

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
FOUNDATION**

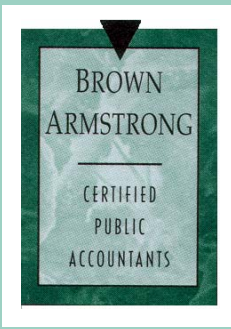
**FINANCIAL REPORT
(Audited)**

JUNE 30, 2007

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California State University, Bakersfield, Foundation
Bakersfield, California

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We have audited the accompanying statements of financial position of the California State University, Bakersfield, Foundation as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of California State University, Bakersfield, Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the year ended June 30, 2006 were audited by other auditors, whose report dated September 21, 2006 was unqualified.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 California State University, Bakersfield, Foundation as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007 on our consideration of the California State University, Bakersfield, Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplementary schedules on pages 17 through 25 are presented as required by the California State University, for their use in including the California State University, Bakersfield, Foundation as an auxiliary organization component unit in their combined financial statements. This information is not a required part of the basic financial statements. All of the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Paulden", is written over the printed name of the firm.

Bakersfield, California
September 7, 2007

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 5,405,964	\$ 3,544,455
Pledges Receivable, Less Allowance for Doubtful Pledges 2007 - \$275,400; 2006 - \$117,912 (Note 3)	128,764	50,118
Other Receivables, Less Allowance for Doubtful Accounts 2007 - \$16,366; 2006 - \$16,088	457,788	1,318,354
Due from CSUB	574,025	1,019,365
Prepaid Expenses and Deferred Charges	-	4,879
	6,566,541	5,937,171
Investment and Other Assets		
Investments (Note 4)	21,202,526	13,917,107
Pledges Receivable (Note 3)	3,530,125	1,797,168
	24,732,651	15,714,275
Property and Equipment		
Nondepreciable Assets	80,309	80,309
Buildings, Equipment, Furniture and Fixtures	11,764,157	11,761,757
Less Accumulated Depreciation	(4,555,495)	(4,309,327)
	7,288,971	7,532,739
	\$ 38,588,163	\$ 29,184,185
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 345,989	\$ 844,500
Accrued Liabilities	31,952	81,775
Due to CSUB	235,123	1,685,081
Receipts in Excess of Expenditures Campus Programs	139,170	105,700
Deposits in Excess of Withdrawals for Agency Accounts	236,711	177,560
	988,945	2,894,616
Total Current Liabilities	988,945	2,894,616
Accrued Postretirement Cost (Note 7)	2,387,246	2,130,588
Net Assets		
Unrestricted	14,882,501	10,055,550
Temporarily Restricted	8,461,635	6,823,701
Permanently Restricted	11,867,836	7,279,730
	35,211,972	24,158,981
	\$ 38,588,163	\$ 29,184,185

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

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support:				
Gifts	\$ 1,019,029	\$ 1,724,441	\$ 4,588,106	\$ 7,331,576
Revenues from Grants	1,388,164	-	-	1,388,164
Food Service Sales and Commissions	857,813	-	-	857,813
Overhead Recovery	-	-	-	-
Interest Income	299,361	340,321	-	639,682
Net Realized and Unrealized Gain on Investments	576,845	1,766,536	-	2,343,381
Athletics	721,969	3,000,585	-	3,722,554
Property Additions	14,355	-	-	14,355
Bookstore Commission	-	-	-	-
Children's Center	523,125	-	-	523,125
Other Centers and Institutes	199,165	-	-	199,165
Other	20,582	-	-	20,582
Net Assets Released from Restrictions	5,193,949	(5,193,949)	-	-
Total Revenues and Other Support	10,814,357	1,637,934	4,588,106	17,040,397
Expenses and Deductions:				
Grants and Contracts	769,657	-	-	769,657
Athletics	484,390	-	-	484,390
Endowment	195,834	-	-	195,834
Administration and Benefits	752,311	-	-	752,311
Food Service and Other Auxiliary Expenses	779,027	-	-	779,027
Scholarships	638,092	-	-	638,092
Capital Projects	256,289	-	-	256,289
Depreciation	321,395	-	-	321,395
Children's Center	530,492	-	-	530,492
Other Centers and Institutes	297,695	-	-	297,695
Bad Debts	251,444	-	-	251,444
Other	964,761	-	-	964,761
Total Expenses and Deductions	6,241,387	-	-	6,241,387
Other Financing Sources (Uses)	376,769	-	-	376,769
Increase (Decrease) in Net Assets Before Effect of Adoption of FASB Statement No. 158	4,949,739	1,637,934	4,588,106	11,175,779
Effect of Adoption of Recognition and Measurement Date Provisions of FASB Statement No. 158	(122,788)	-	-	(122,788)
Net Assets, Beginning	10,055,550	6,823,701	7,279,730	24,158,981
Net Assets, Ending	<u>\$ 14,882,501</u>	<u>\$ 8,461,635</u>	<u>\$ 11,867,836</u>	<u>\$ 35,211,972</u>

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

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
STATEMENTS OF ACTIVITIES (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2007

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support:				
Gifts	\$ 976,327	\$ 2,191,306	\$ 2,642,279	\$ 5,809,912
Revenues from Grants	6,828,806	-	-	6,828,806
Food Service Sales and Commissions	737,648	-	-	737,648
Overhead Recovery	13,000	-	-	13,000
Interest Income	130,476	160,820	-	291,296
Net Realized and Unrealized Gain on Investments	96,261	392,656	-	488,917
Athletics	1,397,873	2,253,488	-	3,651,361
Bookstore Commission	320,445	-	-	320,445
Children's Center	505,647	-	-	505,647
Other Centers and Institutes	992,352	-	-	992,352
Other	-	-	-	-
Net Assets Released from Restrictions	829,979	(829,979)	-	-
Total Revenues and Other Support	12,828,814	4,168,291	2,642,279	19,639,384
Expenses and Deductions:				
Grants and Contracts	6,855,729	-	-	6,855,729
Athletics	1,413,314	-	-	1,413,314
Endowment	192,257	-	-	192,257
Administration and Benefits	1,185,615	-	-	1,185,615
Food Service and Other Auxiliary Expenses	744,056	-	-	744,056
Scholarships	658,477	-	-	658,477
Capital Projects	322,426	-	-	322,426
Depreciation	502,542	-	-	502,542
Children's Center	477,155	-	-	477,155
Other Centers and Institutes	889,258	-	-	889,258
Bad Debts	220,337	-	-	220,337
Other	1,116,579	-	-	1,116,579
Total Expenses and Deductions	14,577,745	-	-	14,577,745
Increase (Decrease) in Net Assets	(1,748,931)	4,168,291	2,642,279	5,061,639
Net Assets, Beginning	11,804,481	2,655,410	4,637,451	19,097,342
Net Assets, Ending	\$ 10,055,550	\$ 6,823,701	\$ 7,279,730	\$ 24,158,981

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

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Change in Net Assets	\$ 11,175,779	\$ 5,061,639
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized and Realized (Gain) on Investments	(2,343,381)	(488,917)
Change in Allowance for Doubtful Accounts	157,766	60,481
Depreciation	321,395	502,198
(Increase) Decrease in Receivables	(663,463)	(801,843)
Decrease in Prepaid Expenses and Deferred Charges	4,879	38,751
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,998,292)	1,053,686
Increase in Other Liabilities	226,491	351,223
	6,881,174	5,777,218
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
(Purchase) Disposition of Fixed Assets	(77,627)	(217,042)
(Purchase) of Investments	(4,942,038)	(3,458,333)
	(5,019,665)	(3,675,375)
Net Cash (Used in) Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	1,861,509	2,101,843
Cash and Cash Equivalents		
Beginning	3,544,455	1,442,612
Ending	\$ 5,405,964	\$ 3,544,455

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

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

California State University, Bakersfield, Foundation (the Foundation) provides essential services to the students, faculty and staff of California State University, Bakersfield that cannot be provided through State procedure.

A summary of the Foundation's significant accounting policies follows:

Accounting Policies

The Foundation accounts for its financial transactions in accordance with the policies and procedures of the California State University Auxiliary Organization's Accounting and Reporting System. The accounting policies of the Foundation conform to accounting principles in the United States of America.

Use of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. An estimate considered to be significant to the financial statements is the allowance for uncollectible pledges.

Contributions

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities). Donated materials and services are recorded at fair market value whenever an objective basis is available to quantify the donation for financial presentation and depreciable purposes.

Revenue Recognition

Revenue from grants and contracts is recognized as funds are expended. All commercial revenue including book and supply sales, food sales, etc. is recorded when earned. Federal grant awards are classified as deferred revenue until expended for the purposes of the grants.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Investments

The Foundation applies SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers cash on hand, cash on deposit, and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash as of June 30, 2007 included approximately \$2,963,077 held by a financial institution, which exceeded the insurance limits of the Federal Deposit Insurance Corporation.

Property and Equipment

Property and equipment is stated at cost. When cost information is not available, appraised values are used. Depreciation of property and equipment is computed on the straight-line method over estimated useful lives of three to thirty years. All acquisitions of property and equipment in excess of \$500 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Postretirement Benefits

The Foundation provides certain health care benefits for all retired employees that meet eligibility requirements. The Foundation's share of the estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expense over the employees' service periods to the dates they are fully eligible for benefits, except that the Foundation's unfunded cost that existed at June 30, 1995 is being accrued primarily in a straight-line manner that will result in its full accrual by June 30, 2015.

Donated Materials

The Foundation receives donated materials from individuals and organizations to use in their supporting services. The value of these donated materials is reflected as contributions and expenses in the statements of activities at their estimated fair value.

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state code sections, except for taxes on unrelated business income.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2007, the Foundation adopted FASB Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R). This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. See Note 7 for disclosures required under FASB Statement No. 158.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Banks	\$ 2,970,914	\$ 1,828,246
Local agency investment fund	149,814	141,686
Brokers	2,281,486	1,574,523
On hand	<u>3,750</u>	<u>-</u>
	5,405,964	3,544,455
Adjustment for pool participants not considered component units (Student Union and Foundation for Research)	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u><u>\$ 5,405,964</u></u>	<u><u>\$ 3,544,455</u></u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 128,764	\$ 50,118
One to five years	<u>3,530,125</u>	<u>1,797,168</u>
	<u><u>\$ 3,658,889</u></u>	<u><u>\$ 1,847,286</u></u>

NOTE 4 – INVESTMENTS

Investments are stated at fair value at June 30, 2007 and 2006. Cost, fair values and unrealized appreciation at June 30, are as follows:

	<u>2007</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Common fund (bond and equity funds)	\$ 13,421,756	\$ 20,782,863	\$ 7,361,107
Equities	114,689	118,118	3,429
Mutual Funds	<u>248,462</u>	<u>301,545</u>	<u>53,083</u>
Total investments	<u><u>\$ 13,784,907</u></u>	<u><u>\$ 21,202,526</u></u>	<u><u>\$ 7,417,619</u></u>
	<u>2006</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Common fund (bond and equity funds)	\$ 8,603,584	\$ 13,664,754	\$ 5,061,170
Mutual funds	<u>239,285</u>	<u>252,353</u>	<u>13,068</u>
Total investments	<u><u>\$ 8,842,869</u></u>	<u><u>\$ 13,917,107</u></u>	<u><u>\$ 5,074,238</u></u>

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2007 and 2006:

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest income	\$ 299,362	\$ 340,320	\$ -	\$ 639,682
Net realized and unrealized gains	576,845	1,766,536	-	2,343,381
Total Reported Investment Return	<u>\$ 876,207</u>	<u>\$2,106,856</u>	<u>\$ -</u>	<u>\$2,983,063</u>

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest income	\$ 136,536	\$ 154,760	\$ -	\$ 291,296
Net realized and unrealized gains	105,401	383,516	-	488,917
Total Reported Investment Return	<u>\$ 241,937</u>	<u>\$ 538,276</u>	<u>\$ -</u>	<u>\$ 780,213</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2007 and 2006:

	2007	2006
Investment earnings and contributions:		
Restricted for scholarships	\$ 4,461,050	\$ 3,038,262
Restricted for academic programs	1,000,000	-
Restricted for athletic programs	3,000,585	3,785,439
	<u>\$ 8,461,635</u>	<u>\$ 6,823,701</u>

Permanently restricted net assets are available for the following purposes at June 30, 2007 and 2006:

	2007	2006
Contributions restricted in perpetuity	<u>\$ 11,867,836</u>	<u>\$ 7,279,730</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Description

The Foundation applies GASB 27, "Accounting for Pensions by State and Local Employers." Statement 27 establishes a viewpoint that the processes of government and the needs of users of the financial statements of governmental employers are best served when (a) the measurement of the employer's pension expenditures/expense for an accounting period is similar to the employer's required contributions for that period, in accordance with an established and actuarially sound funding policy, and (b) related information reported by the employer, the pension plan, or both entities is measured consistently. That information includes the employer's required contributions and the funded status of the plan.

The Foundation contributes to the Public Employees' Retirement System of the State of California (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies in California. The Foundation's payroll for employees covered by PERS for the years ended June 30, 2007 and 2006 was \$ 827,155 and \$1,773,260, respectively. The total payroll for all Foundation employees was \$1,083,022 and \$2,703,339 for the years ended June 30, 2007 and 2006, respectively. .

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

All full-time employees are eligible to participate in PERS. Benefits vest after five years of service. As of June 30, 2007 and 2006, the Foundation employed 25 full-time employees, participating in PERS.

Funding Policy

Active plan members are required to contribute 5% of their salary to PERS and the Foundation is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. Significant actuarial assumptions used to compute the PERS pension benefit obligation includes an actuarial interest rate of 6 percent per annum and varying projected salary increases based on duration of service and including a 4.5 percent for inflation factor.

The required employer contribution rate for fiscal year 2006-07 was 8.025% of annual payroll. The Foundation's annual PERS pension costs for the fiscal years ending June 30, 2007 and 2006 were \$67,423 and \$138,580, respectively.

Actuarially Determined Contribution Requirements and Contribution Made

PERS uses the Entry Age Normal Actuarial Cost Method, which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ended on June 30, 2000. The significant actuarial assumptions used to compute the actuarially determined contribution requirement were determined based on an actuarial valuation performed as of June 30, 2005.

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 6, the Foundation provides postretirement health care benefits through PERS to full-time employees who retire from the Foundation on or after attaining age 50 with at least 5 years of service. Continued participation in the existing health and dental plans is offered. Once the individual is eligible for Medicare, coverage may be continued in the PERS health plan by enrolling in a supplement to Medicare or a Managed Medicare Plan. The following information is based on an actuarial study performed as of June 30, 2006 and rolled-forward to the June 30, 2007 measurement date.

Net periodic postretirement benefit cost included the following components for the years ended June 30, 2007 and 2006:

	2007	2006
Service cost	\$ 97,234	\$ 439,184
Interest cost	130,810	270,058
Amortization prior service cost	(37,643)	(37,643)
Amortization of net (gain) loss		282,324
	<u> </u>	<u> </u>
Net periodic postretirement benefit cost	<u>\$ 190,401</u>	<u>\$ 953,923</u>

The net periodic postretirement benefit cost was determined using the following weighted average assumptions:

	2007	2006
Discount rate	6.25%	5.25%
Expected long-term rate of return	N/A	N/A
Health care cost trend rate:		
Present rate before 65	9.00%	9.50%
Present rate 65 and older	10.75%	11.50%
Ultimate rate before age 65 (year reached)	5.0% (2015)	5.0% (2015)
Ultimate rate age 65 and older (year reached)	5.0% (2015)	5.0% (2015)

Accumulated postretirement and projected benefit obligation:

Retirees	\$ 1,628,385
Other fully eligible plan participants	361,997
Other active participants	396,864
	<u> </u>
Total	<u>\$ 2,387,246</u>

Funded Status:

Accrued postretirement benefit cost at June 30, 2006	\$ 2,130,588
Change in accrued postretirement benefit cost at June 30, 2006 to initially apply FASB statement No. 158	122,336
Retiree Contributions	1,339
Net periodic postretirement benefit cost	190,401
Estimated benefit payments	(57,418)
	<u> </u>
Accrued postretirement benefit cost at June 30, 2007	<u>\$ 2,387,246</u>

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The projected benefit obligation was determined using the following weighted average assumptions:

	2007	2006
Discount rate	6.00%	6.25%
Health care cost trend rate:		
Present rate before 65	8.50%	9.00%
Present rate 65 and older	10.00%	10.75%
Ultimate rate before age 65 (year reached)	5.0% (2014)	5.0% (2014)
Ultimate rate age 65 and older (year reached)	5.0% (2014)	5.0% (2014)

The expected net periodic postretirement benefit cost for fiscal year 2008:

Service cost	\$ 103,068
Interest cost	140,406
Amortization prior service cost	(37,643)
Net periodic postretirement benefit cost	<u>\$ 205,831</u>

The expected contribution for the next 10 years:

2008	\$ 94,302
2009	96,803
2010	107,593
2011	109,392
2012	110,384
2013-2017	710,882

An actuarial study is completed every two years. The schedule presented above is based on the study completed on August 31, 2007.

NOTE 8 – SPONSORED PROGRAM LOAN

In October 1995, the Children's Center plant fund (a student sponsored program through the California State University, Bakersfield, Foundation), borrowed \$250,000 from the Foundation plant fund to finance expansion of the kitchen and bathroom facilities to meet state licensing requirements. The loan period is fifteen years and the loan carries interest at 6% per annum. The loan is included in the intrafund receivables and payables on the Foundation's books. The balance was \$58,636 and \$79,741 at June 30, 2007 and 2006, respectively. These account balances are eliminated when reporting at the Foundation level, as the Children's Center operations are included in the financial statements of the Foundation. As the assets acquired with this loan were recorded as part of the Foundation assets both the assets and loan balance are not shown on the separate Children Center financial statements.

Actual payment to the Foundation are made from ASI as a result of the Associated Students Fee Referendum approved on August 29, 1990, in which it stipulates that a portion of fees collected would be used for loan repayment.

NOTE 9 – CONTRACTED COMMERCIAL ACTIVITIES

As required by the California State University Auxiliary and Business Services, following are the terms of contracted commercial activities:

Food Service

Length of contract	7 years (commencing July 1, 2002)
Commission structure	6.25% of net receipts

Vending drinks/snacks

Length of contract	5 years (commencing June 12, 2003)
Commission structure	Coffee sales: 28% of gross sales Drink and snack sales: 28% of gross sales

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Vacation and sick leave – Accumulated unpaid vacation benefits are recognized as liabilities in the statement of financial position. Unpaid vacation benefits accrue at various rates according to employee status and length of employment. Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Sick leave with pay is provided when employees are absent for health reasons. However, the employees do not gain a vested right to accumulate sick leave. Therefore, employees are never paid for any sick leave balance at termination of employment. Accordingly, accumulated sick leave benefits are not recognized as liabilities of the Foundation, but are recorded as expenditures in the period that sick leaves are taken.

State and federal allowances, award, and grants – The Foundation has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Pending litigation – There is a pending litigation against the Foundation related to nonpayment and breach of contract on a construction project. The sum being claimed is approximately \$128,000. Management intends to vigorously oppose the matter, and they together with legal counsel, are confident that there is a good likelihood of prevailing. Accordingly, there has been no liability recorded for the potential unfavorable outcome of this claim.

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES

The Foundation functions to benefit the student body of the California State University, Bakersfield by operating various campus programs. The Foundation receives various services such as printing, utilities, telephone, mail service, etc. from the University which they are required to pay fees for. The Foundation also reimburses the University for the cost of faculty payroll for faculty work on grants.

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES (Continued)

Transactions for the years ended June 30, 2007 and 2006 with related parties are reflected in the accompanying financial statements as follows:

	<u>2007</u>	<u>2006</u>
Revenues:		
Program fees		
Student services	\$ 80,782	\$ 71,030
General and administrative	14,200	14,200
Expenses:		
Administrative services	633,179	568,905
Accounts receivable		
Student services	80,782	71,030
Accounts payable	152,154	203,027

NOTE 12 – SUBSEQUENT EVENTS

The president of California State University Bakersfield (University) reorganized the roles and responsibilities of the University and the Foundation administrative personnel. The purpose of the reorganization was to allow the Foundation to focus on programs and activities that would be more closely correlated to supporting, promoting and advocating the University's vision and mission and move operations that are an integral part of the University activities to the management of University administration. Activities not requiring Foundation oversight that are to be included in the transition specifically relate to grants and contracts, bookstore operations and food service and campus dining. The activities of grants and contracts as well as bookstore operations have effectively been transitioned to University management. However, as of the June 30 2007, food service operations had not been transitioned to the University. This is expected to occur during the coming fiscal year. Accordingly, the majority of food service revenues and expenses will not be a part of the Foundation's operations for the year ending June 30 2008.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007
(for inclusion in the California State University)

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Identifying Number	Amount
U.S. Department of Agriculture			
<i>Direct Programs:</i>			
USDA Glassy Winged Sharpshooter	10.025		\$ 9,550
U.S. Department of Labor			
Reaching for the Stars		N/A	6,539
U.S. Department of Health and Human Services			
<i>Direct Programs:</i>			
Increase Nurses Now	93.178		8,099
Marc National Research Service Award	93.859		190,194
U.S. Department of Defense			
<i>Direct Programs:</i>			
Office of Naval Reserve - Excel Program	12.300		260
			<u>\$ 214,642</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET ASSETS
JUNE 30, 2007
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 5,405,964
Short-Term Investments	-
Accounts Receivable, Net	1,031,813
Leases Receivable, Current Portion	-
Pledges Receivable, Net	128,764
Prepaid Expenses and Other Assets	-

Total Current Assets	<u>6,566,541</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	-
Accounts Receivable, Net	-
Leases Receivable, Net of Current Portion	-
Student Loans Receivable, Net	-
Pledges Receivable, Net	3,530,125
Endowment Investments	16,328,887
Other Long-Term Investments	4,873,639
Capital Assets, Net	7,288,971
Other Assets	-

Total Noncurrent Assets	<u>32,021,622</u>
-------------------------	-------------------

Total Assets	<u>38,588,163</u>
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Liabilities:

Current Liabilities:

Accounts Payable	345,989
Accrued Salaries and Benefits Payable	-
Accrued Compensated Absences - Current Portion	28,629
Deferred Revenue	139,170
Capitalized Lease Obligations - Current Portion	-
Long-Term Debt Obligations - Current Portion	-
Due to California State University Risk Management Authority	-
Other Liabilities	475,156

Total Current Liabilities	<u>988,944</u>
---------------------------	----------------

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	-
Deferred Revenue	-
Grants Refundable	-
Capitalized Lease Obligations, Net of Current Portion	-
Long-Term Debt Obligations, Net of Current Portion	2,387,246
Depository Accounts	-
Other Liabilities	-

Total Noncurrent Liabilities	<u>2,387,246</u>
------------------------------	------------------

Total Liabilities	<u>3,376,190</u>
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CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET ASSETS (Continued)
JUNE 30, 2007
(for inclusion in the California State University)

Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$ 7,288,971
Restricted for:	
Nonexpendable - Endowments	11,867,636
Expendable:	
Scholarships and Fellowships	5,461,050
Research	-
Loans	-
Capital Projects	-
Debt Service	-
Other	3,000,585
Unrestricted	<u>7,593,730</u>
Total Net Assets	<u>\$ 35,211,972</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007
(for inclusion in the California State University)

Revenues:		
Operating Revenues:		
Student Tuition and Fees	\$	-
Grants and Contracts, Noncapital:		
Federal		214,642
State and Local		1,032,057
Nongovernmental		694,848
Sales and Services of Educational Activities		857,813
Sales and Services of Auxiliary Enterprises		-
Other Operating Revenues		<u>4,573,757</u>
 Total Operating Revenues		 <u>7,373,117</u>
 Expenses:		
Operating Expenses:		
Instruction		573,691
Research		335,141
Public Service		574,733
Academic Support		-
Student Services		557,380
Institutional Support		995,169
Operation and Maintenance of Plant		257,330
Student Grants and Scholarships		643,212
Auxiliary Enterprise Expenses		779,027
Depreciation and Amortization		<u>321,395</u>
 Total Operating Expenses		 <u>5,037,078</u>
 Operating Income (Loss)		 <u>2,336,039</u>
 Nonoperating Revenues (Expenses):		
State Appropriations, Noncapital		-
Gifts, Noncapital		1,713,453
Investment Income, Net		2,983,063
Endowment Income (Loss)		(444,882)
Interest on Capital-Related Debt		-
Other Nonoperating Revenues (Expenses)		<u>(122,788)</u>
 Net Nonoperating Revenues (Expenses)		 <u>4,128,846</u>
 Income (Loss) Before Other Additions		 <u>6,464,885</u>
 State Appropriations, Capital		-
Grant and Gifts, Capital		-
Additions to Permanent Endowments		<u>4,588,106</u>
 Increase (Decrease) in Net Assets		 11,052,991
 Net Assets:		
Net Assets at Beginning of Year		<u>24,158,981</u>
 Net Assets at End of Year		 <u>\$ 35,211,972</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION
JUNE 30, 2007
(for inclusion in the California State University)**

1. Restricted Cash and Cash Equivalents at June 30, 2007:

Portion of Restricted Cash and Cash Equivalents Related to Endowments	\$	-
All Other Restricted Cash and Cash Equivalents		-
		<hr/>
Total Restricted Cash and Cash Equivalents	\$	<hr/> <hr/>

2. Composition of Investments at June 30, 2007:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Debt and Equity Securities	\$ -	\$ 20,900,981	\$ 20,900,981
Certificates of Deposit	-	-	-
Other Investments:			
Mutual Funds	-	301,545	301,545
	<hr/>	<hr/>	<hr/>
Total Investments	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2007
(for inclusion in the California State University)

3. Composition of Capital Assets at June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Non-Depreciable Capital Assets				
Land and Land Improvements	\$ 80,309	\$ -	\$ -	\$ 80,309
Works of Art and Historical Treasures	-	-	-	-
Construction Work in Progress	-	-	-	-
Total Non-Depreciable Capital Assets	80,309	-	-	80,309
Depreciable Capital Assets				
Buildings and Building Improvements	4,123,579	-	-	4,123,579
Improvements, Other than Buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold Improvements	-	-	-	-
Personal Property:				
Equipment	7,638,178	77,626	(75,226)	7,640,578
Library Books and Materials	-	-	-	-
Intangible Assets	-	-	-	-
Total Depreciable Capital Assets	11,761,757	77,626	(75,226)	11,764,157
Total Cost	11,842,066	77,626	(75,226)	11,844,466
Less Accumulated Depreciation				
Buildings and Building Improvements	748,686	94,924	-	843,609
Improvements, Other than Buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold Improvements	-	-	-	-
Personal Property:				
Equipment	3,560,641	226,471	(75,226)	3,711,886
Library Books and Materials	-	-	-	-
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	4,309,327	321,395	(75,226)	4,555,495
Net Capital Assets	\$ 7,532,739	\$ (243,769)	\$ -	\$ 7,288,971

Detail of depreciation expense for the year ended June 30, 2007:

Depreciation and Amortization Expense Related to Capital Assets	\$ -
Amortization Expense Related to Other Assets	321,395
Total Depreciation and Amortization	\$ 321,395

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2007
(for inclusion in the California State University)

4. Long-Term Liabilities Activity Schedule:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Long-Term Portion	Current Portion
Accrued Compensated Absences	\$ 27,092	\$ 22,364	\$ 20,827	\$ 28,629	\$ -	\$ 28,629
Self-Insurance Claims Liability	-	-	-	-	-	-
Capitalized Lease Obligations	-	-	-	-	-	-
Long-Term Debt Obligations:						
Revenue Bonds	-	-	-	-	-	-
Other Bonds (Non-Revenue Bonds)	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-
Other:						
Accrued Postretirement Cost	2,130,588	314,076	57,418	2,387,246	2,387,246	-
Total Long-Term Debt Obligation	2,130,588	314,076	57,418	2,387,246	2,387,246	-
Total Long-Term Liabilities	<u>\$ 2,157,680</u>	<u>\$ 336,440</u>	<u>\$ 78,245</u>	<u>\$ 2,415,875</u>	<u>\$2,387,246</u>	<u>\$ 28,629</u>

5. Interest Rates:

	Low	High
Range of Interest Rates on Outstanding Debt	- N/A -	

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2007
(for inclusion in the California State University)

6. Future Minimum Lease Payments:

<u>Year Ending June 30:</u>	<u>Capital Leases</u>
2008	\$ -
2009	-
2010	-
2011	-
2012	-
2013-2017	-
2018-2022	-
2023-2027	-
2028-2032	-
2033-2037	-
2038-2042	-
2043-2047	-
2048-2052	-
2053-2056	-
	<hr/>
Total Minimum Lease Payments	-
Less Amounts Representing Interest	-
	<hr/>
Present Value of Future Minimum Lease Payments	-
Less Current Portion	-
	<hr/>
Capitalized Lease Obligations, Net of Current Portion	<u>\$ -</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2007
(for inclusion in the California State University)**

7. Long-Term Debt Obligation Schedule:

<u>Year Ending June 30:</u>	Revenue Bonds		All Other Long-Term Debt Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013-2017	-	-	-	-	-	-
2018-2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-
2053-2056	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

8. The Nature and Amount of the Prior Period Adjustment(s) Recorded to Beginning Net Assets – GASB Auxiliary Organizations:

N/A – No restatements

9. The Nature and Amount of the Prior Period Adjustment(s) Recorded to Beginning Net Assets – FASB Auxiliary Organizations:

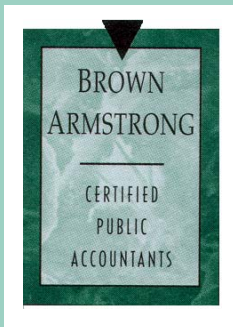
N/A – No restatements

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2007
(for inclusion in the California State University)

10. Calculation of Net Assets – Invested in Capital Assets, Net of Related Debt:

	Auxiliary Organizations	
	GASB	FASB
Capital Assets, Net of Accumulated Depreciation	N/A	\$ 7,288,971
Capital Lease Obligations, Current Portion		-
Capital Lease Obligations, Net of Current Portion		-
Long-Term Debt Obligations, Current Portion		-
Long-Term Debt Obligations, Net of Current Portion		-
Unspent Bond Proceeds		-
Other		-
		-
Net Assets - Invested in Capital Assets, Net of Related Debt		\$ 7,288,971

OTHER REPORT



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Sharon Jones, CPA, MST
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Ariadne S. Prunes, CPA

To the Board of Directors
California State University, Bakersfield, Foundation
Bakersfield, California

We have audited the financial statements of California State University, Bakersfield, Foundation as of and for the year ended June 30, 2007, and have issued our report thereon dated September 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of California State University, Bakersfield, Foundation as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain matters in internal control that we consider to be control deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. We noted certain matters that we considered to be control deficiencies which are reported in the schedule of findings and recommendations on pages 28-31 of this report. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

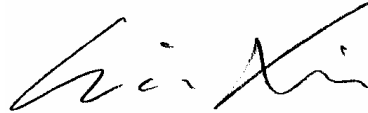
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Foundation's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, except for State compliance findings disclosed in the Foundation Children's Center's stand-alone audited financial statements, that are required to be reported under *Government Auditing Standards*.

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to be "G. A. Paulden", written over the printed name of the firm.

Bakersfield, California
September 7, 2007

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SCHEDULE I – FINANCIAL STATEMENT FINDINGS
YEAR ENDED JUNE 30, 2007**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 1 – Property and Equipment

Condition

During our analysis of property and equipment we noted the following issues:

- We were unable to determine if fully depreciated assets were still in use due to lack of a physical inventory.
- Incorrect calculation of depreciation expense for one item selected for testing. Depreciation expense was charged for only five months.

Recommendation

The following recommendations should be implemented:

- Performance of a physical inventory should be performed on a periodic basis to ensure that only assets still in use are included in the Foundation general ledger and property and equipment records.
- Property and equipment schedules should be reviewed on a regular basis to ensure that all formulas are correct and that depreciation expense is using correct asset lives.
- Capitalization threshold should be increased to \$2,500 to be consistent with newly approved campus policy.

Management Response

Management understands and appreciates the need for controls over fixed assets recorded in the Foundation's books and records. Management requested the University's facilities department to tag sensitive items costing \$500 or more through the 06/07 fiscal year and to do the same for items costing \$2,500 or more beginning July 1 2007. Furthermore management is working to transfer assets connected to the food service operation to the University. Many of these items have zero net book value. Finally, in conjunction with this transfer of assets management seeks to remove assets with an original cost of less than \$2,500 from its fixed asset database so as to bring the database into alignment with the University's current policy for tracking fixed asset inventories.

Finding 2 – Accounts Payable/Expenses

Condition

As part of our analysis of Accounts Payable we noted the following issues:

- Accruals in the amount of \$39,010 for expenses incurred during the period of 10/01/98-12/31/04 for the final installment of the Valley Fever Project were unpaid as of June 30, 2007. Per review of invoice received from University of California, Davis that was dated June 22, 2005, numerous attempts were made to obtain payment as it was marked with "Final Notice", but payment was not received in a timely manner. Payment was confirmed by a representative at University California, Davis as being received on August 14, 2007.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SCHEDULE I – FINANCIAL STATEMENT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007

- During our analysis of accounts payable we noted that a payable in the amount of \$11,848 due to the Student Union for Sodexho Commissions for fiscal year ended June 30, 2006 had not been paid in a timely manner. Per review of subsequent cash receipts during our audit of Student Union, we noted that this amount was received from the Foundation in August 2007.

Recommendation

Monthly review of accounts payable listing should be performed to ensure that all liabilities are paid on a timely basis. In the event that the Foundation disputes the amount owed, documentation should be included in the accounts payable records disclosing the dispute and the steps being taken to resolve the dispute.

Management Response

Management made sure all current liabilities were recorded appropriately in the general ledger. Management understands the control issue the auditor has identified relates to the timeliness of payments, not the recognition of the liability. In the case of UC Davis, the final invoice is related to an accrual made in the prior year for researchers performing work related to the Valley Fever vaccine project. The payment was made when the invoice was identified and the principal investigator represented that there was no objection to it being paid. In the case of amount owed the Student Union for commission revenue, Foundation's management provided authorization to the University's fiscal office last year, but payment was not processed. Management will work with the University fiscal office to customize Peoplesoft so that a report can be run as needed to monitor the payment of accounts payable items.

Finding 3 – Pledges Receivables

Condition

As part of our analysis of pledges receivables we were provided with a detailed listing of all pledges outstanding as of June 30, 2007, from which we selected a sample of pledges for confirmation. All confirmations received with exception were resolved with the assistance of Foundation personnel. For responses not received during performance of our audit, we performed alternative procedures to substantiate the balance included in the general ledger at June 30, 2007. During performance of these alternative procedures, we requested the original pledge form prepared during the pledge drives and found that one of these pledges was received in the form of residential real estate in the amount of \$250,000. Upon further review, we noted that the pledge form provided did not specifically detail information required to substantiate the \$250,000 value recorded in the general ledger, such as lot size, residence size and area where residence would be built. With the assistance of the University's AVP for Development, we contacted a representative from the pledging organization and obtained the information needed to substantiate the amount recorded in the general ledger.

Recommendation

Foundation staff should revise current pledge forms to include documentation necessary for valuing of non-cash pledges. Additionally, the pledge listing should be categorized by cash and non-cash pledges, to enable staff to better analyze the non-cash pledges prior to the conduct of the year-end audit.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SCHEDULE I – FINANCIAL STATEMENT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007

Management Response

Management continues to work with the University Advancement office to track pledges and develop new ways to bridge the gap between the pledge database (Banner) and the general ledger. As well, Foundation management, along with University Advancement, follows protocols established by the CSU in recognizing and recording pledges. The auditor has identified a special case whereby the donor stipulated on his pledge card that he would satisfy his pledge from proceeds generated from the sale of a home. However, the pledge card did not indicate an amount for the proceeds. Management will make an effort to make sure all recorded pledges contain a specific amount and that cash and non-cash pledges are segregated so that they can be identified readily.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Most grant activity was transferred to California State University, Bakersfield (the University) during fiscal year June 30, 2006. Total Foundation federal expenditures incurred during fiscal year ended June 30, 2007 were below the \$500,000 threshold required for compliance testing; therefore compliance testing of federal awards was not conducted for the Foundation during the fiscal year June 30, 2007 audit. Refer to the University's June 30, 2007 audited financial statements for any current year federal award findings and status of prior year findings.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

IC-06-01 Grants and Contracts

There was not a system in place to accurately identify which federal award funds belonged to the Foundation vs. those that belonged to the California State University, Bakersfield.

The finding stems from the year ended June 30, 2006 being a year of transition for certain programs from the Foundation to the University, combined with turnover of key personnel at both entities. We recommend that a system be developed and implemented to ensure that each program is appropriately accounted for in the correct entity throughout the entire fiscal year.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.

IC-06-02 Documentation

84.334A Gaining Early Awareness and Readiness for Undergraduate Programs (GEARUP), U. S. Department of Education

84.031S Title V/Title V Bakersfield College, U. S. Department of Education

84.044 Talent Search, U. S. Department of Education

We were unable to test portions of the reporting requirement for the GEAR-UP, Title V and Talent Search programs, as the program director and staff did not retain all of the documentation as to how the reported figures were compiled. In addition, some discrepancies between the report and the documentation provided were noted. (FA-06-01, FA-06-03 and FA-06-04)

The finding stems from the lack of internal controls and systems at the program level. It is our recommendation that the GEAR-UP, Title V and Talent Search programs develop and implement systems to retain documentation that substantiates decisions related to reporting. The systems should be detailed and documented. In addition, relevant records should be maintained in an organized manner and be subject to a layered review process.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007**

FA-06-01 Documentation to Support Reading

84.334A Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U. S. Department of Education

We were unable to test portions of the reporting requirement for the GEAR-UP program, as the program director and staff failed to keep some of the documentation as to how the reported numbers were compiled. Four out of 44 sections of the annual performance report related to program non- financial performance selected for testing included numbers that were incorrect and did not tie to supporting documentation. Two out of 44 sections of the annual performance report selected for testing included numbers for which there was no supporting documentation. One out of 40 sections of the annual performance report relating to financial data selected for testing included numbers for which there was no supporting documentation. The Catalogue of Federal Domestic Assistance for the program states that "records supporting claims under a grant must be maintained for 5 years after termination of the awards." Additionally, discrepancies were noted between some numbers included in the report and the numbers included in the documentation provided as support.

The number of students being served by the program and the success of the program in general could be reported incorrectly. The finding stems from a lack of controls at the program level. We recommend that the GEAR-UP program retain all documentation for a period of five years subsequent to when the report was filed with the funding source. All reports should be subject to a layered review process to ensure accuracy. In addition, the program director and program staff should become familiar with the annual performance report and the required data. Implementation of a data compilation and reporting process would assist the program director and staff in ensuring proper reporting to the granting agency.

Corrective Action Plan

The new Primary Investigator, Program Director, and Administrative Coordinator have been hired for the GEAR UP program and have been on the job now for several months. Though she was not the Director during the 2005/2006 fiscal year, the Director was directly involved with the audit and has implemented steps to ensure greater accuracy and completeness of documentation in the GEAR UP offices. In addition, the GRASP department (Grants, Research and Sponsored Programs) is implementing a protocol that defines best practices and specific reporting requirements for each grant. These protocols will be reviewed with each P.I. and P.D., after which GRASP will meet with the P.I./P.D. on a monthly basis to review fiscal accuracy and completeness and to review program documentation for fidelity with a focus on CSU, state, and federal requirements and regulations. GRASP is in the process of hiring additional personnel to serve as liaisons with program/grant staff.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007**

FA-06-02 Eligibility

84.334A Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U. S. Department of Education

The program staff did not maintain a list of participants for an event chosen for testing. Therefore, the participants' eligibility could not be determined. The CFDA for the program states that eligible applicants be from a State or partnership consisting of one or more local education agencies acting on behalf of one or more elementary schools or secondary schools. This also includes the secondary schools that students from the elementary/secondary would normally attend. Therefore, the participants must attend the eligible school. We were unable to determine whether the participants were attending the school.

The program may not be complying with the grant requirements and ineligible students may be allowed to participate. The finding stems from a lack of controls at the program level. We recommend that the GEAR-UP program ensure that students are enrolled in the participating schools as part of their eligibility documentation process and maintain the listings of event participants.

Corrective Action Plan

The new Primary Investigator, Program Director, and Administrative Coordinator have been hired for the GEAR UP program and have been on the job now for several months. The Director has stated her intention to be directly involved in working with the outside evaluator, Transforming Local Communities, Inc., as well as GEAR UP staff and Kern High School District staff to ensure that documentation of activities are maintained and student eligibility is reviewed. All students at Arvin High School participate in the program, but it is sometimes difficult to reconcile the names the students use on the sign-in sheets with the official AHS enrollment lists. Preprinted lists of participants will be used whenever possible for students to sign next to their enrollment name.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.

FA-06-03 Documentation to Support Reading

84.031S Title V/Title V Bakersfield College, U. S. Department of Education

We were unable to test portions of the reporting requirement for the Title V Programs and unable to agree other items to supporting documentation. Six out of 30 programmatic items in the Individual report could not be supported by documentation. Additionally, for 11 out of 30 programmatic items in the Individual report the prior year information reported was incorrect. Support was not provided for any of the 35 programmatic items in the Collaborative report. For 18 out of 35 programmatic items in the Collaborative report the prior year information reported was incorrect. The Catalogue of Federal Domestic Assistance for the program states that "records supporting claims under a grant must be maintained for 5 years after termination of the awards."

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007

Expenditures related to program activities could be reported incorrectly. In addition, the number of students being served by the program and the success of the program in general could be reported incorrectly. The finding stems from a lack of controls at the program level. We recommend that the Title V program retain all documentation for a period of five years subsequent to when the report was filed with the funding source. All reports should be subject to a layered review process to ensure accuracy.

Corrective Action Plan

The new Interim Program Director has been hired for the Title V program and has been on the job for just over a month. She has been Director for other programs on campus and is very experienced in implementing effective documentation procedures. After being involved in this audit, she intends to make some changes that will allow for more transparency and completeness that can be followed regardless of changes in staff. She has already contacted the funding agent to clarify some of the annual reporting issues that came up during the audit, as the report directives allowed for multiple interpretations as to what numbers are required, and she will document their responses. In addition, GRASP is implementing a protocol that defines best practices and specific reporting requirements for each grant. These protocols will be reviewed with each P.I. and P.D., after which GRASP will meet with the P.I./P.D. on a monthly basis to review fiscal accuracy and completeness and to review program documentation for fidelity with a focus on CSU, state, and federal requirements and regulations. GRASP is in the process of hiring additional personnel to serve as liaisons with program/grant staff.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.

FA-06-04 Documentation to Support Reading

84.044 Talent Search, U. S. Department of Education

Five out of 43 items tested on the annual performance report did not agree to supporting documentation. Per the A-133 Compliance Supplement for CFDA #84.044 - Section L. Reporting - Subsection 2. Performance Reporting - Subsection c. - "Talent Search and Educational Opportunity Centers Programs Annual Performance Report (OMB No. 1840-0561) - Grantees must submit an annual performance report to ED each year of the project periods." Items submitted in the report must be supported by documentation.

The number of students being served by the program and the success of the program in general could be reported incorrectly. The finding stems from a lack of controls at the program level. We recommend that all reports be subject to a layered review process to ensure accuracy. Also, the Talent Search program personnel should retain all documentation for a period of five years, beginning when the report is filed with the funding source.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
YEAR ENDED JUNE 30, 2007

Corrective Action Plan

As with the other programs, personnel turnover created a gap in documentation. The Academic Counselor who kept records of the students being served is no longer employed at the University and the program staff were unable to locate all his documents. The Program Director, who has been on the job for only a few months, and his support staff will work to obtain documentation as the events occur during the project year coming up. In addition, GRASP is implementing a protocol that defines best practices and specific reporting requirements for each grant. These protocols will be reviewed with each P.I. and P.D., after which GRASP will meet with the P.I./P.D. on a monthly basis to review fiscal accuracy and completeness and to review program documentation for fidelity with a focus on CSU, state, and federal requirements and regulations. GRASP is in the process of hiring additional personnel to serve as liaisons with program/grant staff.

Current Year Status

Grant activity transferred to the University. Refer to those audited financial statements for current year status.