

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

Financial Statements and Supplemental Information

Years Ended June 30, 2014 and 2013



CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Financial Statements and Supplemental Information

Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration (a nonprofit organization), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

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

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

Opinion

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration as of June 30, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration as of June 30, 2013 were audited by other auditors whose report dated September 19, 2013 expressed an unmodified opinion on those statements.

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AKT LLP

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information included on pages 13-22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's internal control over financial reporting and compliance.

AKT LLP

San Diego, California
September 19, 2014

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2014

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 July 1, 2013 through June 30, 2014. 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.

Statements of Net Position: 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 position of the Auxiliary.

Statement of Revenues, Expenses and Changes in Net Position: The statement of revenues, expenses and changes in net position 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 year ending June 30, 2014 and are summarized by operating, noncapital financing, capital and related financial 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 July 1, 2013 through June 30, 2014. Included is an analysis of the current year activities and balances.

The Auxiliary continued the management and operation of several grants including CREST- Center for Research Excellence in Science and Technology, Title V grants, the Teacher Quality Partnerships, CAMP - College Assistance Migrant Program, HEP - High School Equivalency Program and Building Healthy Communities.

The total annual revenue for grants under Auxiliary management during the year was approximately \$7.2 million. Several new grants were awarded to the Auxiliary last year which experienced their first year of operation this year.

In its fourth full year of operation, the Auxiliary generated approximately \$500 thousand in Facilities and Administrative (F&A) indirect cost recovery - the major source of unrestricted revenue. Although the federal negotiated F&A rate is 46.5 percent of modified total direct costs, many awards receive a lower rate and certain categories of expense may not be used when calculating the actual cost recovery. The actual cost recovery rate for the year is 7.4 percent equal to the planned rate of 7.4 percent. Projected F&A for fiscal year 2014-15 is 7.4 percent as well.

Grant Highlights

Grants administered by the Auxiliary help fund activities that benefit students, teachers, small businesses and members of the CSUB community.

The Center for Research Science and Technology (CREST) program continues to support student interested in research related to climate change while pursuing degrees in science and technology. This past year, students participated in extensive academic research at CSUB, national labs and cooperating PhD granting institutions. Presentations of research results occurred at industry and technical meetings including WESTCARB, the American Geophysical Union and the American Association of Petroleum Geology.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2014

This grant has enabled students, with the support of faculty, to collaborate with other institutions while making progress toward post graduate study. More specifically, thirty conference presentations were given by CSUB CREST faculty and student fellows. Three journal articles were published and four others have been submitted to peer reviewed journals. Five students have been accepted with full support into PHD programs. Additionally, research efforts, including faculty researchers and students is underway with international collaborating universities to study lake and alluvia fan sediments in the Andean foothills of Mexico.

In their last year, both Title V - A and B grants have enhanced the educational experience of CSUB students. Title V-A First Year Experience Foundation of Excellence program has developed programs aimed at retaining students and acclimating high school students to the University environment. This past year the program continued to provide first year experience courses which have provided an opportunity for relationship building between students and faculty during the first year transition. The program also provided training and professional development to faculty teaching first year experience courses that helped ensure quality and consistency across the freshman curriculum.

The Title V - B Post Baccalaureate grant has allowed for better focus and attention in preparing Hispanic students interested in pursuing graduate education. The grant also succeeded in expanding post baccalaureate academic offerings and enhancing program quality. More effective student recruitment, advising and grant writing were accomplished as well.

The College Access Migrant Program (CAMP) continues to provide CSUB students with a migrant background an array of support services that begins with a summer program is complemented by individual advising, career development, and community engagement activities throughout the academic year. Students participating in this program number eighty annually.

The High School Equivalency program (HEP) continues to assist seasonal farmworkers and immediate family members in obtaining high school equivalency. Subsequent to participants achieving equivalency, this program helps participants find better jobs, begin college or vocational training. This program is one of eight HEP Programs in California and the only project providing these specialized services in the southern San Joaquin Valley. Program results indicate that the CSUB HEP program high school equivalency test scores have exceeded the national average in recent years.

Teacher Quality Partnerships (TQP) benefits area teachers and funds professional development activities for teachers in K-12 schools. Currently, the program averages 40 teaching partnership pairings in the field per quarter. In total 327 educators have gone through the program. The training material produced and used by this program has been recognized as a model for other similar programs to follow and adopt throughout the country.

The Building Healthy Communities (BHC) grant aims "to improve the health of South Kern so that children are healthy, safe and ready to learn, and families and the communities are healthy and strong". The program is one of fourteen sites funded throughout California by The California Endowment in a long-term effort to address poverty and improve health and economic status through deep, sustained community-driven investments and partnerships. BHC South Kern is composed of local grantees, partners and community members and is managed through the Lamont Weedpatch Family Resource Center/Lamont School District which serves as the hub for the project." CSUB serves as the financial hub for this project and manages the budget and the reports for the programs.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS
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Management's Discussion and Analysis

Year Ended June 30, 2014

Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 1,701,756	\$ 1,773,579	\$ 1,012,097
Capital assets	<u>106,544</u>	<u>80,681</u>	<u>-</u>
Total Assets	1,808,300	1,854,260	1,012,097
Liabilities:			
Current liabilities	<u>1,295,312</u>	<u>1,525,902</u>	<u>831,766</u>
Net Position: Unrestricted	<u>\$ 512,988</u>	<u>\$ 328,358</u>	<u>\$ 180,331</u>

Assets

Assets decreased by \$45 thousand to \$1.8 million, due largely to a decrease in accounts receivable of \$182 thousand. Improved collection efforts contributed to this decrease. Capital assets increased \$25 thousand due to purchases of scientific equipment. Total assets in both years consisted primarily of accounts receivable due from federal agencies.

Liabilities

Total liabilities decreased by \$231 thousand to \$1.3 million due largely to a decrease in amounts due to related parties. Total liabilities in both years consisted primarily of current accrued expenses related to subcontractors working on the Teacher Quality Partnership grant.

Net Assets

Total net assets continued to increase from \$328,358 to \$512,988 as a result of more grants being under management for the whole year versus a partial year. Also last year nearly all the cost recovery generated were used to reimburse expenses the University incurred in post award and fiscal administration services. This year the Auxiliary generated more in F&A cost recovery revenue providing funds to reimburse the University for fiscal administration services and academic release time salaries.

Schedules of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unrestricted Operating Revenues and Other Support:			
Grants	\$ 7,180,321	\$ 7,031,477	\$ 5,612,678
Other operating revenues	<u>135,137</u>	<u>4,798</u>	<u>-</u>
Total Unrestricted Operating Revenues and Other Support	7,315,458	7,036,275	5,612,678
Expenses:			
Program services	6,786,688	6,586,625	5,332,829
General and administrative	344,140	301,623	117,158
Total Expenses	<u>7,130,828</u>	<u>6,888,248</u>	<u>5,449,987</u>
Change in Net Position	184,630	148,027	162,691
Net Position, beginning	<u>328,358</u>	<u>180,331</u>	<u>17,640</u>
Net Position, ending	<u>\$ 512,988</u>	<u>\$ 328,358</u>	<u>\$ 180,331</u>

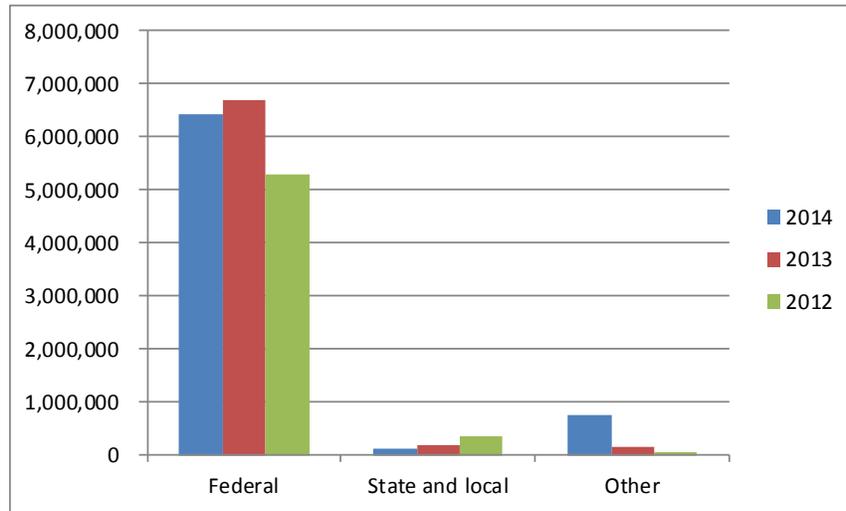
See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2014

Revenues



Overall revenues increased from \$7 to \$7.3 million. While the federal share of revenue has decreased from 95 to 89 percent, the non-governmental share has increased from 2 to 7 percent. The decrease in the federal share is due to a \$282 thousand decrease in CREST grant expenses related to the funding of scientific equipment purchases. Within the next fiscal year activities related to the two Title V grants will have concluded.

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 \$3.7 million whereas \$3.4 million relates to non-payroll grant expenses, of which \$2.2 million are subcontractor expenses.

Factors Bearing on the Auxiliary's Future

Additional grants have been awarded to the University during the past fiscal year and subsequent to year end. Management intends to manage 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 Douglas Wade, Assistant Vice President of Fiscal Services, at 9001 Stockdale Highway, Bakersfield, California 93311.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS
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Statements of Net Position

June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Cash	\$ 116,446	\$ -
Accounts receivable	1,579,654	1,738,573
Due from related parties	5,656	-
Prepaid expenses	-	35,006
Capital assets, net of accumulated depreciation	<u>106,544</u>	<u>80,681</u>
 Total Assets	 1,808,300	 1,854,260
 LIABILITIES AND NET POSITION		
Outstanding checks in excess of bank balance	-	41,149
Accounts payable	443,367	406,718
Due to related parties	264,104	743,076
Accrued expenses	51,985	44,712
Deferred revenue	<u>535,856</u>	<u>290,247</u>
 Total Liabilities	 <u>1,295,312</u>	 <u>1,525,902</u>
 Net Position - Unrestricted	 <u>\$ 512,988</u>	 <u>\$ 328,358</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS
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Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Revenue and Other Support:		
Grants:		
Federal	\$ 6,441,553	\$ 6,706,518
State	12,625	15,900
Local	121,507	168,823
Non-governmental	604,636	140,236
Other	<u>135,137</u>	<u>4,798</u>
Total Unrestricted Revenue and Other Support	7,315,458	7,036,275
Expenses:		
Program Services	6,786,688	6,586,625
General and Administrative	<u>344,140</u>	<u>301,623</u>
Total Expenses	<u>7,130,828</u>	<u>6,888,248</u>
Change in Net Position	184,630	148,027
Net Position, beginning	<u>328,358</u>	<u>180,331</u>
Net Position, ending	<u>\$ 512,988</u>	<u>\$ 328,358</u>

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

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Grant revenue receipts	\$ 7,714,330	\$ 6,545,586
Payments to suppliers	(3,930,571)	(3,302,089)
Payments to employees	<u>(3,625,852)</u>	<u>(3,154,986)</u>
Net Cash Provided by Operating Activities	157,907	88,511
Cash Flows Used by Investing Activities:		
Purchase of capital assets	<u>(41,461)</u>	<u>(91,253)</u>
Net Increase (Decrease) in Cash	116,446	(2,742)
Cash, beginning	<u>-</u>	<u>2,742</u>
Cash, ending	<u>\$ 116,446</u>	<u>\$ -</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	\$ 184,630	\$ 148,027
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	15,598	10,572
Changes in operating assets and liabilities:		
Outstanding checks in excess of bank balance	(41,149)	(4,835)
Accounts receivable	158,919	(731,193)
Due from related parties	(5,656)	
Prepaid expenses	35,006	(33,031)
Accounts payable	36,649	(28,728)
Due to related parties	(478,972)	480,569
Accrued expenses	7,273	6,626
Deferred revenue	<u>245,609</u>	<u>240,504</u>
Net cash provided by operating activities	<u>\$ 157,907</u>	<u>\$ 88,511</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration (Organization) was incorporated in the State of California on August 28, 2009. The Organization was formed and operated solely for the benefit of California State University, Bakersfield (CSU Bakersfield or the University) as a non-profit auxiliary organization. The Organization 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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no temporarily or permanently restricted net assets during the years June 30, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2014 and 2013 and therefore no amounts have been accrued.

The Organization files informational and income tax returns in the United States, California, and in local jurisdictions. With few exceptions, the Organization's federal income tax returns for the years prior to 2009 are closed. State and local jurisdictions have statutes of limitations that generally range from three to five years.

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

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 10 years.

Deferred Revenue

Deferred revenue represents grant revenue received in advance.

Subsequent Events

The Organization has evaluated subsequent events through September 19, 2014, which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per financial institution. At June 30, 2014, the Organization's deposits with financial institutions were fully insured.

Note 3 – Reclassification

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 4 – Capital Assets

Changes in capital assets consist of the following for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Equipment	\$ 91,253	\$ 41,461	\$ -	\$ 132,714
Less accumulated depreciation	(10,572)	(15,598)	-	(26,170)
	<u>\$ 80,681</u>	<u>\$ 25,863</u>	<u>\$ -</u>	<u>\$ 106,544</u>

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

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

Note 4 – Capital Assets, continued

Changes in capital assets consist of the following for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Equipment	\$ -	\$ 91,253	\$ -	\$ 91,253
Less accumulated depreciation	-	(10,572)	-	(10,572)
	<u>\$ -</u>	<u>\$ 80,681</u>	<u>\$ -</u>	<u>\$ 80,681</u>

Note 5 – Related Party Transactions

The University provides accounting and payroll services to the Auxiliary. Additionally, the University collects funds on behalf of the Organization related to draw downs on their various grants.

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

California State University, Bakersfield Student Union, Inc. (Student Union) provides various services to the Organization.

	<u>2014</u>	<u>2013</u>
Due to:		
University	\$ 264,104	\$ 736,540
Student Union	-	1,555
Foundation	-	4,981
Due from:		
University	5,300	
Foundation	356	-
Revenue:		
University	17,728	-
Foundation	132,672	-
Expenses:		
Services from other agencies	2,351,264	2,413,169

SUPPLEMENTAL INFORMATION

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

Schedule of Expenses by Natural Classification

Year Ended June 30, 2014

	Program Services	General and Administrative	Total
Salaries	\$ 2,790,692	\$ 167,780	\$ 2,958,472
Services from other agencies	2,210,215	112,575	2,322,790
Payroll taxes and benefits	655,993	18,660	674,653
Stipends	312,650	-	312,650
Supplies	217,335	70	217,405
Travel	172,771	-	172,771
Conference and meetings	98,023	-	98,023
Professional fees	51,500	39,000	90,500
Scholarships	74,843	-	74,843
Miscellaneous	29,942	1,495	31,437
Rent	48,851	-	48,851
Small equipment	44,162	-	44,162
Printing and publications	27,337	-	27,337
Telephone	17,634	-	17,634
Depreciation	15,598	-	15,598
Dues and subscriptions	10,373	1,750	12,123
Insurance	600	2,810	3,410
Advertising	3,164	-	3,164
Postage	2,608	-	2,608
Events	2,397	-	2,397
	<u>2,397</u>	<u>-</u>	<u>2,397</u>
Total Expenses	<u>\$ 6,786,688</u>	<u>\$ 344,140</u>	<u>\$ 7,130,828</u>

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

Schedule of Expenses by Natural Classification

Year Ended June 30, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 2,427,222	\$ 116,090	\$ 2,543,312
Services from other agencies	2,330,700	146,290	2,476,990
Payroll taxes and benefits	628,633	541	629,174
Stipends	453,186	-	453,186
Supplies	221,399	60	221,459
Travel	167,086	-	167,086
Conference and meetings	108,549	-	108,549
Small equipment	95,692	-	95,692
Scholarships	43,548	-	43,548
Professional fees	-	32,900	32,900
Miscellaneous	26,688	1,317	28,005
Rent	25,710	-	25,710
Printing and publications	20,163	-	20,163
Telephone	15,567	-	15,567
Depreciation	10,572	-	10,572
Events	5,435	-	5,435
Dues and subscriptions	1,788	1,750	3,538
Postage	3,027	-	3,027
Insurance	-	2,675	2,675
Advertising	1,060	-	1,060
Bad debt	600	-	600
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ <u>6,586,625</u>	\$ <u>301,623</u>	\$ <u>6,888,248</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Schedule of Net Position

June 30, 2014

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 116,446
Short-term investments	—
Accounts receivable, net	1,585,310
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	—
Total current assets	1,701,756

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	106,544
Other assets	—
Total noncurrent assets	106,544

Total assets	1,808,300
--------------	-----------

Deferred outflows of resources:

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

Liabilities:

Current liabilities:

Accounts payable	707,471
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	44,474
Unearned revenue	535,856
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	7,511
Total current liabilities	1,295,312

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	—

Total liabilities	1,295,312
-------------------	-----------

Deferred inflows of resources:

Deferred inflows from SCAs, grants, and others	—
Total deferred inflows of resources	—

Net Position:

Net investment in capital assets	106,544
Unrestricted	406,444
Total net position	\$ 512,988

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINIST
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$0)	\$ —
Grants and contracts, noncapital:	
Federal	6,441,553
State	12,625
Local	121,507
Nongovernmental	604,636
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	—
Other operating revenues	135,137
Total operating revenues	<u>7,315,458</u>

Expenses:

Operating expenses:	
Instruction	—
Research	894,189
Public service	687,867
Academic support	2,205,966
Student services	2,918,546
Institutional support	315,927
Operation and maintenance of plant	—
Student grants and scholarships	92,735
Auxiliary enterprise expenses	—
Depreciation and amortization	15,598
Total operating expenses	<u>7,130,828</u>
Operating income (loss)	<u>184,630</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	—
Investment income (loss), net	—
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	<u>—</u>
Income (loss) before other additions	184,630
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	184,630
Net position:	
Net position at beginning of year, as previously reported	328,358
Restatements	—
Net position at beginning of year, as restated	<u>328,358</u>
Net position at end of year	<u>\$ 512,988</u>

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
 Other Information
 June 30, 2014
 (for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2014:	
	Portion of restricted cash and cash equivalents related to endowments	\$ -
	All other restricted cash and cash equivalents	-
	Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2014:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less endowment investments (enter as negative number)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

2.2 Investments held by the University under contractual agreements at June 30, 2014:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2014 :	-	-	-	-	-	-	-
-----------------------------------------------------------------------------------------------------------	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2014 related to:

	<u>Amount</u>
Add description	\$ -
Add description	-
Total restricted current investments at June 30, 2014	<u>\$ -</u>

2.4 Restricted noncurrent investments at June 30, 2014 related to:

	<u>Amount</u>
Endowment investment	\$ -
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2014	<u>\$ -</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
Other Information
June 30, 2014
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	91,253	-	-	91,253	41,461	-	-	132,714
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	91,253	-	-	91,253	41,461	-	-	132,714
Total capital assets	91,253	-	-	91,253	41,461	-	-	132,714
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(10,572)	-	-	(10,572)	(15,598)	-	-	(26,170)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(10,572)	-	-	(10,572)	(15,598)	-	-	(26,170)
Total capital assets, net	\$ 80,681	-	-	80,681	25,863	-	-	106,544

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
 Other Information
 June 30, 2014
 (for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	\$ 15,598
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 15,598</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ 35,620	—	—	35,620	44,474	(35,620)	44,474	44,474	—
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	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 35,620	—	—	35,620	44,474	(35,620)	44,474	44,474	—

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020 - 2024	-	-	—
2025 - 2029	-	-	—
2030 - 2034	-	-	—
2035 - 2039	-	-	—
2040 - 2044	-	-	—
2045 - 2049	-	-	—
2050 - 2054	-	-	—
2055 - 2059	-	-	—
2060 - 2064	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
 Other Information
 June 30, 2014
 (for inclusion in the California State University)

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
	Year ending June 30:								
2015	\$ -	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020 - 2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ —	106,544	106,544
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)			
Add description	—	—	—
Net position - net investment in capital asset	\$ —	106,544	106,544
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —	—	—

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
 Other Information
 June 30, 2014
 (for inclusion in the California State University)

8 Transactions with Related Entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,627,604
Payments to University for other than salaries of University personnel	685,922
Payments received from University for services, space, and programs	17,728
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(264,101)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	5,300
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

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

10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
Add description	\$ —
Total pollution remediation liabilities	\$ —
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u><u>—</u></u>

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

	Net Position	
	Class	Amount
Net position as of June 30, 2013, as previously reported		\$ 328,358
Prior period adjustments:		
1 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		\$ <u>328,358</u>

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

	Debit	Credit
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ —	—
Net position class: _____		
2 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
3 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
4 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
5 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
6 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
7 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
8 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
9 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
10 (breakdown of adjusting journal entry)	—	—



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**INDEPENDENT AUDITORS' 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 Audit Committee
California State University, Bakersfield, Auxiliary for Sponsored Programs Administration

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

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 from 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*.

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Purpose of this Report

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

AKT LLP

San Diego, California
September 19, 2014



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Audit Committee
California State University, Bakersfield, Auxiliary for Sponsored Programs Administration

Report on Compliance for Each Major Federal Program

We have audited California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's major federal programs for the year ended September 19, 2014. California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's compliance.

Opinion on Each Major Federal Program

In our opinion, California State University, Bakersfield, Auxiliary for Sponsored Programs Administration complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 19, 2014.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-002, that we consider to be a significant deficiency.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

AKT LLP

San Diego, California
September 19, 2014

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grantor No.</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Improving Teacher Quality State Grants	84.367	CN110113	\$ 60,080
Title V - B Graduate Student Ctr (GSC)	84.031M	P031M690060-12	625,400
Title V - A First Year Experience (FYE)	84.031S	P031S090154-12	722,656
TRIO - Talent Search	84.044A	P044A110408-12	322,411
HEP-High School Equivalency Program	84.141A	S141A100008-12	455,256
CAMP Program	84.149A	S149A10035-12A	510,221
Teacher Quality Partnership Grants	84.336S	U3365090162-12	2,184,632
			<u>4,880,656</u>
<u>Small Business Administration</u>			
Pass-through University of California Merced:			
Small Business Development Center	59.037	F300GNA0880	16,042
Small Business Development Center	59.037	F300GQA049	77,896
Small Business Development Center	59.037	F300GQA115	4,988
Small Business Development Center	59.037	F300GRA047	78,478
			<u>177,404</u>
<u>National Science Foundation</u>			
Direct Programs:			
Career 1 Grant	47.074	IOS-1252232	42,856
CSUB Center for Climate Change and Carbon Sequestration	47.076	HRD-1137774	984,815
			<u>1,027,671</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Geologic Mapping of Fairview	15.810	G13AC00119	10,282
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Agri Engineering	10.223	2012-38422-19825	96,169
<u>National Endowment for the Humanities</u>			
Direct Program:			
The Irish Sea Cultural Province: Crossroads of Medieval Literature and Languages	45.163	FV-50353-12	47,608
<u>U.S. Department of Labor</u>			
Pass-through County of Kern:			
Migrant Book Assistance Program	17.259	554-2012	20,469
Career Beginnings ISY	17.259	554-2012	106,362
Career Beginnings OSY	17.259	554-2012	38,867
			<u>165,698</u>
<u>National Aeronautical and Space Administration</u>			
Pass-through Aero Institute:			
NASA Pre-Service Teacher Institute	43.008	N/A	36,065
			<u>\$ 6,441,553</u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

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

Note to Schedule of Expenditure of Federal Awards

Year Ended June 30, 2014

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California State University, Bakersfield, Auxiliary for Sponsored Programs Administration 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*.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.149A	CAMP Program
84.336S	Teachers Quality Enhancement Grants for State and Partnerships
59.037	Small Business Development Center

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section II – Financial Statement Finding

2014-001 Journal entries

Criteria: Internal controls should be in place that provide reasonable assurance that journal entries are properly approved.

Condition: The current control environment allows for the same individual to initiate and post manual journal entries.

Cause: There are no procedures in place to review that all journal entries have been properly approved and include adequate support.

Effect: Manual journal entries could be posted by one individual without proper approval or support.

Recommendations: We recommend that a journal entry report be generated by an employee who does not have the ability to post entries. That report should be compared to the journal entry support binders to ensure all journal entries were properly initiated, reviewed, and approved and include proper support.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the recommended procedures have been implemented. Further the Organization maintains that the internal controls around journal entries is robust and that no instances of the effect named above were found during the auditors review. Additionally, the Organization is open to receiving and encourage our auditors to provide recommendations that could improve our operations and internal controls.

Section III – Federal Award Finding and Questioned Costs

2014-002 Reporting

Program: Small Business Administration, Pass-Through University of California Merced, Small Business Development Center, CFDA 59.037.

Criteria: The program states that quarterly reports are required and must be submitted by deadline given.

Condition: During our audit, we noted the Organization was late on submission of a quarterly report.

Cause: The Organization has established policies and procedures to ensure that reports are being submitted timely as noted in the program guidelines. However it was noted that the Organization was not following these policies and procedures.

Effect: During our audit, it was noted that a report was submitted over 30 days past the due date given.

Recommendations: The Organization should make sure they are following policies and procedures in place in order to ensure that deadlines are accurately met.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees that the report in question for SBDC was submitted late. This was inadvertent. Organization does have, and does train, all grantee holders on the established policies and procedures regarding research administration best practices. To ensure compliance with agency terms and conditions regarding reporting deadlines, the GRaSP coordinator for SBDC will send email reminders to PI and department Coordinators 30 days before the billing due date and followup to ensure report was submitted on time.

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

Schedule of Prior Year Findings

Year Ended June 30, 2014

- FA-13-01 *Teachers Quality Enhancement Grants for State and Partnerships* U.S. Department of Education CFDA #84.336S. Federal award # U336S090162-12
- The underlying documentation provided by the Auxiliary to support the matching amounts reported for one of the six contractual partners did not agree to the amounts reported per the Annual Performance Report for the period of October 1, 2012 through April 30, 2013. The finding stems from a lack of review at the program level to ensure that all amounts reported per the Annual Performance Report are supported by underlying documentation. *We did not identify similar findings during the year ended June 30, 2014.*
- FA-13-02 *Small Business Development Center* U.S. Small Business Administration, Pass through The Regents of the University of California CFDA #59.037. Federal award # 1-603001- Z-0061
- Of the forty client files selected for testing, twenty-nine files had missing and/or incomplete documentation to support that the applicants were eligible to receive services under the Small Business Development Center. The finding stems from a lack of reviewing procedures for file maintenance. *We did not identify similar findings during the year ended June 30, 2014.*
- FA-12-03 Lack of adequate system in place to ensure that the information reported in the Annual Performance Report for Teachers Quality Enhancement Grants for State and Partnerships agreed with the underlying documentation used to compile the report. *We did not identify similar findings during the year ended June 30, 2014.*
- FA-12-04 Lack of adequate system in place to ensure that the Auxiliary maintained complete and accurate client files for all clients served under the Small Business Development Center. *We did not identify similar findings during the year ended June 30, 2014.*