013	-	318,923	318,923
Thereafter	-	108,280	108,280
Total Pledges at full pledged value	<u>825,170</u>	<u>427,203</u>	<u>1,252,373</u>
Less:			
Allowance for Uncollectible Pledges	(81,259)	(118,591)	(199,850)
Reduction in Noncurrent Pledges for Present Value	<u>-</u>	<u>(72,847)</u>	<u>(72,847)</u>
Total Pledges, net	<u>\$ 743,911</u>	<u>\$ 235,765</u>	<u>\$ 979,676</u>

**Pledges receivable at June 30, 2008 consisted of the following**

	<b><u>Current</u></b>	<b><u>Noncurrent</u></b>	<b><u>Total</u></b>
Year ending June 30, 2009	\$ 4,103,127	\$ -	\$ 4,103,127
Years ending June 30, 2010 through 2012	-	746,767	746,767
Thereafter	-	177,229	177,229
Total Pledges at full pledged value	<u>4,103,127</u>	<u>923,996</u>	<u>5,027,123</u>
Less:			
Allowance for Uncollectible Pledges	(205,156)	(46,200)	(251,356)
Reduction in Noncurrent Pledges for Present Value	<u>-</u>	<u>(130,963)</u>	<u>(130,963)</u>
Total Pledges, net	<u>\$ 3,897,971</u>	<u>\$ 746,833</u>	<u>\$ 4,644,804</u>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 consisted of the following:

**Composition of capital assets at June 30, 2009:**

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2009</b>
Nondepreciable capital assets:				
Land and land improvements	\$ 514,600	-	-	\$ 514,600
Construction work in progress	-	-	-	-
Total nondepreciable capital assets	514,600	-	-	514,600
Depreciable capital assets:				
Buildings and building improvements	1,023,758	-	(11,817)	1,011,941
Personal property:				
Equipment	22,000	-	-	22,000
Intangible assets	-	-	-	-
Total depreciable capital assets	1,045,758	-	(11,817)	1,033,941
Total capital assets	1,560,358	-	(11,817)	1,548,541
Less accumulated depreciation:				
Buildings and building improvements	(501,591)	(28,138)	11,817	(517,912)
Personal property:				
Equipment	(22,000)	-	-	(22,000)
Intangible assets	-	-	-	-
Total accumulated depreciation	(523,591)	(28,138)	11,817	(539,912)
Total capital assets, net	\$ 1,036,767	(28,138)	-	\$ 1,008,629

Depreciation expense was \$28,138 for the year ended June 30, 2009, and is included in operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 - CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended June 30, 2008 consisted of the following:

**Composition of capital assets at June 30, 2008:**

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Reduc- tions</b>	<b>Balance June 30, 2008</b>
Nondepreciable capital assets:				
Land and land improvements	\$ 514,600	-	-	\$ 514,600
Construction work in progress	-	-	-	-
Total nondepreciable capital assets	514,600	-	-	514,600
Depreciable capital assets:				
Buildings and building improvements	1,029,215	-	(5,457)	1,023,758
Personal property:				
Equipment	25,008	-	(3,008)	22,000
Intangible assets	-	-	-	-
Total depreciable capital assets	1,054,223	-	(8,465)	1,045,758
Total capital assets	1,568,823	-	(8,465)	1,560,358
Less accumulated depreciation:				
Buildings and building improvements	(478,910)	(28,138)	5,457	(501,591)
Personal property:				
Equipment	(25,008)	-	3,008	(22,000)
Intangible assets	-	-	-	-
Total accumulated depreciation	(503,918)	(28,138)	8,465	(523,591)
Total capital assets, net	\$ 1,064,905	(28,138)	-	\$ 1,036,767

Depreciation expense was \$28,138 for the year ended June 30, 2008, and is included in operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Rental income and associated costs on the townhouses, excluding depreciation expense and reserves for future repairs and maintenance, were as follows:

	<b>2009</b>	<b>2008</b>
Rental income	\$ 140,694	\$ 125,092
Expenses		
Utilities	(522)	(2,706)
Noncapital equipment	(5,662)	(5,060)
Repairs and maintenance	(14,538)	(12,655)
Homeowner association and management fees	(21,000)	(20,745)
Property taxes	(22,869)	(22,420)
Total expenses	(64,591)	(63,586)
Net rental income	\$ 76,103	\$ 61,506

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 - CAPITAL ASSETS (Continued)**

The townhouses are rented under leases of varying terms to the University's staff, faculty members, and visiting scholars for \$1,300 per month. Rental income and associated expenses are recognized in a specific fund. The net revenues are transferred to the endowment fund for investment and then allocated to specific funds for disbursement. Fees equaling 5% of rents are paid to the University's Facility Services to manage the properties.

**NOTE 8 - RESTRICTED INVESTMENTS**

The Foundation is the beneficiary of several charitable remainder trusts (CRTs) whereby a donor contributes assets and designates beneficiaries to receive distributions for a period of time. The assets are invested in long-term notes receivable which are included in other long-term investments in the *Statement of Net Assets* (see Note 2). The Foundation is the trustee on these agreements.

The assets from these CRTs are recorded at fair value along with a liability for the present value of the estimated future payments expected to be made to the beneficiaries. The difference between the fair value of these assets and the liability to the beneficiaries is recognized as restricted contributions. Adjustments to the liability to reflect any revaluation of expected future payments to beneficiaries are made annually and recognized in the *Statement of Revenues, Expenses and Changes in Net Assets* as a change in value of charitable remainder trusts. The Foundation uses applicable mortality tables and discounts rates, which vary from 5.75% to 10% when revaluing the liability. The liability is included in other liabilities (current and non-current).

**NOTE 9 - OTHER ASSETS**

**Composition of Other Assets at June 30:**

	<b>2009</b>	<b>2008</b>
Beneficial interest in perpetual trust	\$ 647,985	\$ 901,051
Gift annuities held at CSU Foundation	232,614	435,464
Cost of issuance on notes payable, net of amortization	-	53,461
Total other assets	\$ 880,599	\$ 1,389,976

The Foundation is the beneficiary of a perpetual trust agreement that is administered by an independent third party. The principal assets will remain part of the trust for perpetuity. The Foundation will receive a stream of income from this trust, which is included in Investment income, net in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

The Foundation records its interest in gift annuities held under agency agreement at the CSU Foundation at their estimated present value. The contribution revenue is included in Gifts to the Foundation, noncapital, on the *Statement of Revenues, Expenses and Changes in Net Assets*.

The costs of issuance for the notes that were issued in March 2005 totaled \$320,767, and were amortized over the life of the notes. The amortization expense was \$53,461 for the year ended June 30, 2009 and is included in other nonoperating expenses in the *Statement of Revenues, Expenses and Changes in Net Assets*.

The Foundation is also the beneficiary of certain trusts that are administered by third parties. These interests are not recognized in the financial statements as they do not meet the eligibility requirements.

# SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - CURRENT LIABILITIES

#### Limited Obligation Notes

The Sonoma State University Academic Foundation, Inc. Auxiliary Organization Revenue Notes (Green Music Concert Hall), Series 2005 (the Notes) were issued and delivered to finance (i) the construction of a music complex known as the Green Music Concert Hall (the Project) on the Sonoma State University campus (the Campus); (ii) to pay costs related to the issuance of the Notes; and (iii) to fund a portion of the interest on the Notes to their maturity on March 1, 2009. The Project is a component facility of a larger complex also consisting of the Music Education Hall and a Hospitality Center.

The Notes were authorized and issued pursuant to an Indenture, dated as of February 1, 2005, (the Indenture), by and between the Foundation and The Bank of New York Trust Company, N.A., as Trustee (the Trustee). The Notes were issued in the aggregate principal amount of \$12,650,000 and were dated March 1, 2005. The Series 2005 Notes matured on March 1, 2009 with interest at a rate of three percent (3%) per annum, computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes were limited obligations of the Corporation and were payable solely from certain revenues derived from cash donations received by the Foundation and all moneys derived by the Trustee from drawings under seven stand-by letters of credit issued for the accounts of certain donors of the Project, (collectively, the Letters of Credit). These Letters of Credit were held by the Trustee for the benefit of the registered Noteholders(s) and from certain other funds held under the Indenture.

Interest on the Series 2005 Notes was payable semiannually on March 1 and September 1 in each year, commencing September 1, 2005. Interest expense of \$253,000 is reported as other nonoperating revenues, on the *Statement of Revenues, Expenses and Changes in Net Assets*. This interest was paid from restricted assets.

These notes were issued as tax exempt financing and to that end the Foundation complied with all requirements of the Internal Revenue Code to the extent applicable. In April 2009, a final arbitrage rebate analysis was completed by Bond Logistix LLC, the bond management company. This analysis was conducted for the period of March 1, 2005 through March 1, 2009. The allowable yield on investments was 2.850075%. The actual return on investments applicable to the Arbitrage Rebate and the Yield Restriction was 3.903171% and 2.417063%, respectively. As a result, the Foundation had a Cumulative Rebate Liability of \$426,387 and a Yield Restriction Liability of \$0. The Cumulative Rebate Liability was required to be rebated to the United States no later than 60 days after March 1, 2009, the maturity date of the Notes. As of June 30, 2009 the Cumulative Rebate Liability was fully paid.

For the year that ended June 30, 2008 there were two defeasance transactions, totaling \$1.5 million. In September of 2008 there was an additional defeasance transaction for \$5 million. These defeasance transactions represented advanced refundings and legal defeasance of a portion of the debt obligation of the Foundation. These transactions were done to relieve a portion of the seven standby letters of credit and resulted in an insignificant economic loss in the amount of legal and professional fees incurred to complete the advance refundings.

On March 1, 2009 the Foundation paid off the Series 2005 Notes and the Letters of Credit were not drawn upon.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 - CURRENT LIABILITIES (Continued)**

**Other Liabilities (current)**

<b>Composition of Other Liabilities (Current) at June 30:</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
CRT liability, current portion	\$ 494,115	\$ 614,867
Accrued interest payable from restricted assets	-	126,500
Unclear donations	4,079	-
Deposits	17,450	14,550
Arbitrage Rebate and Yield Restriction Liability	-	441,590
Other	400	1,347
	<b><u>400</u></b>	<b><u>1,347</u></b>
 Total other liabilities	 \$ <b><u>516,044</u></b>	 \$ <b><u>1,198,854</u></b>

**NOTE 11 - NONCURRENT LIABILITIES**

**Other Liabilities (Noncurrent)**

	<b><u>2009</u></b>	<b><u>2008</u></b>
CRT liability	\$ <b><u>3,487,052</u></b>	\$ <b><u>3,460,937</u></b>
 Total Other liabilities	 \$ <b><u>3,487,052</u></b>	 \$ <b><u>3,460,937</u></b>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11 - NONCURRENT LIABILITIES (Continued)**

Long-term liabilities activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Current portion	Long-term portion
Accrued compensated absences	\$ 10,956	-	(10,956)	-	-	-
<b>Long-term debt obligations:</b>						
Revenue Bonds	-	-	-	-	-	-
Other bonds (non-Revenue Bonds)	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-
<b>Other:</b>						
Foundation Series 2005 Notes	11,150,000	-	(11,150,000)	-	-	-
Total long-term obligations	11,150,000	-	(11,150,000)	-	-	-
<b>Unamortized bond premium</b>	11,870	-	(11,870)	-	-	-
<b>Unamortized loss on refunding</b>	-	-	-	-	-	-
Total long-term debt obligations, net	11,161,870	-	(11,161,870)	-	-	-
Total long-term liabilities	\$ 11,172,826	-	(11,172,826)	-	-	-

Long-term liabilities activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current portion	Long-term portion
Accrued compensated absences	\$ 15,796	6,003	(10,843)	10,956	1,190	9,766
<b>Long-term debt obligations:</b>						
Revenue Bonds	-	-	-	-	-	-
Other bonds (non-Revenue Bonds)	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-
<b>Other:</b>						
Foundation Series 2005 Notes	12,650,000	-	(1,500,000)	11,150,000	11,150,000	-
Total long-term obligations	12,650,000	-	(1,500,000)	11,150,000	11,150,000	-
<b>Unamortized bond premium</b>	29,675	-	(17,805)	11,870	11,870	-
<b>Unamortized loss on refunding</b>	-	-	-	-	-	-
Total long-term debt obligations, net	12,679,675	-	(1,517,805)	11,161,870	11,161,870	-
Total long-term liabilities	\$ 12,695,471	6,003	(1,528,648)	11,172,826	11,163,060	9,766

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 12 - PENSION PLAN AND POSTRETIREMENT BENEFITS**

The Foundation has an Internal Revenue Service code section 403(b) defined contribution pension plan funded by individual annuity contracts. The Foundation doesn't have any active employees as of June 30, 2009 but the plan is still open for former eligible employees of the Foundation. Employees were eligible to participate in the plan upon reaching age 21 and following completion of two years of service, consisting of no less than 1,000 hours worked in consecutive 12-month periods. The plan was mandatory.

The funding sponsors are Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF). The Foundation administers the plan and has authority for plan provisions and rates but must follow the California Education Code governing employee benefits for auxiliary organizations.

Participants were required to contribute 5 percent of gross salary, with the Foundation's contribution of 10 percent of salary, and were fully vested at time of contribution.

The contributions to the plan during the most recent three fiscal years were as follows:

	<b>Employee</b>	<b>Employer</b>
2007	\$ 3,790	\$ 7,582
2008	3,456	6,913
2009	355	710

The Foundation has no liability to fund the post-retirement pension or health and welfare benefits of its past employees.

**NOTE 13 - RISK MANAGEMENT**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation has joined together with other CSU Auxiliaries in the CSU Risk Management Authority (the Authority), a public entity risk pool. The Foundation pays an annual premium to the Authority for its general insurance coverage. The intent is for the Authority to remain self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the \$15,000,000 limit per each insured event. There have been no claims against the insurance in any of the past three years. Annual premiums totaled \$30,684 and \$30,342 for the years ending June 30, 2009 and 2008, respectively.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Green Music Center Concert Hall**

The Foundation issued notes and raised private donations for the purpose of financing the construction of a concert hall known as the Green Music Concert Hall (the Project) on the Sonoma State University campus located in Sonoma County, California. The Project will consist of a main concert hall estimated to have approximately 57,700 square feet of space, with a capacity of approximately 1,400 seats and supporting backstage to accommodate certain performances in the music and fine arts program.

The Foundation has paid off the notes and the remaining Project component will be funded by private cash donations received by the Foundation. The project is a component facility of a larger complex (Green Music Center) consisting of the Music Education Hall and a Hospitality Center funded through the California State University State and Non-State Capital Outlay programs.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)**

The contractor of record for the Green Music Center, including the Concert Hall component, is Sonoma State University. The Foundation transfers funds to the University to fund construction costs. The University will capitalize the costs and record the asset on its books of record. For the year ending June 30, 2009 the amount of funds drawn against the Foundation and remitted to the University for reimbursement of construction costs was \$11.8 million. The assets to support these transfers were from donations specifically restricted by donors to support the construction of the Green Music Center.

**NOTE 15 - CLASSIFICATION OF OPERATING EXPENSES**

The Foundation has elected to report operating expenses by functional classification in the *Statement of Revenues, Expenses, and Changes in Net Assets*, but to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2009 and 2008, operating expenses by natural classification consisted of the following:

<u>2009</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Functional classification:						
Public service	\$ -	-	-	27,436	-	27,436
Academic support	-	-	-	354,788	-	354,788
Student services	-	-	-	20,947	-	20,947
Institutional support	-	-	-	496,205	-	496,205
Operation and maintenance of plant	-	-	-	28,314	-	28,314
Student grants and scholarships	-	-	1,764	-	-	1,764
Depreciation	-	-	-	-	28,138	28,138
Total	<u>\$ -</u>	<u>-</u>	<u>1,764</u>	<u>927,690</u>	<u>28,138</u>	<u>957,592</u>

<u>2008</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Functional classification:						
Public service	\$ -	-	-	139,474	-	139,474
Academic support	-	-	-	279,493	-	279,493
Student services	-	-	-	14,500	-	14,500
Institutional support	-	-	-	678,337	-	678,337
Operation and maintenance of plant	-	-	-	7,087	-	7,087
Student grants and scholarships	-	-	1,109	-	-	1,109
Depreciation	-	-	-	-	28,138	28,138
Total	<u>\$ -</u>	<u>-</u>	<u>1,109</u>	<u>1,118,891</u>	<u>28,138</u>	<u>1,148,138</u>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 16 - CALCULATION OF NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

	<b>2009</b>	<b>2008</b>
Capital assets, net of accumulated depreciation	\$ 1,008,629	\$ 1,036,767
	<b>1,008,629</b>	<b>1,036,767</b>
Net assets - invested in capital assets, net	\$ <u>1,008,629</u>	\$ <u>1,036,767</u>

**NOTE 17 - CALCULATION OF NET ASSETS RESTRICTED FOR NONEXPENDABLE ENDOWMENTS**

	<b>2009</b>	<b>2008</b>
Endowment investments	\$ 24,128,028	\$ 28,430,365
Portion of assets net of related liabilities and unrealized losses that are restricted to endowments	1,428,316	634,271
	<b>1,428,316</b>	<b>634,271</b>
Net assets - Restricted for nonexpendable - endowments	\$ <u>25,556,344</u>	\$ <u>29,064,636</u>

**NOTE 18 - TRANSACTIONS WITH RELATED ENTITIES**

The Foundation has an operating agreement with the University for executive management, oversight, financial resource, and logistical services at no charge.

The Foundation receives support from the University that allows the Foundation to carry out programs and activities controlled and budgeted for by the Board of Directors. This support is included in other nonoperating revenues/ (expenses), net in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

The University also paid rent on land owned by the Foundation. This rental income is included in other operating revenues in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

The Foundation manages donations received on behalf of all the programs and activities. The Foundation transfers funds to the University as authorized and directed by the respective programs.

Included in the Transfers to the University are amounts for scholarships, support of programs, and reimbursements for the Green Music Center construction.

The Foundation is the beneficiary of gift annuities that are held by the CSU Foundation. These gift annuities are reported as a receivable for the Foundation and are included in other assets in the *Statement of Net Assets*. Each year, an annual update of the gift annuities is provided and the changes in the values are recognized as additional revenues and receivables.

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 18 - TRANSACTIONS WITH RELATED ENTITIES (Continued)**

The accompanying financial statements include the following transactions with related parties as of and for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Support from the University	\$ 13,806	\$ 238,791
Transfer from the University for Curation Endowment	11,324	208,500
Interest payments from University on demand deposit	-	238,242
Principle payments received from University on demand deposit	-	5,000,000
Rental Income from the University	<u>99,000</u>	<u>99,000</u>
Total payments received from the University	<u>\$ 124,130</u>	<u>\$ 5,784,533</u>
Note receivable principle payments received from other auxiliary organizations	\$ 167,542	\$ 156,309
Note receivable interest payments received from other auxiliary organizations	<u>359,347</u>	<u>370,579</u>
Total payments received from other auxiliary organizations	<u>\$ 526,889</u>	<u>\$ 526,888</u>
Transfers to the University for program activities	<u>\$ 14,204,174</u>	<u>\$ 23,274,551</u>
Transfers to related auxiliary organizations for program activities, net of transfers in from other auxiliaries	<u>\$ 109,736</u>	<u>\$ 79,405</u>
Note receivable from other auxiliary, unsecured, interest rate is 7% per annum, final maturity is June 2025 (included in <i>Other long-term investments</i> in the Statement of Net Assets)	<u>\$ 5,027,903</u>	<u>\$ 5,195,445</u>
Gift annuities held by the California State University Foundation (included in <i>Other Assets</i> )	<u>\$ 232,614</u>	<u>\$ 435,464</u>
Accounts payable to University or other auxiliary organizations included in <i>Accounts payable</i> in the Statement of Net Assets	<u>\$ 14,065</u>	<u>\$ 1,734</u>

**SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 19 - NEW ACCOUNTING STANDARDS**

GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assts* - was issued in June 2007 and is effective for financial statements for periods beginning after June 15, 2009. The objective of this statement is to establish accounting and financial reporting requirements for intangible assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The adoption of Statement No. 51 is not expected to have a material impact on the Foundation's financial position, results of operation, or cash flows.

GASB Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments* - was issued in June 2008 and is effective for financial statements for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The key provision of this statement is derivative instruments, with certain exceptions, will be reported at fair value in the financial statements. The adoption of Statement No. 53 is not expected to have a material impact on the Foundation's financial position, results of operations, or cash flows.

## **SUPPLEMENTAL INFORMATION**

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**Sonoma State University Academic Foundation, Inc.**  
**Statement of Revenues, Expenses and Changes in Net Assets -**  
**for Inclusion in the California State University Statements**  
**For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Revenues:		
Operating revenues:		
Sales and services of educational activities	\$ 6,799	\$ 12,552
Other operating revenues	311,430	337,010
Total operating revenues	<u>318,229</u>	<u>349,562</u>
Expenses:		
Operating expenses:		
Public service	27,436	139,474
Academic support	354,788	279,493
Student services	20,947	14,500
Institutional support	496,205	678,337
Operation and maintenance of plant	28,314	7,087
Student grants and scholarships	1,764	1,109
Depreciation	28,138	28,138
Total operating expenses	<u>957,592</u>	<u>1,148,138</u>
Operating loss	<u>(639,363)</u>	<u>(798,576)</u>
Nonoperating revenues (expenses):		
Gifts, non-capital	(12,445,869)	(11,521,632)
Investment income, net	211,777	921,084
Endowment loss	(8,234,147)	(1,041,437)
Other nonoperating revenues (expenses)	<u>(337,696)</u>	<u>(1,270,018)</u>
Net nonoperating revenues (expenses)	<u>(20,805,935)</u>	<u>(12,912,003)</u>
Loss before other additions	<u>(21,445,298)</u>	<u>(13,710,579)</u>
Additions to permanent endowments	<u>494,567</u>	<u>2,220,431</u>
Total other additions	<u>494,567</u>	<u>2,220,431</u>
Decrease in net assets	<u>(20,950,731)</u>	<u>(11,490,148)</u>
Net assets:		
Net assets at beginning of year	<u>56,645,609</u>	<u>68,135,757</u>
Net assets at end of year	<u>\$ 35,694,878</u>	<u>\$ 56,645,609</u>

**Sonoma State University Academic Foundation, Inc.**  
**Statement of Net Assets - for Inclusion in the California State University Statements**  
**As of June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,754,376	\$ 2,546,685
Short-term investments	1,411,153	620,190
Accounts receivable, net	--	163,391
Pledges receivable, net	743,911	3,897,971
Prepaid expenses and other assets	5,445	28,241
<b>Total current assets</b>	<b>4,914,885</b>	<b>7,256,478</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	--	20,526,196
Pledges receivable, net	235,765	746,833
Endowment investments	24,128,028	28,430,365
Other long-term investments	8,571,687	13,094,286
Capital assets, net	1,008,629	1,036,767
Other assets	880,599	1,389,976
<b>Total noncurrent assets</b>	<b>34,824,708</b>	<b>65,224,423</b>
<b>Total assets</b>	<b>\$ 39,739,593</b>	<b>\$ 72,480,901</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 41,619	\$ 2,561
Accrued salaries and benefits payable	--	114
Accrued compensated absences - current portion	--	1,190
Long-term debt obligations - current portion	--	11,161,870
Other liabilities	516,044	1,198,854
<b>Total current liabilities</b>	<b>557,663</b>	<b>12,364,589</b>
<b>Noncurrent liabilities:</b>		
Accrued compensated absences, net of current portion	--	9,766
Other liabilities	3,487,052	3,460,937
<b>Total noncurrent liabilities</b>	<b>3,487,052</b>	<b>3,470,703</b>
<b>Total liabilities</b>	<b>4,044,715</b>	<b>15,835,292</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,008,629	1,036,767
Restricted for:		
Nonexpendable-endowments	25,556,344	29,064,636
Expendable:		
Scholarships and fellowships	656,670	643,473
Debt service	--	334,343
Other	8,265,265	18,557,633
Unrestricted	207,970	7,008,757
<b>Total net assets</b>	<b>\$ 35,694,878</b>	<b>\$ 56,645,609</b>