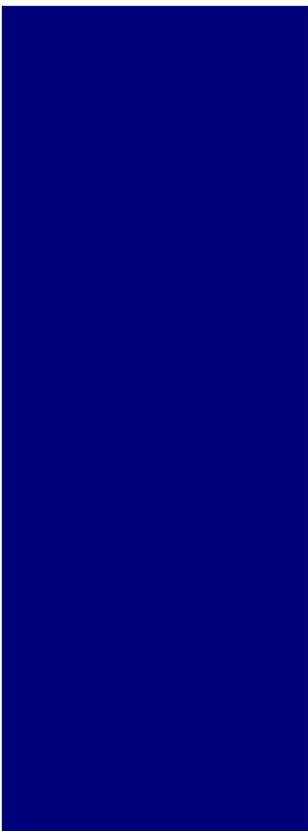


**CALIFORNIA STATE UNIVERSITY,
BAKERSFIELD, AUXILIARY FOR SPONSORED
PROGRAMS ADMINISTRATION**

Financial Statements and Supplemental Information

Years Ended June 30, 2015 and 2014



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

Financial Statements and Supplemental Information

Years Ended June 30, 2015 and 2014

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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 statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK
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 3-7 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 audits were 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 14-23 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 18, 2015, 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 18, 2015

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2015

This section of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration ("Auxiliary") annual financial report includes management's discussion and analysis of the financial performance of the Auxiliary for the period July 1, 2014 through June 30, 2015. 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 position, the statement of revenues, expenses and changes in net position, 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 Position: The statement of net position 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, 2015 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, 2014 through June 30, 2015. 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, the Teacher Quality Partnerships, Teacher Quality Partnerships – Gro, Building Healthy Communities, CAMP - College Assistance Migrant Program, Educational Talent Search - HEP - High School Equivalency Program, Small Business Development Center and Irish Sea Grant.

The total annual revenue for grants under Auxiliary management during the year was approximately \$6.6 million. Several grants that were awarded to the Auxiliary in past years experienced their final year of operation this year.

In its fifth year of operation, the Auxiliary generated approximately \$581 thousand in Facilities and Administrative (F&A) indirect cost recovery - the major source of unrestricted revenue. Although the federal negotiated F&A rate is 47 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 7.6 percent, above the planned rate of 7.4 percent. Projected F&A for fiscal year 2015-16 is 7.4 percent.

Grant Highlights

Grants administered by the Auxiliary included 55 new and continuing awards. The highlights note the contributions of each school or division that supports research and sponsored programs activity at the University. All four schools and many departments support grant activity that help fund activities benefiting students, teachers, small businesses and members of the CSUB community. These highlights call attention to a select few to help describe the ongoing activities and operations of the Auxiliary that have been central to expanding research and sponsored program activity at the University.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2015

School of Natural Science, Mathematics and Engineering Grants

Through the School of Natural Sciences, Mathematics and Engineering (NSME), CREST, a National Science Foundation (NSF) funded grant, continues to support students interested in research related to climate change while pursuing degrees in science and technology. Our CREST program has enhanced the career prospects of a large population of students underrepresented in Science, Technology, Engineering and Math (STEM) fields through its focus on place-based research and intensive mentoring. More than 28 students have been directly involved in the basic and applied research projects supported by this program. The majority of these students have received, or are on track to receive, an M.S. degree and have ultimately gained employment in a STEM field or been accepted into a Ph.D. program (goal of 10+ students).

The continuing success of our CREST has spurred interest in research to the point where the campus has created the California Energy Research Center (CERC) designed to bring to CSUB research projects that otherwise would have been farmed out to institutions outside the valley. This has resulted in tens of millions of dollars of research proposals for engineers and scientists. Despite the fact that CERC has only been in existence for one year, proposals have already been funded for more than \$1 million.

Another grant operated through NSME is the NSF Improving Undergraduate STEM Education (IUSE) project. This grant program is designed to transform the mathematics curriculum in pre-calculus and calculus, producing a new model of integrated pedagogy that will enhance STEM education at CSUB, and remove a major roadblock to student advancement. The goals are 1) to increase the percentage of STEM students who are retained in STEM fields; 2) to broaden the support provided to students in STEM fields and increase student exposure to opportunities in STEM; and 3) to increase the number of students who graduate in STEM fields.

School of Social Sciences and Education Grants

Through the School of Social Sciences and Education, 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. Over five years, 1,603 educators have completed 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 GRO STEM (Growing Rural Opportunities) project, aims to reduce the achievement gap of students in high-need rural schools. This project, which is funded by the U.S. Department of Education, is creating a rural teacher residency program that will prepare 120 post-baccalaureate multiple-subject credential completers and Master's in Curriculum and Instruction graduates over a 5-year period. It addresses the need for qualified educators in high-need rural schools of minority and English-learner populations, with high teacher turnover rates. This project is being carried out in partnership with three Central Valley California school districts: Buttonwillow Union School District, Lamont Elementary School District, and Semitropic Elementary School District.

The project will 1) Establish a 15-month residency program that prepares residents, in cooperation with the partner school districts, to develop, teach and assess high-quality STEM curriculum in rural, high-need schools. 2) Develop teachers who will strive to close the achievement gap of high-need rural students through the use of Common Core State Standards and the Next Generation Science Standards. 3) Build and sustain a pipeline of credentialed teachers committed to teaching in high-need rural school districts. 4) Enhance the administrative and teacher leadership skills of LEA administrators.

The Educational Talent Search (ETS) serves five high schools in Kern County and three middle schools in the Bakersfield School District. The program provides services for disadvantaged homeless and foster youth, as well as low-income and potential first-generation college students. The program provides the following services to the target population: 1) increasing the overall knowledge of financial aid programs; 2) making appropriate connections to tutorial programs; 3) conducting pre-college workshops for participants; 4) assisting students with

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2015

enrollment process into post-secondary education. The program also follows a random cohort of seniors for six years to track the completion of a program of postsecondary education. The Talent Search Project serves 1,000 participants.

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.

Enrollment Management Grants

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 and 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.

Statements of Net Position

	2015	2014	2013
Assets:			
Current assets	\$ 1,840,800	\$ 1,701,756	\$ 1,773,579
Capital assets	103,128	106,544	80,681
Total Assets	1,943,928	1,808,300	1,854,260
Liabilities:			
Current liabilities	1,219,442	1,295,312	1,525,902
Net Position: Unrestricted	\$ 724,486	\$ 512,988	\$ 328,358

Assets

Assets increased by \$136 thousand to \$1.9 million due to increases of \$440 thousand in cash and \$78 thousand in amounts due from related parties. These increases were offset by a decrease of \$388 thousand in accounts receivable. Total assets in both years consisted primarily of accounts receivable due from federal agencies.

Liabilities

Total liabilities decreased by \$76 thousand to \$1.2 million due largely to a decrease in deferred revenue and expense accruals. Total liabilities in both years consisted primarily of current accrued expenses related to subcontractors working on the Teacher Quality Partnership grant.

See independent auditors' report.

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

Management’s Discussion and Analysis

Year Ended June 30, 2015

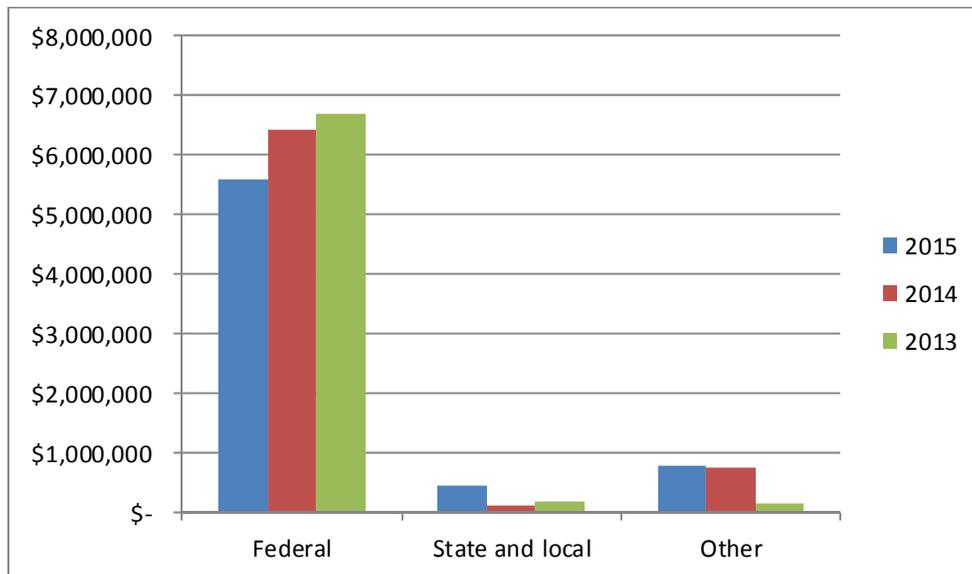
Net Position

Total net position continued to increase from \$512,988 to \$724,486 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 not only reimburse the University for fiscal administration services and academic release time salaries but also set aside unrestricted funds for the auxiliary’s future operations.

Schedules of Revenues, Expenses and Changes in Net Position

	2015	2014	2013
Unrestricted Operating Revenue and Other Support:			
Grants	\$ 6,639,757	\$ 7,180,321	\$ 7,031,486
Other operating revenues	167,609	135,137	4,789
Total Unrestricted Operating Revenue and Other Support	6,807,366	7,315,458	7,036,275
Expenses:			
Program services	6,223,296	6,786,688	6,586,625
General and administrative	372,572	344,140	301,623
Total Expenses	6,595,868	7,130,828	6,888,248
Change in Net Position	211,498	184,630	148,027
Net Position, beginning	512,988	328,358	180,331
Net Position, ending	\$ 724,486	\$ 512,988	\$ 328,358

Revenue



Overall revenues decreased from \$7.3 to \$6.8 million. While the federal share of revenue decreased from 89 to 82 percent, the state and local share increased from 2 to 6 percent. The decrease in the federal share is due to

See independent auditors’ report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Management's Discussion and Analysis

Year Ended June 30, 2015

less revenue from Title V A&B grants (\$808 thousand) which have which have concluded as well as a decrease in revenue from Teacher Quality Partnerships (\$317 thousand), and CAMP Program (\$180 thousand). These increases were offset by increases in NSF Crest (\$100 thousand), Building Healthy Communities (\$90 thousand), and new grants in 14-15 (\$578 thousand).

Expenses

Program 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 \$3.2 million whereas \$3.4 million relates to non-payroll grant expenses, of which \$1.9 million are subcontractor expenses during the year ended June 30, 2015. General and administrative (G and A) expenses consist of expenses related to faculty release time and reimbursements to the University for business and administrative services. G and A expenses increased by \$28 thousand due to an increase in reimbursements for services provided by the University.

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
ADMINISTRATION**

Statements of Net Position

June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash	\$ 556,569	\$ 116,446
Accounts receivable	1,192,073	1,579,654
Due from related parties	83,241	5,656
Prepaid expenses	8,917	-
Capital assets, net of accumulated depreciation	<u>103,128</u>	<u>106,544</u>
 Total Assets	 1,943,928	 1,808,300
 LIABILITIES AND NET POSITION		
Accounts payable	347,344	443,367
Due to related parties	422,081	264,104
Accrued expenses	21,056	51,985
Deferred revenue	<u>428,961</u>	<u>535,856</u>
 Total Liabilities	 <u>1,219,442</u>	 <u>1,295,312</u>
 Net Position - Unrestricted	 <u>\$ 724,486</u>	 <u>\$ 512,988</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Revenue and Other Support:		
Grants:		
Federal	\$ 5,589,890	\$ 6,441,553
State	77,057	12,625
Local	362,042	121,507
Non-governmental	610,768	604,636
Other	167,609	135,137
	<u>6,807,366</u>	<u>7,315,458</u>
Total Unrestricted Revenue and Other Support		
Expenses:		
Program Services	6,223,296	6,786,688
General and Administrative	372,572	344,140
	<u>6,595,868</u>	<u>7,130,828</u>
Total Expenses		
Change in Net Position	211,498	184,630
Net Position, beginning	<u>512,988</u>	<u>328,358</u>
Net Position, ending	<u>\$ 724,486</u>	<u>\$ 512,988</u>

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

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Grant revenue receipts	\$ 7,010,467	\$ 7,714,330
Payments to suppliers	(3,307,211)	(3,930,571)
Payments to employees	(3,242,943)	(3,625,852)
	<u>460,313</u>	<u>157,907</u>
Net Cash Provided by Operating Activities		
Cash Flows Used by Investing Activities:		
Purchase of capital assets	(20,190)	(41,461)
	<u>440,123</u>	<u>116,446</u>
Net Increase in Cash		
Cash, beginning	<u>116,446</u>	<u>-</u>
Cash, ending	<u>\$ 556,569</u>	<u>\$ 116,446</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	\$ 211,498	\$ 184,630
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	23,606	15,598
Changes in operating assets and liabilities:		
Outstanding checks in excess of bank balance	-	(41,149)
Accounts receivable	387,581	158,919
Due from related parties	(77,585)	(5,656)
Prepaid expenses	(8,917)	35,006
Accounts payable	(96,023)	36,649
Due to related parties	157,977	(478,972)
Accrued expenses	(30,929)	7,273
Deferred revenue	(106,895)	245,609
	<u>460,313</u>	<u>157,907</u>
Net Cash Provided by Operating Activities	<u>\$ 460,313</u>	<u>\$ 157,907</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD, AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

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 accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The basic financial statements required by the Governmental Accounting Standards Board (GASB) Statements Nos. 34, as amended, and 35 include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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, 2015 and 2014 and therefore no amounts have been accrued.

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.

Capital Assets

The Organization capitalizes all expenditures for capital assets 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.

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

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

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

Deferred Revenue

Deferred revenue represents grant revenue received in advance.

Subsequent Events

The Organization has evaluated subsequent events through September 18, 2015, which is the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

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, 2015, the Organization's uninsured cash balance was \$978,541. The Organization manages this risk by using high quality financial institutions.

Note 3 – Capital Assets

Changes in capital assets consist of the following for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Equipment	\$ 132,714	\$ 20,190	\$ -	\$ 152,904
Less accumulated depreciation	(26,170)	(23,606)	-	(49,776)
	<u>\$ 106,544</u>	<u>\$ (3,416)</u>	<u>\$ -</u>	<u>\$ 103,128</u>

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, 2015 and 2014

Note 4 – 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.

California State University, Bakersfield Associated Students, Inc. (Associated Students) provides various services to the Organization.

	<u>2015</u>	<u>2014</u>
Due to:		
University	\$ 420,913	\$ 264,104
Foundation	1,168	-
Due from:		
University	3,243	5,300
Foundation	79,998	356
Revenue:		
University	15,340	17,728
Foundation	528,899	132,672
Expenses:		
Services from other agencies	2,490,800	2,351,264

SUPPLEMENTAL INFORMATION

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

Schedule of Expenses by Natural Classification

Year Ended June 30, 2015

	Program Services	General and Administrative	Total
Salaries	\$ 2,458,840	\$ 152,945	\$ 2,611,785
Services from other agencies	1,773,519	167,601	1,941,120
Payroll taxes and benefits	600,229	-	600,229
Stipends	564,060	-	564,060
Supplies	312,271	1,655	313,926
Travel	165,007	-	165,007
Conference and meetings	81,105	-	81,105
Small equipment	71,034	-	71,034
Scholarships	68,255	-	68,255
Professional fees	13,550	40,500	54,050
Rent	34,853	-	34,853
Depreciation	23,606	-	23,606
Miscellaneous	17,217	1,934	19,151
Printing and publications	18,256	-	18,256
Telephone	15,484	-	15,484
Insurance	-	6,055	6,055
Dues and subscriptions	2,066	1,750	3,816
Postage	2,551	70	2,621
Events	1,078	-	1,078
Interest expense	315	-	315
Advertising	-	62	62
Total Expenses	\$ 6,223,296	\$ 372,572	\$ 6,595,868

**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>6,786,688</u>	<u>344,140</u>	<u>7,130,828</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 Net Position
June 30, 2015
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 556,569
Short-term investments	—
Accounts receivable, net	1,275,314
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	8,917
Total current assets	1,840,800
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	103,128
Other assets	—
Total noncurrent assets	103,128
Total assets	1,943,928
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension obligation	—
Others	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	769,425
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	16,867
Unearned revenue	428,961
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	4,189
Total current liabilities	1,219,442
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	—
Pension obligation	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	1,219,442
Deferred inflows of resources:	
Unamortized gain on debt refunding	—
Non-exchange transactions	—
Service concession arrangements	—
Net pension obligation	—
Others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	103,128
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	621,358
Total net position	\$ 724,486

See independent auditors' report.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015
(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	5,589,890
State	77,057
Local	362,042
Nongovernmental	610,768
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	—
Other operating revenues	167,609
Total operating revenues	<u>6,807,366</u>
Expenses:	
Operating expenses:	
Instruction	110,704
Research	1,240,815
Public service	841,631
Academic support	1,517,841
Student services	1,927,503
Institutional support	474,312
Operation and maintenance of plant	—
Student grants and scholarships	459,456
Auxiliary enterprise expenses	—
Depreciation and amortization	23,606
Total operating expenses	<u>6,595,868</u>
Operating income (loss)	<u>211,498</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	211,498
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>211,498</u>
Net position:	
Net position at beginning of year, as previously reported	512,988
Restatements	—
Net position at beginning of year, as restated	<u>512,988</u>
Net position at end of year	<u>\$ 724,486</u>

See independent auditors' report.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
 Other Information
 June 30, 2015
 (for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2015:						
	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, 2015:						
			Current		Noncurrent	Noncurrent	
			Unrestricted	Current Restricted	Unrestricted	Restricted	Total
				Total Current		Total Noncurrent	
	State of California Surplus Money Investment Fund (SMIF)	\$	-	-	-	-	-
	State of California Local Agency Investment Fund (LAIF)		-	-	-	-	-
	Corporate bonds		-	-	-	-	-
	Certificates of deposit		-	-	-	-	-
	Mutual funds		-	-	-	-	-
	Money Market funds		-	-	-	-	-
	Repurchase agreements		-	-	-	-	-
	Commercial paper		-	-	-	-	-
	Asset backed securities		-	-	-	-	-
	Mortgage backed securities		-	-	-	-	-
	Municipal bonds		-	-	-	-	-
	U.S. agency securities		-	-	-	-	-
	U.S. treasury securities		-	-	-	-	-
	Equity securities		-	-	-	-	-
	Exchange traded funds (ETFs)		-	-	-	-	-
	Alternative investments:		-	-	-	-	-
	Private equity (including limited partnerships)		-	-	-	-	-
	Hedge funds		-	-	-	-	-
	Managed futures		-	-	-	-	-
	Real estate investments (including REITs)		-	-	-	-	-
	Commodities		-	-	-	-	-
	Derivatives		-	-	-	-	-
	Other alternative investment types		-	-	-	-	-
	Other external investment pools (excluding SWIFT)		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Other major investments:		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Add description		-	-	-	-	-
	Total investments		-	-	-	-	-
	Less endowment investments (enter as negative number)		-	-	-	-	-
	Total investments		-	-	-	-	-
2.2	Investments held by the University under contractual agreements at June 30, 2015:						
	Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 :		-	-	-	-	-
2.3	Restricted current investments at June 30, 2015 related to:		Amount				
	Add description	\$	-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Total restricted current investments at June 30, 2015	\$	-				
2.4	Restricted noncurrent investments at June 30, 2015 related to:		Amount				
	Endowment investment	\$	-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Add description		-				
	Total restricted noncurrent investments at June 30, 2015	\$	-				

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
 Other Information
 June 30, 2015
 (for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:

Depreciation and amortization expense related to capital assets	\$ 23,606
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 23,606</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	\$ 44,474	—	—	44,474	16,867	(44,474)	16,867	16,867	—
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	—	—	—	—	-	-	—	—	—
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Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-				

6 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2016	\$ -	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-	-
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	\$ 103,128	—	103,128
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	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ 103,128	—	103,128
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	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —	—	—

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
 Other Information
 June 30, 2015
 (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		\$ 1,572,291
Payments to University for other than salaries of University personnel		908,538
Payments received from University for services, space, and programs		15,340
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)		(420,913)
Other amounts (payable to) University (enter as negative number)		—
Accounts receivable from University		3,243
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>	
10 Pollution remediation liabilities under GASB Statement No. 49:		
<u>Description</u>	<u>Amount</u>	
Add description	\$ —	
Add description	—	
Add description	—	
Add description	—	
Add description	—	
Add description	—	
Add description	—	
Add description	—	
Add description	—	
Add description	<u>—</u>	
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	
		Dr.	(Cr.)
Net position as of June 30, 2014, as previously reported		\$	512,988
Prior period adjustments:			
1 (list description of each adjustment)			—
2 (list description of each adjustment)			—
3 (list description of each adjustment)			—
4 (list description of each adjustment)			—
5 (list description of each adjustment)			—
6 (list description of each adjustment)			—
7 (list description of each adjustment)			—
8 (list description of each adjustment)			—
9 (list description of each adjustment)			—
10 (list description of each adjustment)			—
Net position as of June 30, 2014, as restated		\$	512,988

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 net position as of June 30, 2015, 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, and have issued our report thereon dated September 18, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University, Bakersfield, 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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AKT LLP

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 18, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY 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 June 30, 2015. 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.

Auditors' 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 June 30, 2015.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
<u>Research and Development Cluster:</u>			
<u>National Endowment for the Humanities</u>			
Direct Program:			
Promotion of the Humanities - Professional Development - The Irish Sea Cultural Province	45.163	FS-50390-14	\$ 122,455
<u>National Science Foundation</u>			
Direct Programs:			
Geosciences - Sierra Geomorphology Grant	47.050	EAR-1324939	11,720
Geosciences - Collaborative Research - DRI	47.050	EAR-1349405	16,668
Geosciences - Int'l Ocean Discovery Program	47.050	CA-OCE-0652315	(22,373)
Biological Sciences - Career 1 Grant	47.074	IOS-1252232	111,021
Education and Human Resources - IUSE STEM Retention	47.076	DUE-1430398	64,007
Education and Human Resources - NSF Crest	47.076	HRD-1137774	1,084,140
			<u>1,265,183</u>
Total Research and Development Cluster			<u>1,387,638</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Higher Education Institutional Aid - Title V - B	84.031M	P031M090060	\$ 360,914
Higher Education Institutional Aid - Title V - A	84.031S	P031S09015	179,479
TRIO - Talent Search	84.044A	P044A110408	336,217
Minority Science and Engineering Improvement Program	84.120A	P120A140051	87,861
Migrant Education - High School Equivalency Program	84.141A	S141A100008	456,661
Migrant Education - College Assisstace Migrant Program	84.149A	S149A10035	328,155
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	H325K140418	50,358
Teacher Quality Partnership Grants	84.336S	U336S090162	1,487,607
Teacher Quality Partnership Grants - GRO STEM	84.336S	U336S140047	379,770
Mathematics and Science Partnerships	84.366	GRA2434	69,000
Improving Teacher Quality State Grants - NCLB 11	84.367	NCLB11-CMP-Bakersfield	21,873
			<u>3,757,895</u>
<u>Small Business Administration</u>			
Pass-through University of California Merced:			
Small Business Development Center 2014	59.037	F300GRA047	96,514
Small Business Development Center 2015	59.037	F300GSA076	33,456
			<u>129,970</u>
<u>U.S. Department of Labor</u>			
WIA/WIOA Youth Activities - Migrant Book Assistance Program	17.259	639-2014	20,858
WIA/WIOA Youth Activities Career Beginnings ISY	17.259	639-2014	68,957
WIA/WIOA Dislocated Worker Formula Grants - High Speed Rail	17.278	553	117,854
			<u>207,669</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Hispanic Serving Institutions Education Grants - Agri Engineering	10.223	2012-38422-19825	59,501
			<u>\$ 5,542,673</u>

See independent auditors' report and note 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, 2015

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, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	None
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	None
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)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.044A	TRIO – Talent Search
Misc – Research and Development	Cluster – Research and Development

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, 2015

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

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

Schedule of Prior Year Findings

Year Ended June 30, 2015

Section IV – Schedule of Prior Year Findings

Financial Statement Finding

Finding 2014-001 – Journal Entries

Manual journal entries could be posted by one individual without proper approval or support because the control environment allowed for the same individual to initiate and post manual journal entries. *We did not identify similar findings during the year ended June 30, 2015.*

Federal Award Finding and Questioned Costs

Finding 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.

Cause and Effect: 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 and 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 follow up to ensure report was submitted on time.

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.

Status: We did not identify similar findings during the audit for the year ended June 30, 2015.