

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**FINANCIAL REPORT  
(Audited)**

**JUNE 30, 2010**

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6

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FINANCIAL STATEMENTS	
Statement of net assets	7
Statement of revenues, expenses and changes in net assets	8
Statement of cash flows	9
Notes to financial statements	10-12

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SUPPLEMENTARY INFORMATION	
Schedule of net assets – for inclusion in the California State University	13
Schedule of revenues, expenses and changes in net assets – for inclusion in the California State University	14
Other information – for inclusion in the California State University	15-23
Schedule of expenses by natural classification	24
Schedule of expenditures of federal awards	25

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OTHER INDEPENDENT AUDITOR'S REPORTS	
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>	26-27
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	28-29

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FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of findings and questioned costs	30-31
Summary schedule of prior audit findings	32

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Business & Personal Consultants

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Private Companies Practice Section

NANCY C. BELTON

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**California State University, Bakersfield,**  
**Auxiliary for Sponsored Programs Administration**  
Bakersfield, California

We have audited the accompanying statement of net assets of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the period August 28, 2009 (inception) through June 30, 2010. These financial statements are the responsibility of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting. Accordingly, we express no such opinion. 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 respective financial position of the California State University, **Bakersfield, Auxiliary for Sponsored Programs Administration**, as of June 30, 2010, and the respective changes in financial position and cash flows, for the period August 28, 2009 (inception) through June 30, 2010 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 29, 2010 on our consideration of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration'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.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 13 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration**. Such 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.

*Daniella, Phillips, Vaughan & Rock*

Bakersfield, California  
September 29, 2010

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**Management's Discussion and Analysis**

This section of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration ("the Auxiliary") annual financial report includes management's discussion and analysis of the financial performance of the Auxiliary for the period August 28, 2009 (inception) through June 30 2010. This discussion should be read in conjunction with the financial statements and notes.

**Introduction to the Financial Statements**

The Auxiliary financial statements include the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Auxiliary.

**Statement of Net Assets:** The statement of net assets includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions of net assets of the Auxiliary.

**Statement of Revenues, Expenses and Changes in Net Assets:** The statement of revenues, expenses and changes in net assets present the revenues earned and expenses incurred during the year on an accrual basis.

**Statement of Cash Flows:** The statement of cash flows present the inflows and outflows of cash for the ten months ended June 30, 2010 and are summarized by operating, noncapital financing, capital and related financing and investing activities. These statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the year's activities.

**Financial Overview**

The following discussion highlights management's understanding of the key financial aspects of the Auxiliary's financial activities as of the period August 28, 2009 (inception) through June 30, 2010. Included is an analysis of the current year activities and balances.

On August 28, 2009 the Auxiliary incorporated in the State of California. On November 30, 2009, the Auxiliary held its organizational meeting and elected officers of the corporation. During the year, the Auxiliary was awarded three grant program contracts from the Department of Education. These grants are called Title V (A) - Developing Hispanic Serving Institutions, Title V (B) - Promoting Post Baccalaureate Opportunities for Hispanic Americans and finally Teacher Quality Partnerships. The total estimated annual revenue for these three grants in future years is \$3.6 Million. The operating revenues reported for the period August 28, 2009 (inception) through June 30, 2010 represent a partial year. The Auxiliary hired its first employee in January 2010. In the first six months of operation, the Auxiliary generated approximately \$900,000 in revenue which included approximately \$40,000 in indirect cost recovery.

The Title V (A) grant provides support for advising, tutoring and provides support funds that enrich the first year experience of students. The Title V (B) grant is helping to set up science laboratories, including biology and chemistry laboratories aimed at promoting Hispanic student post graduate education.

The Teacher Quality Partnerships grant aims to align teacher training and preparation to the needs of sixteen high need schools. This grant is funding the creation of the Central California Partnership for Teacher Quality Programs (CCP-TQP). California State University, Bakersfield will serve as the lead agency for the program in partnership with California State University Monterey Bay, California Polytechnic State University, San Luis Obispo, Tulare County Office of Education, and the Kern County Superintendent of Schools.

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

The Auxiliary's condensed summary of net assets as of June 30, 2010 is as follows:

<hr/>	
<b>Assets:</b>	
Current assets	\$ 465,149
<b>Liabilities:</b>	
Current liabilities	380,109
<b>Net assets:</b>	
Restricted - expendable	50,000
Unrestricted	35,040
Total net assets	\$ 85,040

#### **Assets**

Total assets are \$465,149, consisting primarily of accounts receivable.

#### **Liabilities**

Total liabilities are \$380,109, consisting primarily of current accrued expenses related to subcontractors working on the Teacher Quality Partnership grant.

#### **Net Assets**

Net assets includes the unrestricted indirect cost recovery generated through reimbursements of direct cost for administering the grant contract, and \$50,000 of temporarily restricted net assets which is a contribution by a donor for a match required under a grant.

## Condensed Summary of Revenues, Expenses and Changes in Net Assets

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Operating revenues:	
Sponsored programs support	\$ 876,668
Contributions	50,000
Other operating revenues	32,722
Total operating revenues	<u>959,390</u>
Operating expenses:	
Sponsored programs	874,290
Other	60
Total expenses	<u>874,350</u>
Change in net assets	85,040
Net assets at beginning of year	-
Net assets at end of year	<u>\$ 85,040</u>

### Operating Revenues

During the year the Auxiliary was awarded three grant program contracts from the Department of Education; two grants under Title V and another called Teacher Quality Partnership Grant. The total estimated annual revenue for these three grants in future years is \$3.6 million. The operating revenues included represent a partial year.

### Operating Expenses

Operating expenses represent costs related to administering the grants awarded. These expenses can be classified into payroll and non-payroll related expenses. Payroll related expenses total \$237,554, whereas \$636,736 relates to non-payroll grant expenses, of which \$511,113 are subcontractor expenses.

### Factors Bearing on the Auxiliary's Future

The three grants referred to in the "Financial Overview" section on page 3 are currently in place for each of the next four years. Additional grants have been awarded to the University during the past fiscal year. Management intends to begin managing these grants through the Auxiliary within the next fiscal year.

### **Contacting the Auxiliary's Financial Management**

The Auxiliary's financial report is designed to provide the Auxiliary's Board of Directors, management, legislative and oversight agencies, citizens and customers with an overview of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Doug Wade, Vice President of Fiscal Services, at 9001 Stockdale Highway, Bakersfield, California 93311.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENT OF NET ASSETS**

**June 30, 2010**

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**ASSETS**

Current Assets

Cash	\$ 22,469
Accounts receivable	392,680
Due from Foundation (Note 2)	50,000
<b>Total current assets</b>	<u>465,149</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable	266,363
Due to University (Note 2)	106,717
Accrued expenses	7,029
<b>Total current liabilities</b>	<u>380,109</u>

Net Assets

Temporarily restricted	50,000
Unrestricted	35,040
<b>Total net assets</b>	<u>\$ 85,040</u>

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS**

**For the Period August 28, 2009 (Inception) through June 30, 2010**

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Operating revenues:	
Federal grants	\$ 876,668
Contributions	50,000
Other	32,722
<b>Total operating revenue</b>	<u>959,390</u>
Operating expenses:	
Program services	874,290
General and administrative	60
<b>Total operating expense</b>	<u>874,350</u>
Change in net assets	85,040
Net assets, beginning of year	-
Net assets, end of year	<u>\$ 85,040</u>

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENT OF CASH FLOWS**

**For the Period August 28, 2009 (Inception) through June 30, 2010**

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Cash Flows From Operating Activities	
Grant revenue receipts	\$ 516,710
Payments to suppliers	(321,791)
Payments to employees	(172,450)
<b>Net cash provided by operating activities</b>	<u>22,469</u>
<b>Net increase in cash</b>	22,469
Cash:	
Beginning	-
Ending	<u>\$ 22,469</u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 85,040
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) in receivables	(392,680)
(Increase) in due from Foundation	(50,000)
Increase in accounts payable	266,363
Increase in amounts due to related parties	106,717
Increase in accrued expenses	7,029
<b>Net cash provided by operating activities</b>	<u>\$ 22,469</u>

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Activities and Significant Accounting Policies**

*Organization and nature of activities:* The California State University, Bakersfield, Auxiliary for Sponsored Programs Administration (“the Auxiliary”), was formed August 28, 2009 and is organized and operated solely for the benefit of California State University, Bakersfield (“the University”). The Auxiliary is responsible for the accomplishment of certain University objectives that require financial support not provided by the State. These activities occur in all aspects of University life, including the development and administration of sponsored grants and contracts for faculty and staff research and educational projects. The Auxiliary reports as a special-purpose entity.

A summary of the Auxiliary’s significant accounting policies follows:

*Basis of accounting:* The Auxiliary 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 Auxiliary conform to accounting policies 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.

*Revenue recognition:* Revenue from grants is recognized when earned. Grant revenue is on a reimbursement basis; therefore as expenditures occur the corresponding revenue is recorded.

*Restricted and unrestricted revenue and support:* Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 revenues, expenses and changes in net assets.

*Accounts receivable:* Accounts receivable represent amounts due from the granting agencies at June 30, 2010 for grant expenditures incurred prior to that date.

*Income taxes:* The Auxiliary has applied for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and related state code sections. The state has approved the Auxiliary’s application. The IRS has not yet responded to the application, however management believes it will be approved. As a non-profit organization, the Auxiliary will be subject to unrelated business income tax (UBIT), if applicable. For the tax year ended June 30, 2010, the Auxiliary did not owe any UBIT.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**NOTES TO FINANCIAL STATEMENTS**

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The Auxiliary adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Auxiliary 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.

Management evaluated the Auxiliary'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.

*Compensated absences:* Employees of the Auxiliary 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 \$1,469 as of June 30, 2010 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.

*Advertising:* The Auxiliary expenses advertising costs as they are incurred. Advertising expenses totaled \$635 for the period August 28, 2009 (inception) through June 30, 2010.

*Functional allocation of expenses:* The costs of providing the various programs and other activities have been summarized on a functional basis. Management allocates cost between programs benefited. This allocation is based upon management's estimate of hours spent on the programs and activities.

*Subsequent events:* The Auxiliary has evaluated subsequent events through September 29, 2010, the date on which the financial statements were available to be issued. There are no subsequent events considered material by management that would require disclosure in the financial statements.

**Note 2. Transactions with Related Parties**

California State University, Bakersfield ("the University") provides accounting and payroll services to the Auxiliary.

California State University, Bakersfield, Foundation ("the Foundation") collected funds on behalf of the Auxiliary for a matching contribution related to a grant awarded to the Auxiliary.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**NOTES TO FINANCIAL STATEMENTS**

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Related party transactions as of and for the period August 28, 2009 (inception) through June 30, 2010 are as follows:

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Due from Foundation	\$ 50,000
Due to University	106,717
Expenses:	
Services from other agencies	136,357

**Note 3. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 consist of a \$50,000 donor contribution which is available for the Small Business Development Center.

**Note 4. Concentration of Revenue**

For the period August 28, 2009 (inception) through June 30, 2010, approximately 84% of the Auxiliary's revenue was received from two grant sources. These grants are currently in place for each of the next four years.

## **SUPPLEMENTARY INFORMATION**

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**Schedule of Net Assets**

**June 30, 2010**

**(for inclusion in the California State University)**

**Assets:**

Current assets:

Cash and cash equivalents	\$	22,469
Short-term investments		-
Accounts receivable, net		442,680
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		-
Prepaid expenses and other assets		-
<b>Total current assets</b>		<b>465,149</b>

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		-
Pledges receivable, net		-
Endowment investments		-
Other long-term investments		-
Capital assets, net		-
Other assets		-
Total noncurrent assets		-
Total assets		<b>465,149</b>

**Liabilities:**

Current liabilities:

Accounts payable		373,080
Accrued salaries and benefits payable		5,560
Accrued compensated absences - current portion		1,469
Deferred revenue		-
Capitalized lease obligations – current portion		-
Long-term debt obligations – current portion		-
Self-insurance claims liability – current portion		-
Depository accounts		-
Other liabilities		-
<b>Total current liabilities</b>		<b>380,109</b>

Noncurrent liabilities:

Accrued compensated absences, net of current portion		-
Deferred revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		-
Long-term debt obligations, net of current portion		-
Self-insurance claims liability, net of current portion		-
Depository accounts		-
Other postemployment benefits obligation		-
Other liabilities		-
Total noncurrent liabilities		-
Total liabilities		<b>380,109</b>

**Net assets:**

Invested in capital assets, net of related debt		-
Restricted for:		
Nonexpendable - endowments		-
Expendable:		
Scholarships and fellowships		-
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		50,000
Unrestricted		35,040
<b>Total net assets</b>	\$	<b>85,040</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(for inclusion in the California State University)**

Revenues:	
Operating revenues:	
Student tuition and fees	\$ -
Grants and contracts, noncapital:	
Federal	876,668
State	-
Local	-
Nongovernmental	32,722
Sales and services of educational activities	-
Sales and services of auxiliary enterprises	-
Other operating revenues	-
Total operating revenues	<u>909,390</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	874,290
Institutional support	60
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	-
Total operating expenses	<u>874,350</u>
Operating income (loss)	<u>35,040</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	50,000
Investment income (loss), net	-
Endowment income (loss), net	-
Interest expenses	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>50,000</u>
Income (loss) before other additions	<u>85,040</u>
State appropriations, capital	-
Grant and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net assets	85,040
Net assets:	
Net assets at beginning of year, as previously reported	-
Restatement	-
Net assets at beginning of year, as restated	-
Net assets at end of year	<u>\$ 85,040</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION  
JUNE 30, 2010  
(for inclusion in the California State University)**

**1 Restricted cash and cash equivalents at June 30, 2010**

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, 2010:**

	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	-	-	-	-	-	-	-
US Bank SWIFT pool	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(for inclusion in the California State University)**

**3.1 Composition of Capital Assets at June 30, 2010:**

	Balance June 30, 2009	Prior period Adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2010
<b>Non-Depreciable Capital Assets:</b>								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
<b>Total nondepreciable capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciable Capital Assets:</b>								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
<b>Total depreciable capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital assets, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less Accumulated Depreciation:</b>								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net capital assets, net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**3.2 Details of depreciation expense for the year ended June 30, 2010:**

Depreciation and amortization expense related to capital assets	\$ -
Amortization expense related to other assets	-
<b>Total depreciation and amortization</b>	<b>\$ -</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(for inclusion in the California State University)**

**3.3 Detail of intangible assets as of June 30, 2010:**

	<u>Nonamortizable</u>	<u>Amortizable</u>	<u>Accumulated Amortizable</u>
Easements	\$ -	\$ -	\$ -
Rights	-	-	-
Websites	-	-	-
Computer software	-	-	-
Licenses and permits	-	-	-
Patents	-	-	-
Copyrights	-	-	-
Trademarks	-	-	-
Others	-	-	-
<b>Total intangible assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(for inclusion in the California State University)**

**4 Long-term liabilities activity schedule**

	Balance June 30, 2009	Prior period Adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Balance June 30, 2010	Current Portion	Long-Term Portion
Accrued compensated absences	\$ -	\$ -	\$ -	\$ -	\$ 1,689	\$ (220)	\$ 1,469	\$ 1,469	\$ -
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	-	-	-	-	-	-	-	-	-
Total long-term debt obligation	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ 1,689	\$ (220)	\$ 1,469	\$ 1,469	\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(for inclusion in the California State University)**

**5 Future minimum lease payments - capital lease obligations:**

Year ending June 30:	Principal	Interest	Principal and Interest
	_____	_____	_____
2011	\$ -	\$ -	\$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016-2020	-	-	-
2021-2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2040	-	-	-
2041-2045	-	-	-
2046-2050	-	-	-
2051-2055	-	-	-
2056-2060	-	-	-
	_____	_____	_____
Total minimum lease payments			-
Less amounts representing interest			_____
Present value of future minimum lease payments			-
Less: current portion			_____
<b>Capitalized lease obligations, net of current portion</b>			<b>\$ -</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(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	Principal	Interest	Principal and	Principal	Interest	Principal and
			Interest			Interest			Interest
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016-2020	-	-	-	-	-	-	-	-	-
2021-2025	-	-	-	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-	-
2056-2060	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2010  
(for inclusion in the California State University)**

**7 Calculation of net assets**

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$ -	\$ -	\$ -
Capitalized lease obligations - current portion	-	-	-
Capitalized lease obligations, net of current portion	-	-	-
Long-term debt obligations - current portion	-	-	-
Long-term debt obligations, net of current portion	-	-	-
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)	-	-	-
Net assets - invested in capital assets, net of related debt	\$ -	\$ -	\$ -

**7.2 Calculation of net assets - Restricted for nonexpendable - endowments**

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	-	-
Other adjustments: (please list)	-	-	-
<b>Net assets - Restricted for nonexpendable - endowments per SNA</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**8 Transactions with Related Entities**

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 80,976
Payments to University for other than salaries of University personnel	55,381
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)	(52,926)
Other amounts (payable to) University (enter as negative number)	(53,791)
Accounts receivable from University	-
Other amounts receivable from University	-

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**  
**AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**  
**OTHER INFORMATION (Continued)**  
**JUNE 30, 2010**  
**(for inclusion in the California State University)**

**9 Other Postemployment Benefits Obligation (OPEB)**

Annual required contribution (ARC)	\$	-
Contributions during the year		-
Increase (decrease) in net OPEB obligation (NOO)		-
NOO - beginning of year		-
NOO - end of year	\$	-

**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 Dr. (Cr.)
Net assets as of June 30, 2009 as previously reported		\$ -
Prior period adjustments:		-
Net assets as of June 30, 2009, as restated		\$ -

**Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:**

	Debit	Credit
N/A - No restatements -		

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION**

**For the Period August 28, 2009 (Inception) through June 30, 2010**

	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>
Services from other agencies	\$ 625,401	\$ -	\$ 625,401
Salaries	105,660	-	105,660
Overhead	39,106	-	39,106
Travel	23,953	-	23,953
Payroll taxes and benefits	19,321	-	19,321
Supplies	15,842	-	15,842
Conferences and meetings	17,035	60	17,095
Repairs and maintenance	10,667	-	10,667
Events	10,925	-	10,925
Miscellaneous	1,879	-	1,879
Stipends	1,500	-	1,500
Printing	984	-	984
Telephone	793	-	793
Advertising	635	-	635
Postage	254	-	254
Dues and subscriptions	185	-	185
Rent	150	-	150
	<u>\$ 874,290</u>	<u>\$ 60</u>	<u>\$ 874,350</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Period August 28, 2009 (Inception) through June 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Amount	Total
<b>FEDERAL:</b>				
<b>U. S. Department of Education</b>				
<i>Direct Programs</i>				
Higher Education - Institutional Aid	84.031S	P031S0990154	\$ 114,145	
Higher Education - Institutional Aid	84.031M	P031M090060	75,006	
			<u>189,151</u>	\$ 189,151
Teachers Quality Enhancement Grants for State and Partnerships	84.336S	U336S090162	687,517	
			<u>687,517</u>	687,517
				<u>\$ 876,668</u>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Auxiliary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."



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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**

Board of Directors  
**California State University, Bakersfield,**  
**Auxiliary for Sponsored Programs Administration**  
Bakersfield, California

We have audited the financial statements of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** as of and for the period August 28, 2009 (inception) through June 30, 2010, and have issued our report thereon dated September 29, 2010. 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, Auxiliary for Sponsored Programs Administration'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, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We consider the deficiency described at FS-10-01 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration'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*.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Daniells, Phillips, Vaughan & Rock*

Bakersfield, California  
September 29, 2010



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NANCY C. BELTON

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
**California State University, Bakersfield,**  
**Auxiliary for Sponsored Programs Administration**  
Bakersfield, California

Compliance

We have audited the compliance of California **State University, Bakersfield, Auxiliary for Sponsored Programs Administration** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period August 28, 2009 (inception) through June 30, 2010. **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** management. Our responsibility is to express an opinion on **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance with those requirements.

In our opinion, **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the period August 28, 2009 (inception) through June 30, 2010.

#### Internal Control over Compliance

Management of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Daniella, Phillips, Vaughan & Rock*

Bakersfield, California  
September 29, 2010

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE PERIOD AUGUST 28, 2009 (INCEPTION) THROUGH JUNE 30, 2010**

---

**SECTION I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:  
Material weaknesses identified? \_\_\_\_\_ Yes  X  No  
Significant deficiencies identified that are not  
considered to be material weaknesses?  X  Yes \_\_\_\_\_ None reported  
Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

*Federal Awards*

Internal control over major programs:  
Material weaknesses identified? \_\_\_\_\_ Yes  X  No  
Significant deficiencies identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported  
Type of auditor's report issued on compliance for  
major programs: Unqualified  
Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
OMB Circular A-133? \_\_\_\_\_ Yes  X  No

Identification of major programs

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
84.336S	Teachers Quality Enhancement Grants for State and Partnerships

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE PERIOD AUGUST 28, 2009 (INCEPTION) THROUGH JUNE 30, 2010**

---

**SECTION II. FINANCIAL STATEMENT FINDINGS**

FS-10-01 The Auxiliary did not accrue approximately \$272,000 of expenses that related to the period ended June 30, 2010. As the Auxiliary is on a reimbursement basis with the federal granting agency, this resulted in a corresponding understatement of revenue and accounts receivable. A procedure should be developed and implemented to ensure that expenses and the corresponding revenue are recorded in the proper period, to ensure that the general ledger is maintained in accordance with generally accepted accounting principles.

*Management Response:*

This being a new entity, all financial management processes were not established to capture all year end accruals as required. Since the audit, procedures have been implemented that will enable year end accruals to be made appropriately. These procedures include consideration of open purchase order balances when making estimates for year accruals, as well as performing tests for subsequent payments.

**SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE PERIOD AUGUST 28, 2009 (INCEPTION) THROUGH JUNE 30, 2010**

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N/A – first year entity