

*California State University Bakersfield
Foundation*



**FINANCIAL REPORT
(Audited)**

JUNE 30, 2013

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
FOUNDATION**

**FINANCIAL REPORT
(Audited)**

JUNE 30, 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-3
--	-----

FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statements of cash flows	6
Notes to financial statements	7-21

SUPPLEMENTARY INFORMATION	
Schedule of net position – for inclusion in the California State University	22-23
Schedule of revenues, expenses and changes in net position – for inclusion in the California State University	24
Other information – for inclusion in the California State University	25-33

OTHER INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35

FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Findings and Responses	36
Summary schedule of prior audit findings	37



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **California State University, Bakersfield, Foundation**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **California State University, Bakersfield, Foundation** as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses by natural classifications, statements of activities by fund and schedules of other information for inclusion in the California State University are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013 on our consideration of **California State University, Bakersfield, Foundation's** internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **California State University, Bakersfield, Foundation's** internal control over financial reporting and compliance.

Daniells, Phillips, Vaughan & Beck

Bakersfield, California
September 19, 2013

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 2,486,943	\$ 1,464,656
Pledges receivable, less allowance for doubtful pledges 2013 \$74,509; 2012 \$64,618 (Note 3)	316,580	337,772
Other receivables, less allowance for doubtful accounts 2013 \$17,622; 2012 \$17,472	10,023	60,566
Due from related parties (Note 13)	303,127	-
Total current assets	3,116,673	1,862,994
Investments and Other Assets		
Investments (Notes 4 and 5)	26,304,014	23,332,313
Pledges receivable, less allowance for doubtful pledges 2013 \$107,177; 2012 \$104,504 (Note 3)	455,433	548,646
	26,759,447	23,880,959
Property and Equipment		
Land and land improvements	3,139	3,139
Buildings and building improvements	4,313,563	4,313,563
Improvements other than buildings	1,062,167	1,062,167
Equipment	1,997,691	2,036,797
Construction in progress	573,026	-
	7,949,586	7,415,666
Less accumulated depreciation	3,696,989	3,576,084
	4,252,597	3,839,582
	\$ 34,128,717	\$ 29,583,535

See Notes to Financial Statements.

	2013	2012
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long term debt (Notes 7 and 13)	\$ 27,862	\$ 26,893
Current portion of accrued postretirement cost (Note 10)	124,733	171,755
Accounts payable	136,089	159,798
Accrued liabilities	90,862	142,871
Due to related parties (Note 13)	340,952	43,390
Receipts in excess of expenditures on sponsored programs	452,763	330,016
Deposits in excess of withdrawals for agency accounts	195,030	151,303
Total current liabilities	1,368,291	1,026,026
Long-term debt (Notes 7 and 13)	43,430	71,293
Accrued postretirement cost (Note 10)	2,260,966	1,965,918
Net Assets (Note 8)		
Unrestricted	7,790,975	7,085,765
Temporarily restricted	6,453,225	4,851,826
Permanently restricted (Note 6)	16,211,830	14,582,707
	30,456,030	26,520,298
	\$ 34,128,717	\$ 29,583,535

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support:				
Contributions	\$ 2,188,536	\$ 51,920	\$ 1,629,123	\$ 3,869,579
Scholarships	-	210,105	-	210,105
Grants and contracts	122,098	-	-	122,098
Athletics	-	948,884	-	948,884
Children's Center	567,152	-	-	567,152
Gifts in kind	59,100	-	-	59,100
Net realized and unrealized gain (loss) on investments	727,915	1,926,388	-	2,654,303
Interest	124,955	528,967	-	653,922
Other	1,019,180	-	-	1,019,180
Net assets released from restriction	2,064,865	(2,064,865)	-	-
Total revenue and other support	<u>6,873,801</u>	<u>1,601,399</u>	<u>1,629,123</u>	<u>10,104,323</u>
Expenses:				
Program services:				
Scholarships	189,148	-	-	189,148
Grants and contracts	116,247	-	-	116,247
Athletics	1,222,723	-	-	1,222,723
Children's Center	840,495	-	-	840,495
Total program services	<u>2,368,613</u>	<u>-</u>	<u>-</u>	<u>2,368,613</u>
Supporting Services:				
General and administrative	3,523,953	-	-	3,523,953
Fundraising	276,025	-	-	276,025
Total supporting services	<u>3,799,978</u>	<u>-</u>	<u>-</u>	<u>3,799,978</u>
Total expenses	<u>6,168,591</u>	<u>-</u>	<u>-</u>	<u>6,168,591</u>
Increase (decrease) in net assets	705,210	1,601,399	1,629,123	3,935,732
Net assets, beginning	7,085,765	4,851,826	14,582,707	26,520,298
Net assets, ending	<u>\$ 7,790,975</u>	<u>\$ 6,453,225</u>	<u>\$ 16,211,830</u>	<u>\$ 30,456,030</u>

See Notes to Financial Statements.

2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,882,618	\$ 14,527	\$ 207,185	\$ 2,104,330
-	151,403	-	151,403
65,643	-	-	65,643
-	979,087	-	979,087
681,101	-	-	681,101
59,100	-	-	59,100
(52,450)	(239,847)	-	(292,297)
120,369	325,158	-	445,527
1,065,871	-	-	1,065,871
3,343,705	(3,343,705)	-	-
7,165,957	(2,113,377)	207,185	5,259,765
173,062	-	-	173,062
193,813	-	-	193,813
2,749,926	-	-	2,749,926
1,037,176	-	-	1,037,176
4,153,977	-	-	4,153,977
2,471,124	-	-	2,471,124
196,111	-	-	196,111
2,667,235	-	-	2,667,235
6,821,212	-	-	6,821,212
344,745	(2,113,377)	207,185	(1,561,447)
6,741,020	6,965,203	14,375,522	28,081,745
\$ 7,085,765	\$ 4,851,826	\$ 14,582,707	\$ 26,520,298

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 3,935,732	\$ (1,561,447)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized (gain) loss on investments	(2,654,303)	292,297
Change in allowance for doubtful accounts	12,714	(229,560)
Donated fixed assets	-	(9,701)
Donated investments	-	(1,068)
Depreciation	174,197	195,860
Decrease in receivables	152,234	882,423
Increase (decrease) in accounts payable and accrued liabilities	85,192	(755,667)
Increase (decrease) in other liabilities	248,025	(377,682)
Net cash provided by (used in) operating activities	1,953,791	(1,564,545)
Cash Flows from Investing Activities		
Purchase of property and equipment	(587,212)	-
Proceeds from sale of investments	116,823	1,200,000
Purchase of investments	(434,221)	(1,613,579)
Net cash provided by (used in) investing activities	(904,610)	(413,579)
Cash Flows from Financing Activities		
Principal (payments) on long-term borrowings -		
Net cash (used in) financing activities	(26,894)	(25,959)
Net increase (decrease) in cash and cash equivalents	1,022,287	(2,004,083)
Cash and cash equivalents		
Beginning	1,464,656	3,468,739
Ending	\$ 2,486,943	\$ 1,464,656
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 3,535	\$ 4,469

See Notes to Financial Statements.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 generally accepted 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 cash and other assets 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 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.

Cash and cash equivalents: For purposes of the statement 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.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance in the FASB Accounting Standards Codification for Not-for-Profit Entities. Accordingly, 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for further discussion of fair value measurements.

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 \$5,000 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 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 are reflected as contributions and expenses in the statement 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. Taxes on unrelated business income are generally immaterial.

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which address the determination of whether tax benefits claimed or expected to be claimed on tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Management evaluated the Foundation's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.

Compensated Absences: Employees of the Foundation are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Accrued vacation of \$53,675 and \$79,104 as of June 30, 2013 and 2012, respectively, has been recorded in accrued expenses. Paid sick days and personal days off have not been accrued, as employees are not entitled to sick days or personal days off pay upon termination of employment.

Subsequent events: The Foundation has evaluated subsequent events through September 19, 2013, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Reclassifications: Certain items in the 2012 financial statements have been reclassified to conform to the 2013 presentation, with no effect on the change in net assets.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2013 and 2012:

	2013	2012
Banks	\$ 1,277,358	\$ 335,008
Brokers	1,205,930	1,125,994
On hand	3,600	3,600
Local agency investment fund	55	54
Total cash and cash equivalents	<u>\$ 2,486,943</u>	<u>\$ 1,464,656</u>

Note 3. Pledges Receivable

Pledges receivable are expected to be collected as follows:

	2013	2012
Less than one year	\$ 316,580	\$ 337,772
One to five years	455,433	548,646
	<u>\$ 772,013</u>	<u>\$ 886,418</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments

Investments are stated at fair value at June 30, 2013 and 2012. Cost, fair value and unrealized appreciation (depreciation) at June 30, 2013 and 2012 are as follows:

	2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bonds	\$ 1,400,897	\$ 5,895,862	\$ 4,494,965
Equities	9,421,797	13,735,170	4,313,373
Real estate fund	559,131	-	(559,131)
Mutual funds	5,271,603	6,672,982	1,401,379
Total investments	<u>\$ 16,653,428</u>	<u>\$ 26,304,014</u>	<u>\$ 9,650,586</u>

	2012		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bonds	\$ 1,400,897	\$ 5,364,038	\$ 3,963,141
Equities	9,424,797	12,918,844	3,494,047
Real estate fund	600,000	-	(600,000)
Mutual funds	5,271,603	5,049,431	(222,172)
Total investments	<u>\$ 16,697,297</u>	<u>\$ 23,332,313</u>	<u>\$ 6,635,016</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2013 and 2012:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	\$ 124,955	\$ 528,967	\$ -	\$ 653,922
Net realized and unrealized gains	727,915	1,926,388	-	2,654,303
Total reported investment return	<u>\$ 852,870</u>	<u>\$ 2,455,355</u>	<u>\$ -</u>	<u>\$ 3,308,225</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	\$ 120,369	\$ 325,158	\$ -	\$ 445,527
Net realized and unrealized gains	(52,450)	(239,847)	-	(292,297)
Total reported investment return	<u>\$ 67,919</u>	<u>\$ 85,311</u>	<u>\$ -</u>	<u>\$ 153,230</u>

Note 5. Fair Value Measurements

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013:

Equity securities, corporate bonds and real estate fund: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2013 and 2012 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2013			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 5,895,862	\$ -	\$ 5,878,248	\$ 17,614
Equities	13,735,170	267,721	13,287,702	179,747
Mutual funds	6,672,982	-	6,672,982	-
Total assets at fair value	<u>\$ 26,304,014</u>	<u>\$ 267,721</u>	<u>\$ 25,838,932</u>	<u>\$ 197,361</u>

	2012			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 5,364,038	\$ 2,646	\$ 5,325,987	\$ 35,405
Equities	12,918,844	5,282,914	7,326,869	309,061
Mutual funds	5,049,431	-	5,049,431	-
Total assets at fair value	<u>\$ 23,332,313</u>	<u>\$ 5,285,560</u>	<u>\$ 17,702,287</u>	<u>\$ 344,466</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Changes in Fair Value and Related Gains and Losses

The tables below set forth summaries of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2013 and 2012.

	Bonds	Equities
Balance, July 1, 2011	\$ 50,667	\$ 669,896
Realized gains	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	(4,749)	9,290
Transfers (out) of Level	(10,513)	(370,125)
Balance, June 30, 2012	35,405	309,061
Acquisitions	-	15,843
Unrealized gains relating to instruments still held at the reporting date	8,202	78,564
Transfers (out) of Level	(25,993)	(223,721)
Balance, June 30, 2013	\$ 17,614	\$ 179,747

Note 6. Endowments

The Foundation has adopted the guidance on net classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the State Prudent Management of Institutional Funds Act (SPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and institution-designated endowment funds.

The Foundation's endowments consist of funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purpose of the Foundation and the donor restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

Spending policy: The Foundation's spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind: (a) provide current programs with a predictable, stable stream of revenues; (b) ensure that the purchasing power or real value of this revenue stream does not decline over time; and (c) ensure that the purchasing power or real value of the Endowment assets does not decline over time. The cost of current operating programs will likely increase over time at least as fast as inflation. If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation. The Foundation's policy is designed to preserve both the purchasing power of their endowments and of their endowment spending withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium. Lastly the Foundation has adopted an annual spending rate target of 5% of the Endowment's Fair Market Value (FMV); computed on the December 31 FMV and available for the next academic year commencing July 1.

Investment policy: The objective is to promote growth in the investment funds sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant-dollar value and purchasing power of the funds for future generations, and to preserve the principal of operating cash and reserves while producing market-level income. The minimum total-return objective for the full portfolio shall be inflation plus 5%.

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Foundation to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations. In accordance with generally accepted accounting principles deficits of this nature are reported as unrestricted net assets.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Endowment net asset composition by type of fund at June 30, 2013 follows:

Changes in endowment net assets (all donor-restricted) for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, June 30, 2011	\$ (483)	\$ 3,616,954	\$ 14,375,522	\$ 17,991,993
Contributions	-	-	207,185	207,185
Appropriations for endowment assets, for expenditures	-	11,656	-	11,656
Investment return	(9,893)	(239,847)	-	(249,740)
Endowment fund net assets, June 30, 2012	(10,376)	3,388,763	14,582,707	17,961,094
Contributions	-	-	1,629,123	1,629,123
Appropriations for endowment assets, for expenditures	-	(1,348,459)	-	(1,348,459)
Investment return	10,376	1,926,388	-	1,936,764
Endowment fund net assets, June 30, 2013	\$ -	\$ 3,966,692	\$ 16,211,830	\$ 20,178,522

Note 7. Pledged Assets and Long-Term Debt

Long-term debt consists of the following as of June 30, 2013 and 2012:

	2013	2012
Note payable to CSUB, secured by equipment, due in annual installments of \$30,428 including interest at 3.6%, due November 2015	\$ 71,292	\$ 98,186

Aggregate maturities required on long-term debt as of June 30, 2013 are due in future years as follows:

Year ending June,	
2014	\$ 27,862
2015	28,865
2016	14,565
	\$ 71,292

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8. Restrictions on Net Assets

Temporarily restricted net assets represent investment earnings and contributions that are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Academic programs	\$ 1,021,868	\$ 939,020
Scholarships	5,061,591	3,218,580
Athletic programs	369,766	694,226
	<u>\$ 6,453,225</u>	<u>\$ 4,851,826</u>

Permanently restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Contributions restricted in perpetuity	<u>\$ 16,211,830</u>	<u>\$ 14,582,707</u>

Note 9. Defined Benefit Pension 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, 2013 and 2012 was \$827,082 and \$1,089,916, respectively. The total payroll for all Foundation employees was \$1,310,202 and \$1,331,423 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 the Foundation employed 20 and 27 full-time employees, respectively, participating in PERS.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Funding Policy: Active plan members are required to contribute 5 percent 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 2012-2013 was 9.846% of annual payroll. The Foundation's annual PERS pension costs for the fiscal years ending June 30, 2013 and 2012 were \$80,420 and \$100,046, 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, 2013.

Note 10. Post-Employment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Note 9, 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, 2013:

Net periodic postretirement benefit cost included the following components for the years ended June 30, 2013 and 2012:

	2013	2012
Service cost	\$ 137,460	\$ 156,007
Interest cost	84,159	148,145
Amortization prior service costs	(49,864)	(5,745)
Net periodic postretirement benefit cost	<u>\$ 171,755</u>	<u>\$ 298,407</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

	2013	2012
Discount rate	5.00%	4.00%
Expected long-term rate of return	N/A	N/A
Health care cost trend rate:		
Present rate before 65	8.25%	9.00%
Present rate 65 and older	8.25%	9.00%
Ultimate rate before age 65 (year reached)	5.00%	5.00%
Ultimate rate age 65 and older (year reached)	5.00%	5.00%

Accumulated postretirement and projected benefit obligation:	2013	2012
Retirees	\$ 1,640,945	\$ 1,382,861
Other fully eligible plan participants	359,646	274,824
Other active participants	385,108	479,988
	<u>\$ 2,385,699</u>	<u>\$ 2,137,673</u>

Funded status:	2013	2012
Beginning accrued postretirement benefit cost	\$ 2,137,673	\$ 2,515,355
Actuarial gain (loss)	178,000	(594,381)
Retiree contributions		
Net periodic postretirement benefit cost	171,755	298,407
Estimated benefit payments	(101,729)	(81,708)
Ending accrued postretirement benefit cost	<u>\$ 2,385,699</u>	<u>\$ 2,137,673</u>

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

	2013	2012
Discount rate	4.00%	6.00%
Health care cost trend rate:		
Present rate before 65	9.00%	9.00%
Present rate 65 and older	9.00%	9.00%
Ultimate rate before age 65 (year reached)	5.00%	5.00%
Ultimate rate age 65 and older (year reached)	5.00%	5.00%

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The expected net periodic post retirement benefit cost fiscal year 2014:

Service cost	\$ 48,721
Interest cost	116,460
Amortization of unrecognized net (gain) loss	(40,448)
Net periodic postretirement benefit cost	<u>\$ 124,733</u>

The expected contribution for the next 10 years:

2014	\$ 113,004
2015	117,797
2016	122,354
2017	114,056
2018	113,440
2019-2023	620,284

An actuarial study is completed annually. The schedule presented above is based on the study completed on August 16, 2013 as of and for the year ended June 30, 2013.

Note 11. Contracted Commercial Activities

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

Vending drinks/snacks

Length of contract	3 years (commencing August 1, 2012)
Commission structure	Coffee, drink and snack sales: 35% of gross sales

Note 12. Commitments and Contingencies

State and federal allowances, awards, 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 would not be material.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 13. Transactions with Related Parties

The Foundation functions to benefit the California State University, Bakersfield (the University) by operating various campus programs. The Foundation purchases various services such as printing, utilities, telephone, mail service, etc. from the University. The Foundation also reimburses the University for the cost of faculty payroll. The University has made a long-term loan to the Foundation. (See Note 7 for further details.)

Transactions for the years ended June 30, 2013 and 2012 with related parties are reflected in the accompanying financial statements as follows:

	2013	2012
Revenues:		
Program fees		
Student services	\$ 102,159	\$ 96,331
Expenses:		
Administrative services	1,851,488	3,110,557
Interest	3,535	4,469
Due from:		
CSUB	297,239	-
Other	5,888	-
Note payable	71,292	98,186
Due to:		
CSUB	338,533	43,390
Other	2,419	-

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 14. Unrelated Business Income Tax Matters

The Internal Revenue Service ("IRS") and certain state taxing authorities are revisiting what, if any, products and services provided by not-for-profit organizations are subject to unrelated business income tax ("UBIT"). There is currently very little guidance in the IRS Code on what activities should be subject to UBIT. The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether the Foundation should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which the Foundation was granted non-taxable status. The Foundation has not filed any tax returns in the past for potential taxable activities. The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Foundation's non-taxable status is not expected to have a material effect on the Foundation's financial position or results of operations.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET POSITION
JUNE 30, 2013
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$	2,486,943
Short-term investments		-
Accounts receivable, net		313,150
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		316,580
Prepaid expenses and other assets		-
Total current assets		3,116,673

Noncurrent assets:

Restricted cash and cash equivalents		-
Accounts receivable, net		-
Leases receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledge receivable, net		455,433
Endowment investments		20,178,522
Other long-term investments		6,125,492
Capital assets, net		4,252,597
Other assets		-
Total noncurrent assets		31,012,044
Total assets		34,128,717

Deferred outflows of resources:

Unamortized loss on refunding(s)		-
Total deferred outflows of resources		-

Liabilities:

Current liabilities:

Accounts payable		136,089
Accrued salaries and benefits payable		26,937
Accrued compensated absences - current portion		53,675
Unearned revenue		452,763
Capitalized lease obligations - current portion		-
Long-term debt obligations - current portion		27,862
Self-insurance claims liability - current portion		-
Depository accounts		-
Other liabilities		670,965
Total current liabilities		1,368,291

Noncurrent liabilities:

Accrued compensated absences, net of current portion		-
Unearned revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		-
Long-term debt obligations, net of current portion		43,430
Self-insurance claims liabilities, net of current portion		-
Depository accounts		-
Other postemployment benefits obligation		2,260,966
Other liabilities		-
Total noncurrent liabilities		2,304,396
Total liabilities		3,672,687

Deferred inflows of resources:

Deferred service concession arrangement receipts		-
Total deferred inflows of resources		-

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET POSITION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

Net Position:

Net investment in capital assets	\$ 4,181,305
Restricted for:	
Nonexpendable - endowments	16,211,830
Expendable:	
Scholarships and fellowships	5,504,341
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	948,884
Unrestricted	<u>3,609,670</u>
Total net position	<u><u>\$ 30,456,030</u></u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$0)	\$	-
Grants and contracts, noncapital:		
Federal		-
State		182,552
Local		-
Nongovernmental		-
Sales and services of educational activities		-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$0)		-
Other operating revenue		2,426,281
Total operating revenue		<u>2,608,833</u>
Expenses:		
Operating expenses:		
Instruction		38,008
Research		2,798
Public service		840,495
Academic support		-
Student services		1,222,723
Institutional support		3,520,552
Operation and maintenance of plant		177,136
Student grants and scholarships		189,148
Auxiliary enterprise expenses		-
Depreciation and amortization		174,197
Total operating expenses		<u>6,165,057</u>
Operating income (loss)		<u>(3,556,224)</u>
Nonoperating revenues (expenses):		
State appropriations, noncapital		-
Federal financial aid grants, noncapital		-
State financial aid grants, noncapital		-
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		-
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		2,558,143
Investment income (loss), net		814,459
Endowment income (loss), net		2,493,766
Interest expenses		(3,535)
Other nonoperating revenues (expenses)		-
Net nonoperating revenues (expenses)		<u>5,862,833</u>
Income (loss) before other additions		<u>2,306,609</u>
State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		1,629,123
Increase (decrease) in net position		<u>3,935,732</u>
Net position:		
Net position at beginning of year, as previously reported		26,520,298
Restatements		-
Net position at beginning of year, as restated		<u>26,520,298</u>
Net position at end of year	\$	<u><u>30,456,030</u></u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION
JUNE 30, 2013
(for inclusion in the California State University)**

1 Restricted cash and cash equivalents at June 30, 2013:

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

2.1 Composition of investments at June 30, 2013:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	1,957,024	3,921,224	5,878,248	5,878,248
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	3,409,522	10,145,901	13,555,423	13,555,423
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	758,946	6,111,397	6,870,343	6,870,343
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments	-	-	-	-	-	-	-
Total investments	-	-	-	6,125,492	20,178,522	26,304,014	26,304,014
Less endowment investments (enter as negative number)	-	-	-	-	(20,178,522)	(20,178,522)	(20,178,522)
Total investments	\$ -	\$ -	\$ -	\$ 6,125,492	\$ -	\$ 6,125,492	\$ 6,125,492

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION
JUNE 30, 2013
(for inclusion in the California State University)**

2.2 Investments held by the University under contractual agreements at June 30, 2013:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2013

\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -

2.3 Restricted current investments at June 30, 2013 related to:

Total restricted current investments at June 30, 2013

Amount

\$ -

2.4 Restricted noncurrent investments at June 30, 2013 related to:

Endowment investment

Total restricted noncurrent investments at June 30, 2013

Amount

\$ 20,178,522

\$ 20,178,522

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)**

3.1 Composition of Capital Assets at June 30, 2013:

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
Non-Depreciable/non-amortizable capital assets:								
Land and land improvements	\$ 79,309	\$ -	\$ (76,170)	\$ 3,139	\$ -	\$ -	\$ -	\$ 3,139
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	573,026	-	-	573,026
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	79,309	-	(76,170)	3,139	573,026	-	-	576,165
Depreciable/amortizable capital assets:								
Buildings and building improvements	4,313,563	-	-	4,313,563	-	-	-	4,313,563
Improvements, other than buildings	1,064,291	-	(2,124)	1,062,167	-	-	-	1,062,167
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	1,958,503	-	78,294	2,036,797	14,186	(53,292)	-	1,997,691
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total Intangible Assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	7,336,357	-	76,170	7,412,527	14,186	(53,292)	-	7,373,421
Total capital assets	7,415,666	-	-	7,415,666	587,212	(53,292)	-	7,949,586

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

3.1 Composition of Capital Assets at June 30, 2013 (con't):

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
Less accumulated depreciation/amortization								
Buildings and building improvements	(1,334,859)	-	348,808	(986,051)	(92,066)	-	-	(1,078,117)
Improvements, other than buildings	(372,460)	-	(346,953)	(719,413)	(46,583)	-	-	(765,996)
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(1,868,765)	-	(1,855)	(1,870,620)	(35,548)	53,292	-	(1,852,876)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/ amortization	(3,576,084)	-	-	(3,576,084)	(174,197)	53,292	-	(3,696,989)
Total capital assets, net	\$ 3,839,582	\$ -	\$ -	\$ 3,839,582	\$ 413,015	\$ -	\$ -	\$ 4,252,597

3.2 Details of depreciation expense for the year ended June 30, 2013:

Depreciation and amortization expense related to capital assets	\$ 174,197
Amortization expense related to other assets	-
Total depreciation and amortization	<u><u>\$ 174,197</u></u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 79,104	\$ -	\$ -	\$ 79,104	\$ 49,936	\$ (75,365)	\$ 53,675	\$ 53,675	\$ -
Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Revenue bonds	-	-	-	-	-	-	-	-	-
Other bonds (Non-revenue bonds)	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Other:									
Note payable	98,186	-	-	98,186	-	(26,894)	71,292	27,862	43,430
Total long-term debt obligation	98,186	-	-	98,186	-	(26,894)	71,292	27,862	43,430
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	98,186	-	-	98,186	-	(26,894)	71,292	27,862	43,430
Total long-term liabilities	\$ 177,290	\$ -	\$ -	\$ 177,290	\$ 49,936	\$ (102,259)	\$ 124,967	\$ 81,537	\$ 43,430

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

5 Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019 - 2023	-	-	-
2024 - 2028	-	-	-
2029 - 2033	-	-	-
2034 - 2038	-	-	-
2039 - 2043	-	-	-
2044 - 2048	-	-	-
2049 - 2053	-	-	-
2054 - 2058	-	-	-
2059 - 2063	-	-	-
<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			<hr/>\$ -<hr/>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

6 Long-term debt obligations schedule:

Year Ending June 30:	Revenue Bonds			All Other Long-Term Debt Obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2014	\$ -	\$ -	\$ -	\$ 27,862	\$ 2,566	\$ 30,428	\$ 27,862	\$ 2,566	\$ 30,428
2015	-	-	-	28,865	1,563	30,428	28,865	1,563	30,428
2016	-	-	-	14,565	524	15,089	14,565	524	15,089
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 71,292	\$ 4,653	\$ 75,945	\$ 71,292	\$ 4,653	\$ 75,945

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

7 Calculation of net position

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ -	\$ 4,252,597	\$ 4,252,597
Capitalized lease obligations - current portion	-	-	-
Capitalized lease obligations, net of current portion	-	-	-
Long-term debt obligations - current portion	-	(27,862)	(27,862)
Long-term debt obligations, net of current portion	-	(43,430)	(43,430)
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)	-	-	-
Net position - net investment in capital asset	<u>\$ -</u>	<u>\$ 4,181,305</u>	<u>\$ 4,181,305</u>

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	20,178,522	20,178,522
Other adjustments: (please list)	-	-	-
Unrealized gains on endowment investments	-	(3,966,692)	(3,966,692)
Underwater investments	-	-	-
Net assets - Restricted for nonexpendable - endowments per SNP	<u>\$ -</u>	<u>\$ 16,211,830</u>	<u>\$ 16,211,830</u>

8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 387,957
Payments to University for other than salaries of University personnel	1,467,066
Payments received from University for services, space, and programs	-
Gifts-in-kind to the University from Auxiliary Organizations	-
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	-
Accounts (payable to) University (enter as negative number)	(338,533)
Other amounts (payable to) University (enter as negative number)	(71,292)
Accounts receivable from University	297,239
Other amounts receivable from University	-

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2013
(for inclusion in the California State University)

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$	171,755
Contributions during the year		76,271
Increase (decrease) in net OPEB obligation (NOO)		248,026
NOO - beginning of year		2,137,673
NOO - end of year	\$	2,385,699

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
	\$ -
Total pollution remediation liabilities	-
Less: current portion	-
Pollution remediation liabilities, net of current portion	\$ -

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

	Net Asset Class	Amount
Net assets as of June 30, 2012 as previously reported		\$ 26,520,298
Prior period adjustments:		
Remove fully amortized intangible asset		-
Net assets as of June 30, 2012, as restated		\$ 26,520,298

OTHER INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

**INDEPENDENT AUDITOR'S 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**

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

We have audited, in accordance with the 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, the financial statements of **California State University, Bakersfield, Foundation**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered **California State University, Bakersfield, Foundation's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **California State University, Bakersfield, Foundation's** internal control. Accordingly, we do not express an opinion on the effectiveness of **California State University, Bakersfield, Foundation's** internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

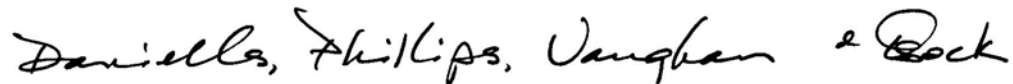
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **California State University, Bakersfield, Foundation's** financial statements are free of material misstatement, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Daniella, Phillips, Vaughan & Rock". The signature is written in a cursive, flowing style.

Bakersfield, California
September 19, 2013

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

None

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

None