

*California State University Bakersfield
Foundation*



**FINANCIAL REPORT
(Audited)**

JUNE 30, 2009

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Certified Public Accountants
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Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of **California State University, Bakersfield, Foundation** as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **California State University, Bakersfield, Foundation's** management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of **California State University, Bakersfield, Foundation** for the year ended June 30, 2008 were audited by other auditors whose report, dated September 17, 2008, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **California State University, Bakersfield, Foundation** as of June 30, 2009, and the changes in its net assets 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 24, 2009 on our consideration of **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 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.

Daniells, Phillips, Vaughan & Rock

Bakersfield, California
September 24, 2009

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,414,857	\$ 4,229,275
Pledges receivable, less allowance for doubtful pledges 2009 \$132,430; 2008 \$240,055 (Note 3)	1,522,948	128,185
Other receivables, less allowance for doubtful accounts 2009 \$5,482 ; 2008 \$25,601	72,829	515,814
Due from CSUB (Note 13)	281,048	387,510
Prepaid expenses and deferred charges	-	525
Total current assets	5,291,682	5,261,309
Investments and Other Assets		
Investments (Notes 4 and 5)	17,866,221	21,120,337
Pledges receivable, less allowance for doubtful pledges 2009 \$85,178; 2008 \$0 (Note 3)	979,549	3,061,124
	18,845,770	24,181,461
Property and Equipment		
Land and land improvements	80,309	80,309
Buildings and building improvements	4,123,579	4,123,579
Improvements other than buildings	686,698	-
Equipment	6,137,996	6,402,682
Less accumulated depreciation	(3,420,979)	(3,599,230)
	7,607,603	7,007,340
	\$ 31,745,055	\$ 36,450,110

See Notes to Financial Statements.

	2009	2008
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long term debt (Notes 6 and 13)	\$ 23,974	\$ -
Accounts payable	135,687	182,718
Accrued liabilities	370,951	48,683
Due to CSUB (Note 13)	307,571	374,369
Receipts in excess of expenditures on sponsored programs	143,349	127,980
Deposits in excess of withdrawals for agency accounts	223,463	261,356
Total current liabilities	1,204,995	995,106
Long-term debt (Notes 6 and 13)	155,294	-
Accrued Postretirement Cost (Note 9)	2,274,805	2,144,552
Net Assets (Note 7)		
Unrestricted	13,468,068	15,812,582
Temporarily restricted	1,871,703	4,841,195
Permanently restricted	12,770,190	12,656,675
	28,109,961	33,310,452
	\$ 31,745,055	\$ 36,450,110

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2009 and 2008

2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support:				
Gifts	\$ 1,002,609	\$ 1,372,028	\$ 113,515	\$ 2,488,152
Grants and contracts	651,646	-	-	651,646
Scholarships and other support	235,330	714,608	-	949,938
Food service sales and commissions	-	-	-	-
Interest income	180,914	351,066	-	531,980
Net realized and unrealized loss on investments	(888,822)	(3,717,576)	-	(4,606,398)
Athletics	822,264	256,379	-	1,078,643
Children's Center	669,911	-	-	669,911
Other centers and institutes	7,038	-	-	7,038
Other	1,939,259	-	-	1,939,259
Net assets released from restrictions	1,945,997	(1,945,997)	-	-
Total revenues and other support	6,566,146	(2,969,492)	113,515	3,710,169
Expenses and Deductions:				
Grants and contracts	548,912	-	-	548,912
Athletics	1,853,315	-	-	1,853,315
Endowment	580,289	-	-	580,289
Administration and benefits	745,032	-	-	745,032
Food service and other auxiliary expenses	-	-	-	-
Scholarships	755,382	-	-	755,382
Capital projects	1,174,000	-	-	1,174,000
Depreciation	168,758	-	-	168,758
Children's Center	640,806	-	-	640,806
Other centers and institutes	55,106	-	-	55,106
Bad debts	397,638	-	-	397,638
Other	1,991,422	-	-	1,991,422
Total expenses and deductions	8,910,660	-	-	8,910,660
Other Financing (Uses)	-	-	-	-
Increase (decrease) in net assets	(2,344,514)	(2,969,492)	113,515	(5,200,491)
Net assets, beginning	15,812,582	4,841,195	12,656,675	33,310,452
Net assets, ending	\$ 13,468,068	\$ 1,871,703	\$ 12,770,190	\$ 28,109,961

See Notes to Financial Statements.

2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 426,664	\$ 938,207	\$ 788,839	\$ 2,153,710
595,854	-	-	595,854
155,604	633,844	-	789,448
28,253	-	-	28,253
288,132	409,832	-	697,964
(265,087)	(876,196)	-	(1,141,283)
757,163	144,166	-	901,329
562,015	-	-	562,015
33,810	-	-	33,810
80,569	-	-	80,569
4,870,293	(4,870,293)	-	-
7,533,270	(3,620,440)	788,839	4,701,669
1,141,643	-	-	1,141,643
542,223	-	-	542,223
283,891	-	-	283,891
431,680	-	-	431,680
26,258	-	-	26,258
727,435	-	-	727,435
1,266,366	-	-	1,266,366
186,262	-	-	186,262
597,269	-	-	597,269
41,239	-	-	41,239
221,524	-	-	221,524
911,859	-	-	911,859
6,377,649	-	-	6,377,649
(225,540)	-	-	(225,540)
930,081	(3,620,440)	788,839	(1,901,520)
14,882,501	8,461,635	11,867,836	35,211,972
<u>\$ 15,812,582</u>	<u>\$ 4,841,195</u>	<u>\$ 12,656,675</u>	<u>\$ 33,310,452</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

STATEMENTS OF CASH FLOWS Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	\$ (5,200,491)	\$ (1,901,520)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized loss on investments	4,606,398	1,141,283
Change in allowance for doubtful accounts	(42,566)	(26,110)
Loss on disposition of fixed assets	18,950	97,980
Donated fixed assets	(79,141)	-
Depreciation	168,758	186,262
Decrease in receivables	1,278,825	634,102
(Increase) decrease in prepaid expenses and deferred charges	525	(525)
Increase in accounts payable and accrued liabilities	185,915	6,161
Increase (decrease) in other liabilities	130,253	(242,694)
Net cash provided by (used in) operating activities	1,067,426	(105,061)
Cash Flows from Investing Activities		
Purchase of fixed assets	(708,830)	(2,610)
Purchase of investments	(1,352,282)	(1,069,018)
Net cash (used in) investing activities	(2,061,112)	(1,071,628)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	208,291	-
Principal (payments) on long-term borrowings	(29,023)	-
Net cash provided by financing activities	179,268	-
Net (decrease) in cash and cash equivalents	(814,418)	(1,176,689)
Cash and cash equivalents		
Beginning	4,229,275	5,405,964
Ending	\$ 3,414,857	\$ 4,229,275
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 7,498	\$ -

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 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.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under FASB ASC 958, 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 discussion of fair value measurements.

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.

Cash as of June 30, 2009 included approximately \$3,534,500 held by financial institutions, 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 \$2,500 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 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.

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 \$43,040 and \$20,484 for the years ended June 30, 2009 and 2008, respectively, have 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.

Reclassifications: Certain items in the 2008 financial statements have been reclassified to conform to the 2009 presentation, with no effect on change in net assets.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2009 and 2008:

	2009	2008
Banks	\$ 351,612	\$ 1,481,679
Local agency investment fund	160,281	156,216
Brokers	2,899,264	2,587,680
On hand	3,700	3,700
Total cash and cash equivalents	<u>\$ 3,414,857</u>	<u>\$ 4,229,275</u>

Note 3. Pledges Receivable

Pledges receivable are expected to be collected as follows:

	2009	2008
Less than one year	\$ 1,522,948	\$ 128,185
One to five years	979,549	3,061,124
	<u>\$ 2,502,497</u>	<u>\$ 3,189,309</u>

Note 4. Investments

Investments are stated at fair value at June 30, 2009 and 2008. Cost, fair value and unrealized appreciation at June 30, 2009 and 2008 are as follows:

	2009		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bond and equity funds	\$ 7,796,764	\$ 9,833,141	\$ 2,036,377
Real estate fund	600,000	272,966	(327,034)
Equities	2,957,291	3,322,074	364,783
Mutual funds	4,216,689	4,438,040	221,351
Total investments	<u>\$ 15,570,744</u>	<u>\$ 17,866,221</u>	<u>\$ 2,295,477</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

	2008		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bond and equity funds	\$ 13,421,756	\$ 20,157,706	\$ 6,735,950
Real estate fund	600,000	594,926	(5,074)
Equities	114,689	85,390	(29,299)
Mutual funds	248,462	282,315	33,853
Total investments	<u>\$ 14,384,907</u>	<u>\$ 21,120,337</u>	<u>\$ 6,735,430</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2009 and 2008:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	\$ 180,914	\$ 351,066	\$ -	\$ 531,980
Net realized and unrealized losses	(888,822)	(3,717,576)	-	(4,606,398)
Total reported investment return	<u>\$ (707,908)</u>	<u>\$ (3,366,510)</u>	<u>\$ -</u>	<u>\$ (4,074,418)</u>

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	\$ 288,132	\$ 409,832	\$ -	\$ 697,964
Net realized and unrealized losses	(265,087)	(876,196)	-	(1,141,283)
Total reported investment return	<u>\$ 23,045</u>	<u>\$ (466,364)</u>	<u>\$ -</u>	<u>\$ (443,319)</u>

Note 5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements", 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 under FASB ASC 820 are described below:

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

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, 2009:

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

Equity securities and corporate bonds: 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.

All investments held by the Foundation at June 30, 2009 are considered to be level 1 assets.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Pledged Assets and Long-Term Debt

Long-term debt consists of the following as of June 30, 2009 and 2008:

	2009	2008
Note payable to CSUB, secured by equipment, due in annual installments of \$30,428 including interest at 3.6%, due November 2015	\$ 179,268	\$ -

Aggregate maturities required on long-term debt as of June 30, 2009 are due in future years as follows:

Year ending June,	
2010	\$ 23,974
2011	24,838
2012	25,732
2013	26,658
2014	27,618
Later years	50,448
	<u>\$ 179,268</u>

Note 7. Restrictions on Net Assets

Temporarily restricted net assets represent investment earnings and contributions that are available for the following purposes at June 30, 2009 and 2008:

	2009	2008
Academic programs	\$ 1,372,028	\$ 938,207
Scholarships	243,296	3,758,822
Athletic programs	256,379	144,166
	<u>\$ 1,871,703</u>	<u>\$ 4,841,195</u>

Permanently restricted net assets are available for the following purposes at June 30, 2009 and 2008:

	2009	2008
Contributions restricted in perpetuity	<u>\$ 12,770,190</u>	<u>\$ 12,656,675</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8. 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, 2009 and 2008 was \$774,446 and \$615,434, respectively. The total payroll for all Foundation employees was \$1,065,119 and \$841,236 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008 the Foundation employed 20 and 16 full-time employees, respectively, participating in PERS.

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 2008-2009 was 7.706% of annual payroll. The Foundation's annual PERS pension costs for the fiscal years ending June 30, 2009 and 2008 were \$58,993 and \$49,862, 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.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 9. Post-Employment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Note 7, 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, 2009:

Net periodic postretirement benefit cost included the following components for the years ended June 30, 2009 and 2008:

	2009	2008
Service cost	\$ 71,084	\$ 103,068
Interest cost	131,174	140,406
Amortization prior service costs	(37,643)	(37,643)
Amortization net (gain)	(370)	-
Net periodic postretirement benefit cost	<u>\$ 164,245</u>	<u>\$ 205,831</u>

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

	2009	2008
Discount rate	6.25%	6.00%
Expected long-term rate of return	N/A	N/A
Health care cost trend rate:		
Present rate before 65	9.00%	8.50%
Present rate 65 and older	9.00%	10.00%
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

Accumulated postretirement and projected benefit obligation:	2009	2008
Retirees	\$ 1,753,651	\$ 1,477,766
Other fully eligible plan participants	188,755	352,790
Other active participants	332,399	313,996
	<u>\$ 2,274,805</u>	<u>\$ 2,144,552</u>

Funded status:	2009	2008
Beginning accrued postretirement benefit cost	\$ 2,144,552	\$ 2,387,246
Actuarial gain (loss)	35,685	(383,282)
Retiree contributions		
Net periodic postretirement benefit cost	164,245	205,831
Estimated benefit payments	(69,677)	(65,243)
Ending accrued postretirement benefit cost	<u>\$ 2,274,805</u>	<u>\$ 2,144,552</u>

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

	2009	2008
Discount rate	6.25%	6.25%
Health care cost trend rate:		
Present rate before 65	8.50%	9.00%
Present rate 65 and older	8.50%	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%

The expected net periodic post retirement benefit cost fiscal year 2010:

Service cost	\$ 103,737
Interest cost	139,062
Amortization prior service cost	(7,526)
Net periodic postretirement benefit cost	<u>\$ 235,273</u>

The expected contribution for the next 10 years:

2010	\$ 99,624
2011	101,059
2012	101,645
2013	111,442
2014	121,493
2015 - 2019	680,118

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

NOTES TO FINANCIAL STATEMENTS

An actuarial study is completed annually. The schedule presented above is based on the study completed on August 20, 2009 as of and for the year ended June 30, 2009.

Note 10. 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 \$13,652 and \$36,228 at June 30, 2009 and 2008, 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.

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

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	4 years (commencing August 1, 2008)
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 student body of 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 made a long-term loan to the Foundation during the year ended June 30, 2009. (See Note 6 for further details.) In addition, the University owes amounts to the Foundation representing reimbursement for the University's share of costs related to the baseball stadium construction.

Associated Students, Inc., California State University, Bakersfield makes payments to the Foundation to fund a loan repayment internally, as further discussed at Note 10. Transactions for the years ended June 30, 2009 and 2008 with related parties are reflected in the accompanying financial statements as follows:

	2009	2008
Revenues:		
Program fees		
Student services	\$ 98,504	\$ 98,891
Expenses:		
Administrative services	1,381,203	500,486
Interest	7,498	-
Accounts receivable	281,048	387,510
Note payable	179,268	-
Accounts payable	307,571	374,369
Accrued liabilities	322,575	-

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET ASSETS
JUNE 30, 2009
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 3,414,857
Short-term investments	-
Accounts receivable, net	353,877
Leases receivable, current portion	-
Pledges receivable, net	1,522,948
Prepaid expenses and other assets	-
Total current assets	5,291,682

Noncurrent assets:

Restricted cash and cash equivalents	-
Accounts receivable, net	-
Leases receivable, net of current portion	-
Student loans receivable, net	-
Pledge receivable, net	979,549
Endowment investments	12,786,031
Other long-term investments	5,080,190
Capital assets, net	7,607,603
Other assets	-
Total noncurrent assets	26,453,373
Total assets	31,745,055

Liabilities:

Current liabilities:

Accounts payable	135,687
Accrued salaries and benefits payable	330,038
Accrued compensated absences, current portion	43,039
Deferred revenue	143,349
Capitalized lease obligations, current portion	-
Long-term debt obligations, current portion	23,974
Due to California State University Risk Management Authority	-
Other liabilities	528,908
Total current liabilities	1,204,995

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	155,294
Depository accounts	-
Other liabilities	2,274,805
Total noncurrent liabilities	2,430,099
Total liabilities	3,635,094

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF NET ASSETS (Continued)
JUNE 30, 2009
(for inclusion in the California State University)

Net Assets:

Invested in capital assets, net of related debt	\$ 7,428,335
Restricted for:	
Nonexpendable - endowments	12,770,190
Expendable:	
Scholarships and fellowships	1,615,324
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	256,379
Unrestricted	<u>6,039,733</u>
Total net assets	<u><u>\$ 28,109,961</u></u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees	\$ -
Grants and contracts noncapital:	
Federal	-
State and local	622,878
Nongovernmental	331,000
Sales and services of educational activities	-
Sales and services of auxiliary enterprises	-
Other operating revenue	1,897,551
Total operating revenue	<u>2,851,429</u>

Expenses:

Operating expenses:

Instruction	346,551
Research	251,630
Public service	646,643
Academic support	-
Student services	1,853,315
Institutional support	745,032
Operation and maintenance of plant	251,544
Student grants and scholarships	755,382
Auxiliary enterprise expenses	-
Depreciation and amortization	168,758
Total operating expenses	<u>5,018,855</u>
Operating (loss)	<u>(2,167,426)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	-
Gifts, noncapital	942,860
Investment income, net	(4,074,418)
Endowment income (loss)	(15,022)
Interest on capital-related debt	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>(3,146,580)</u>
Income (loss) before other additions	<u>(5,314,006)</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions to permanent endowments	<u>113,515</u>
Increase (decrease) in net assets	(5,200,491)

Net assets:

Net assets at beginning of year	<u>33,310,452</u>
Net assets at end of year	<u>\$ 28,109,961</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION
JUNE 30, 2009
(for inclusion in the California State University)

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

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

2. Composition of investments at June 30, 2009:

	Current	Noncurrent	Total
Debt and equity securities	\$ -	\$ 13,428,181	\$ 13,428,181
Certificates of deposit	-	-	-
Other investments:			
Mutual funds	-	4,438,040	4,438,040
Total investments	\$ -	\$ 17,866,221	\$ 17,866,221

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2009
(for inclusion in the California State University)

3. Composition of Capital Assets at June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
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	-	686,698	-	686,698
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	6,402,681	101,273	(365,958)	6,137,996
Library books and materials	-	-	-	-
Intangible assets	-	-	-	-
Total depreciable capital assets	10,526,260	787,971	(365,958)	10,948,273
Total cost	10,606,569	787,971	(365,958)	11,028,582
Less Accumulated Depreciation				
Buildings and building improvements	940,862	97,089	-	1,037,951
Improvements, other than buildings	-	8,280	-	8,280
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	2,658,367	63,389	(347,008)	2,374,748
Library books and materials	-	-	-	-
Intangible assets	-	-	-	-
Total accumulated depreciation	3,599,229	168,758	(347,008)	3,420,979
Net capital assets	\$ 7,007,340	\$ 619,213	\$ (18,950)	\$ 7,607,603

Details of depreciation expense for the year ended June 30, 2009:

Depreciation and amortization expense related to capital assets	\$ 168,758
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 168,758

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2009
(for inclusion in the California State University)

4. Long-term liabilities activity schedule

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Long-Term Portion	Current Portion
Accrued compensated absences	\$ 20,484	\$ 49,913	\$ 27,358	\$ 43,039	\$ -	\$ 43,039
Self-insurance claims liability	-	-	-	-	-	-
Capitalized lease obligations	-	-	-	-	-	-
Long-term debt obligations:						
Revenue bonds	-	-	-	-	-	-
Other bonds (Non-revenue bonds)	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-
Other:						
Note payable	-	208,291	29,023	179,268	155,294	23,974
Accrued postretirement cost	2,144,552	164,245	33,992	2,274,805	2,274,805	-
Total long-term debt obligation	2,144,552	372,536	63,015	2,454,073	2,430,099	23,974
Total long-term liabilities	<u>\$ 2,165,036</u>	<u>\$ 422,449</u>	<u>\$ 90,373</u>	<u>\$ 2,497,112</u>	<u>\$ 2,430,099</u>	<u>\$ 67,013</u>

5. Interest rates

Range of interest rates on outstanding debt	Low	High
	3.60%	

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION
OTHER INFORMATION (Continued)
JUNE 30, 2009
(for inclusion in the California State University)

6. Future minimum lease payments:

Year ending June 30:	<u>Capital Leases</u>
2009	\$ -
2010	-
2011	-
2012	-
2013	-
2014-2018	-
2019-2023	-
2024-2028	-
2029-2033	-
2034-2038	-
2039-2043	-
2044-2048	-
2049-2053	-
2054-2058	-
	<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, 2009
(for inclusion in the California State University)

7. Long-term debt obligations schedule:

Year Ending June 30:	Revenue Bonds		All Other Long-Term Debt Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ -	\$ -	\$ 23,974	\$ 6,454	\$ 23,974	\$ 6,454
2011	-	-	24,838	5,591	24,838	5,591
2012	-	-	25,732	4,696	25,732	4,696
2013	-	-	26,658	3,770	26,658	3,770
2014	-	-	27,618	2,810	27,618	2,810
2015-2019	-	-	50,448	2,603	50,448	2,603
2020-2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
2054-5057	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 179,268	\$ 25,924	\$ 179,268	\$ 25,924

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, 2009
(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	\$ 7,607,603
Capital lease obligations, current portion		-
Capital lease obligations, net of current portion		-
Long-term debt obligations, current portion		(23,974)
Long-term debt obligations, net of current portion		(155,294)
Unspent bond proceeds		-
Other		-
Net assets - invested in capital assets, net of related debt		<u>\$ 7,428,335</u>

OTHER INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Network

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 the financial statements of **California State University, Bakersfield, Foundation** as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. 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, we considered **California State University, Bakersfield, Foundation's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **California State University, Bakersfield, Foundation's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **California State University, Bakersfield, Foundation's** internal control over financial reporting.

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider findings 09-02 through 09-04 to be significant deficiencies.

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 statements will not be prevented or detected by the entity's internal control. Our consideration of internal

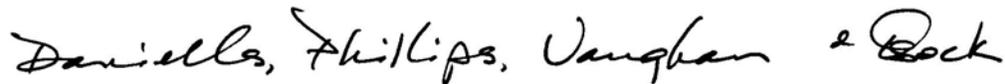
control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider finding 09-01 to be a material weakness, as defined above.

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*.

We noted certain matters that we reported to management of **California State University, Bakersfield, Foundation** in a separate letter dated September 24, 2009.

This report is intended solely for the information and use of management, the audit committee, and the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Daniells, Phillips, Vaughan & Beck".

Bakersfield, California
September 24, 2009

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2009

Finding
09-01

Pledges Receivable

Four of the 23 pledge receivables selected for testing had errors. Three of the pledges did not have a pledge form or any other supporting documentation substantiating the existence of the pledge. One pledge had a form but it was not signed by the donor. The policy that all pledges be accompanied with a signed pledge form or some other supporting documentation should be monitored and followed consistently.

Management's Response:

The CSUB advancement office has created a seven page Gift Processing Procedure document that has been in place since February 2009. The document contains details on the processing of all types of gifts in accord with standard gift and accounting practices. The data entry staff has been following the procedures outlined since early 2009.

Finding
09-02

Pledges Receivable

Total pledges receivable at June 30, 2008 were reversed at the beginning of fiscal year 2008-2009, and the ending balance was reinstated at the end of the fiscal year. Throughout the year the general ledger did not reflect any balance in the pledge receivable account. The ledger should reflect the carryover balance and the monthly activity in this account throughout the year.

Management's Response:

The total of pledge receivables will no longer be reversed at the beginning of the new fiscal year. The monthly activity will be entered and reconciliation to the balance will occur on a quarterly basis.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2009

Finding
09-03

Cash Equivalents and Investments

The individual that reconciles the investment activity on a quarterly basis also prepares the journal entry and forwards to University Accounting to be posted. It was represented to us that University Accounting reviews the entries for reasonableness, but does not review for accuracy. Someone independent of the reconciliation process should either prepare the journal entry or review the reconciliation and journal entry for accuracy and reasonableness.

Management's Response:

We have implemented procedures where one individual will reconcile the investment activity, a second individual will review the reconciliation and prepare the journal entry. Posting will be completed by a third individual who will review for reasonableness. Each individual completing their respective role within this process, will initial the document after they have completed their review.

Finding
09-04

Accounts Payable

The Executive Director approves requisitions/invoices and also signs checks. This does not provide for adequate segregation of duties. The Foundation should develop and implement policies where the individual who approves requisitions/invoices is someone who does not sign checks.

Management's Response:

The executive signature on the check requisitions usually were in addition to the authorized signatures of management personnel. The intent was to double check expenses prior to having checks cut. In the future, any authorized check signer that is signing checks will no longer sign both the requisition and the check.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, FOUNDATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2009

Finding I Lack of adequate system in place regarding the policies and procedures related to the recording of pledges receivable. *Corrective action taken, further issues noted in the current year. See Findings 09-01 and 09-02.*