

**THE FOUNDATION FOR
CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEAR ENDED JUNE 30, 2008**

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
TABLE OF CONTENTS**

FOUNDATION BOARD MEMBERS AS OF JUNE 30, 2008	1-1
FINANCIAL SECTION	
Independent Auditors' Report	2-1
Statement of Financial Position	2-2
Statement of Activities	2-3
Statement of Cash Flows	2-4
Notes to Financial Statements	2-5
SUPPLEMENTARY INFORMATION	
GASB Statement of Net Assets	3-1
GASB Statement of Revenues, Expenses and Changes in Net Assets	3-2
Other Information	3-3
SINGLE AUDIT INFORMATION	
Schedule of Expenditures of federal and State Awards	4-1
Schedule of Findings and Questioned Costs	4-11
Findings and Questioned Costs	4-12
AUDITORS' OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	5-3
MANAGEMENT LETTER	6-1

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

Foundation Board Members as of June 30, 2008

Dr. Albert Karnig Chairman of Board	Administrative Member
Dr. Edward Teyber President of Board	Faculty Member
Mr. Robert Fullerton Vice President of Board	Community Member
Vacant Secretary of Board	Community Member
Mr. David DeMauro Treasurer of Board	Administrative Member
Dr. William Aguilar	Administrative Member
Ms. Lois Carson	Alumni Representative
Dr. Dorothy Chen	Faculty Member
Mr. Anthony Conley	Student Representative
Dr. Louis Fernandez	Administrative Member
Mr. George Gorian	Community Member
Mr. Rex Jackson	Community Member
Dr. Frank Rincon	Administrative Member
Mr. Stephan Saleson	Community Member
Mr. Philip Savage III	Community Member
Dr. Darleen Stoner	Faculty Member

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Foundation for California State University,
San Bernardino (The Foundation)
San Bernardino, California

We have audited the accompanying statement of financial position of The Foundation for California State University, San Bernardino (The Foundation) as of June 30, 2008, and the related statements of activities, cash flows, and supplementary information presented in section 3, for the year then ended. These financial statements are the responsibility of The Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Foundation's financial statements and, in our report dated September 21, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of The Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Schedule of Expenditures of Federal and State Awards and supplementary information is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information was prepared on the same basis used for the basic financial statements and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vasin, Heyn + Co.

September 12, 2008

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 6,866,375	\$ 5,022,714
Short-term investments	<u>5,994,422</u>	<u>13,579,330</u>
Total cash and cash equivalents	12,860,797	18,602,044
Other receivables	7,071,480	8,126,291
Inventory	1,071,260	1,725,720
Prepaid expenses	146,232	113,277
Promises to give	3,399,252	5,735,532
Long-term investments	18,469,194	14,687,360
Construction in progress	12,341,055	1,943,479
Property and equipment, net	20,033,850	21,948,044
Art collections and intellectual properties	<u>1,317,012</u>	<u>1,317,013</u>
Total assets	<u>\$76,710,132</u>	<u>\$74,198,760</u>
LIABILITIES		
Accounts payable	\$ 1,925,571	\$ 2,048,489
Accrued wages and benefits	1,012,652	955,872
Other accrued liabilities	1,346,324	778,158
Contract advances	59,783	4,344,435
Post-retirement medical benefits	4,251,000	608,660
Liability to beneficiaries	<u>1,973,526</u>	<u>525,200</u>
Total liabilities	10,568,856	9,260,814
NET ASSETS		
Unrestricted net assets	4,518,879	7,559,543
Temporarily restricted net assets	50,503,460	49,243,253
Permanently restricted net assets	<u>11,118,937</u>	<u>8,135,150</u>
Total net assets	<u>66,141,276</u>	<u>64,937,946</u>
Total liabilities and net assets	<u>\$76,710,132</u>	<u>\$74,198,760</u>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
REVENUES					
Contributions	\$ -	\$ 4,505,839	\$ 3,272,472	\$ 7,778,311	\$ 7,239,547
Sales of auxiliary enterprises	11,915,242	-	-	11,915,242	11,635,885
Commissions	227,681	-	-	227,681	285,353
Grants and contracts	26,996,697	-	-	26,996,697	23,760,748
Administrative fees	1,194,623	-	-	1,194,623	972,938
Special programs	1,856,191	-	-	1,856,191	2,153,597
Parent fees	229,003	-	-	229,003	184,884
Investment income	239,879	705,928	-	945,807	1,084,343
Unrealized gain(loss) on investments	(57,367)	(1,072,382)	-	(1,129,749)	706,269
Realized gain(loss) on investments	283	-	-	283	-
Gain (loss) on disposal of fixed assets	(888,229)	-	-	(888,229)	(1,895)
Miscellaneous income	174,947	-	-	174,947	99,460
Indirect cost recovery	2,246,546	-	-	2,246,546	2,241,176
Restrictions released	<u>3,167,863</u>	<u>(2,879,178)</u>	<u>(288,685)</u>	<u>-</u>	<u>-</u>
Total revenue	47,303,359	1,260,207	2,983,787	51,547,353	50,362,305
EXPENSES					
Program expenses	45,865,845	-	-	45,865,845	40,665,441
Support services	<u>4,478,178</u>	<u>-</u>	<u>-</u>	<u>4,478,178</u>	<u>4,081,810</u>
	<u>50,344,023</u>	<u>-</u>	<u>-</u>	<u>50,344,023</u>	<u>44,747,251</u>
CHANGE IN NET ASSETS	(3,040,664)	1,260,207	2,983,787	1,203,330	5,615,054
NET ASSETS - beginning of year	<u>7,559,543</u>	<u>49,243,253</u>	<u>8,135,150</u>	<u>64,937,946</u>	<u>59,322,892</u>
NET ASSETS - end of year	<u>\$ 4,518,879</u>	<u>\$ 50,503,460</u>	<u>\$ 11,118,937</u>	<u>\$ 66,141,276</u>	<u>\$ 64,937,946</u>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,203,330	\$ 5,615,054
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	1,054,065	1,214,208
Noncash investment income	1,226,444	(706,323)
(Gain) loss on disposal of fixed assets	888,229	-
(Increase) decrease in:		
Other receivables	1,054,811	261,650
Inventory	654,460	(49,241)
Prepaid expenses	(32,955)	(64,702)
Promises to give	2,336,280	(219,196)
Increase (decrease) in:		
Accounts payable	(122,918)	817,384
Accrued wages and benefits	56,780	306,764
Other accrued liabilities	568,166	(3,548,958)
Contract advances	(4,284,652)	4,344,435
Post-retirement medical benefits	3,642,340	-
Other liability to beneficiaries	<u>1,448,326</u>	<u>(195,379)</u>
 Total adjustments	 <u>8,489,376</u>	 <u>2,160,642</u>
 Net Cash Provided (Used) by Operating Activities	 9,692,706	 7,775,696
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of fixed assets	3,512	-
Payments related to the construction of capital assets	(10,397,576)	(1,943,479)
Payments related to the acquisition of capital assets	(31,612)	209,722
Purchase of investments	<u>(5,008,277)</u>	<u>(844,096)</u>
 Net Cash Provided (Used) by Investing Activities	 <u>(15,433,953)</u>	 <u>(2,577,853)</u>
 NET INCREASE (DECREASE) IN CASH	 (5,741,247)	 5,197,843
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>18,602,044</u>	 <u>13,404,201</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 12,860,797</u>	 <u>\$ 18,602,044</u>

See accompanying auditors' reports and notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Foundation was created on July 31, 1962 as the San Bernardino-Riverside State College Foundation pursuant to the general Non-Profit Corporation Laws of the State of California. On October 30, 1984, the name of the Corporation was changed to The Foundation for California State University, San Bernardino. The Foundation was organized to promote and assist education, administration and related services of the California State University, San Bernardino. The Foundation operates as an auxiliary organization of the California State University, San Bernardino (The University) under an operating agreement with the Trustees of the California State University (The Trustees) which expires December 31, 2020.

The Foundation's major programs include:

Grants and contracts which includes the operation and administration of externally funded projects in support of the instructional, research and public service functions of The University.

Child care consisting of operation of the on-campus Child Care Center.

Auxiliary services which includes operations of the campus bookstore and on-campus food service facilities.

Scholarships including grants-in-aid and other financial assistance to students.

Special programs which includes the operation and administration of workshops and conferences, institutes, fundraisers and alumni programs.

Designated which consists of various programs undertaken by the Board not included in another major program as described above.

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows:

Basis of Accounting and Presentation

The financial statements of The Foundation have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The financial statements are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No.117, "Financial Statements of Not-for-Profit Organizations." Accordingly, information regarding financial position and activities are reported according to three classes of net assets: unrestricted net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees, temporarily restricted net assets whose use by The Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of The Foundation or that expire by the passage of time, and permanently restricted net assets which are stipulated by donors as investments in perpetuity, the income from which may be expendable by The Foundation.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents and Concentrations

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with a maturity of three months or less from date of purchase. The Foundation maintains its cash in bank deposit accounts, which, are maintained within insured limits. Accordingly The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The fair value of investments in securities is based on the quoted market price of the underlying securities. Investments in real estate are stated at the lower of acquisition value or market.

Investment income is reported net of related expenses as increases or decreases in unrestricted net assets unless a donor temporarily or permanently restricts their use.

Promises to Give

The Foundation recognizes a contribution when the donor makes a promise to give that is, in substance, unconditional. Contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grants and Contracts

The Foundation records revenue from grants and similar contracts as the conditions of the grant or contract are satisfied.

Inventories

The bookstore and food service inventories are valued at the lower of cost (determined by the first-in, first-out method) or market.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Other Assets

Donated materials and other assets such as stocks, bonds and other long-lived assets are recorded at fair market value at the date of the donation.

Donations to the art collection are recorded at estimated fair market value at the date of the donation and are not subject to depreciation. Items are considered to be part of the art collection if they are held for exhibition to the public, for educational purposes, or for research (and not for financial gain) and proceeds from the sale of collection items are to be reinvested in other collection items.

Donated services are also recognized at fair value when those services require special expertise and The Foundation would have purchased those services had they not been donated.

Property, Plant and Equipment

Property, plant and equipment are carried at cost or, if contributed, at fair market value at the date of contribution. The Foundation's policy is to capitalize additions and improvements that significantly add to productive capacity or extend the useful life of an asset. Repairs and maintenance are charged to operations as incurred. Costs and related allowances for depreciation of property, plant and equipment sold or otherwise retired are eliminated from the accounts and gains or losses on disposition are included in income. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Foundation for California State University, San Bernardino is a Not-for-Profit tax-exempt Corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. Income taxes are not significant to the financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. During the year ended June 30, 2008 such estimates and assumption changes with respect to grants and contracts approximated \$1,200,000.

Concentrations

Receivables include amounts due from students, governmental funding sources and the California State University, San Bernardino.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Foundation's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2007 comparative totals have been reclassified to conform with the 2008 reporting format.

2. INVESTMENTS

Investments are summarized below at June 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (losses)</u>
Short-term investments, at fair value			
Common Fund, Money market, and certificate of deposits	\$ 6,025,629	\$ 5,994,422	\$ (31,207)
Long-term investments in securities, at fair value			
External Trusts	\$ 3,572,632	\$ 3,545,403	\$ (27,229)
Wachovia Securities – Trusts	842,140	734,092	(108,048)
Beacon Pointe/Pershing/Painter Securities	<u>15,152,964</u>	<u>14,189,699</u>	<u>(963,265)</u>
	<u>\$ 19,567,736</u>	<u>\$ 18,469,194</u>	<u>\$ (1,098,542)</u>
		<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Interest and dividends		\$ 239,879	\$ 705,928
Realized and unrealized gains on investments - net		<u>(57,367)</u>	<u>(1,072,382)</u>
Investment income (loss)		<u>\$ 182,512</u>	<u>\$ (366,454)</u>

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2008:

	<u>Temporarily Restricted</u>
Amounts due in:	
Less than one year	\$ -
One to five years	<u>3,776,947</u>
Total	3,776,947
Less allowance for uncollectible amounts	<u>(377,695)</u>
	<u>\$ 3,399,252</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2008:

Buildings	\$ 23,755,244
Equipment	821,556
Furniture and fixtures	1,055,548
Land	4,640
Leasehold Improvements	<u>465,334</u>
	26,102,322
Less accumulated depreciation	<u>(6,068,472)</u>
Property, plant and equipment, net	<u>\$ 20,033,850</u>

The buildings are located on land leased from the State of California. Because of the relationship between The Foundation and The University, the building is being depreciated over its estimated useful life rather than the term of the lease which expires in December 31, 2010.

Depreciation expense for the year ended June 30, 2008 was \$1,054,065.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

5. SPLIT INTEREST AGREEMENTS

The Foundation is the beneficiary of various charitable remainder trusts which provide for the payment of distributions to the grantor or other designated beneficiary over the trust's term (generally the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available to The Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using discount rates ranging from 8.2 percent to 9.4 percent. Assets held in the charitable remainder trusts totaled \$4,279,495 at June 30, 2008 and are reported at fair value or cost, depending on the nature of the assets, in the statement of financial position. The Foundation revalues its liability to make distributions to the other designated beneficiaries annually based on mortality tables and other applicable factors. The revision of this liability together with the amortization of the discount associated with the contribution is reported as changes in the value of split-interest agreements in the statement of activities.

6. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Permanently restricted net assets at June 30, 2008 are to be held indefinitely and the income is restricted primarily to support scholarships. The Trustees of The Foundation have chosen to place limitations on unrestricted net assets for the Sports Arena scoreboard, the Art Museum, mini-grants, seed money, disallowance reserves and various operating reserves.

Temporarily restricted net assets at June 30, 2008 were available for the following purposes or periods:

Restricted by donors for the following purposes:

Scholarships	\$ 360,924
Business	851,486
Other	33,171,871

Restricted by donors for use in future periods

Split-interest agreements	3,173,515
---------------------------	-----------

Restricted by donors for the following purposes in future periods:

Construction of CSUSB – Palm Desert Campus	<u>12,945,664</u>
Total	<u>\$ 50,503,460</u>

7. COMMISSION

The Foundation receives a percentage of proceeds derived from coin-operated clothes washers, dryers, vending machines, copy machines, and telephones. Minimum payments to be received in future years are not significant to the financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

8. DEFINED BENEFIT PENSION PLAN

The Foundation of the California State University, San Bernardino contributes to the California Public Employees' Retirement System (PERS), an agent multiemployer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All employees who are current members of PERS or employed for more than six months or accumulate 1,000 hours of paid employment are eligible to participate in PERS. Benefits vest after five years of PERS credited service, usually five years of full-time service. Foundation employees who retire at or after age 50 with five years of credited service are entitled to an annual retirement benefit, payable for life, in an amount equal to a percent of pay, on a scale based on age and years of service, of the average monthly pay rate for the highest consecutive 12 months of compensation. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and Foundation policies.

Foundation employees are required to contribute five percent of gross earnings over \$513. The Foundation is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. The payroll for employees covered by PERS for the year ended June 30, 2008 was \$6,114,229. Total payroll for the year ended June 30, 2008 amounted to \$12,047,302.

Pension expense for the year ended June 30, 2008 was \$678,618 based on amounts required to be contributed. Under U.S. generally accepted accounting principles, pension expense is to be determined on certain specified criteria, rather than based on the amount contributed to the plan. Furthermore, under U.S. generally accepted accounting principles, information concerning the projected and accumulated benefit obligation, information regarding net assets in the plan, and information pertaining to the determination of pension cost is required to be reported. However, this information is not available. Management does not believe that the effects of these departures from U.S. generally accepted accounting principles are significant to these financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

9. POST-RETIREMENT BENEFITS

The Foundation has one retiree health plan that offers active and retired employees the option of enrolling in certain HMO or indemnity plans available through the PERS program. The Foundation currently pays up to \$398 per month for retiree coverage, \$747 per month for coverage of one dependent and \$944 for coverage of two or more dependents of retirees. Retiree contributions are to fund the cost of coverage that exceeds these amounts. Disbursements exceed retiree contributions and the plan currently has no assets. The accounting for the health care plan anticipates future cost-sharing changes to the written plan that are consistent with The Foundation's past practice and management's intent to manage plan costs. In particular, The Foundation's maximum increase in the capped contribution is assumed to be limited to two percent. Additionally, with the upcoming outsourcing of the Bookstore and Dining Service operations, there will be fewer employees that the Foundation will need to cover. The most recent actuarial report was done prior to the decision to outsource the operations and will need to be adjusted to reflect that change.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Retirement Plans." This statement requires an employer to recognize the funded status of a defined benefit retirement plan, measured as the difference between plan assets at fair value and the benefit obligation, in its statement of financial position; to recognize within the change in net assets, the gains, losses and prior service costs that arise during the period but are not recognized as components of net periodic benefit cost; to measure the assets and obligations as of the date of the employer's fiscal year end; and to disclose additional information about net periodic benefit costs for the Foundation's post retirement health plan in the notes to the financial statements. The Foundation adopted the recognition and measurement provisions of this standard in the year ended June 30, 2008.

The incremental effect of applying the recognition provisions of SFAS No. 158 in the statement of financial position for the post retirement health plan obligation as of June 30, 2008 is as follows:

Amount recognized prior to the application of SFAS No. 158	\$	-
Funded status of the plan		-
Additional amount recognized due to SFAS No. 158	\$	3,598,556

As a result of this implementation, accrued liabilities increased \$3,598,556 and unrestricted net assets decreased \$3,598,556.

As the Foundation has historically measured its plan assets and obligations as of the end of its fiscal year there are no changes in its financial statement presentation as a result of this provision of SFAS No. 158.

The discount rate used in determining the accumulated post-retirement benefit obligation was 8.0 percent.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

10. RELATED PARTIES AND ECONOMIC DEPENDENCY

As discussed in Note 1, The Foundation operates under an agreement with The Trustees as an auxiliary organization of The University. Accordingly, essentially all revenues, and realization of certain assets, are dependent upon the continuation of this agreement.

The Foundation leases space for its bookstore operations, the Center for Developmental Activities and the land for The Foundation's offices for nominal rent from the State of California. U.S. generally accepted accounting principles require that contribution revenue and rent expense be recorded for the difference between a fair market rent and the amount actually charged under these leases. However, The Foundation has not determined a fair market rent and, accordingly, these amounts are not recorded in the financial statements.

Furthermore, there have been numerous and substantial transactions whereby The Foundation and The University incur costs on behalf of each other for personnel or other operating expenses for which they are reimbursed. At June 30, 2008, there was a net amount receivable to The Foundation by The University of \$64,640 which is expected to be received in the normal course of business.

SUPPLEMENTARY INFORMATION

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
GASB STATEMENT OF NET ASSETS
JUNE 30, 2008**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,866,375
Short-term investments	5,994,422
Accounts receivable, net	7,071,480
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	1,217,492
Total current assets	<u>21,149,769</u>
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	3,399,252
Endowment investments	14,189,699
Other long-term investments	4,279,495
Capital assets, net	32,374,905
Other assets	1,317,012
Total noncurrent assets	<u>55,560,363</u>
Total assets	<u>76,710,132</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,925,571
Accrued salaries and benefits payable	668,376
Accrued compensated absences— current portion	188,241
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Other liabilities	1,406,107
Total current liabilities	<u>4,188,295</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	156,035
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	4,251,000
Other liabilities	1,973,526
Total noncurrent liabilities	<u>6,380,561</u>
Total liabilities	<u>10,568,856</u>
Net assets:	
Invested in capital assets, net of related debt	32,374,905
Restricted for:	
Nonexpendable – endowments	11,118,937
Expendable:	
Scholarships and fellowships	360,924
Research	—
Loans	—
Capital projects	12,919,973
Debt service	—
Other	4,847,658
Unrestricted	4,518,879
Total net assets	<u>\$ 66,141,276</u>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
GASB STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

Revenues:

Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$____0____)	\$	—
Grants and contracts, noncapital:		
Federal		15,205,085
State		9,454,336
Local		—
Nongovernmental		7,896,340
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$____0____)		11,915,242
Other operating revenues		5,928,991
		<u>50,399,994</u>
Total operating revenues		<u>50,399,994</u>

Expenses:

Operating expenses:		
Instruction		873,584
Research		2,285,179
Public service		16,296,592
Academic support		4,873,924
Student services		7,675,854
Institutional support		3,916,691
Operation and maintenance of plant		—
Student grants and scholarships		1,426,313
Auxiliary enterprise expenses		11,941,821
Depreciation and amortization		1,054,065
		<u>50,344,023</u>
Total operating expenses		<u>50,344,023</u>
Operating income (loss)		<u>55,971</u>

Nonoperating revenues (expenses):		
State appropriations, noncapital		—
Federal grant - Pell		
Gifts, noncapital		4,505,839
Investment income, net		(183,659)
Endowment income		—
Interest on capital-related debt		—
Other nonoperating revenues (expenses)		<u>(6,447,293)</u>
Net nonoperating revenues (expenses)		<u>(2,125,113)</u>
Income (loss) before other additions		<u>(2,069,142)</u>

State appropriations, capital		—
Grants and gifts, capital		—
Additions to permanent endowments		3,272,472
		<u>1,203,330</u>
Increase (decrease) in net assets		<u>1,203,330</u>

Net assets:		
Net assets at beginning of year, as previously reported		64,937,946
Restatements		—
Net assets at end of year, as previously reported	\$	<u>66,141,276</u>

See accompanying auditors' reports and notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

1 Restricted cash and cash equivalents at June 30, 2008:

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		<hr/>
Total restricted cash and cash equivalents	\$	<hr/>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

3 Composition of capital assets at June 30, 2008:

	Balance June 30, 2007	Prior period Adjustments	Reclassifications	Balance June 30, 2007 (restated)	Additions	Reductions	Transfer of Completed CWIP	Balance June 30, 2008
Nondepreciable capital assets:								
Land and land improvements	\$ 7,929	—	—	7,929	—	(3,289)	—	4,640
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	1,943,479	—	—	1,943,479	10,397,576	—	—	12,341,055
Total nondepreciable capital assets	1,951,408	—	—	1,951,408	10,397,576	(3,289)	—	12,345,695
Depreciable capital assets:								
Buildings and building improvements	24,251,994	—	—	24,251,994	—	(496,750)	—	23,755,244
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	457,488	—	—	457,488	31,612	(23,766)	—	465,334
Personal property:								
Equipment	3,029,233	—	—	3,029,233	—	(1,152,129)	—	1,877,104
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	27,738,715	—	—	27,738,715	31,612	(1,672,645)	—	26,097,682
Total cost	29,690,123	—	—	29,690,123	10,429,188	(1,675,934)	—	38,443,377
Less accumulated depreciation:								
Buildings and building improvements	(4,133,650)	—	—	(4,133,650)	(746,609)	34,168	—	(4,846,091)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(288,197)	—	—	(288,197)	(36,053)	23,765	—	(300,485)
Personal property:								
Equipment	(1,376,753)	—	—	(1,376,753)	(271,403)	726,260	—	(921,896)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	(5,798,600)	—	—	(5,798,600)	(1,054,065)	784,193	—	(6,068,472)
Net capital assets	\$ 23,891,523	—	—	23,891,523	9,375,123	(891,741)	—	32,374,905

Detail of depreciation and amortization expense for the year ended June 30, 2008:

Depreciation and amortization expense related to capital assets	\$ 1,054,065
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 1,054,065

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

4 Long-term liabilities activity schedule:

	Balance June 30, 2007	Prior period adjustments	Reclassifications	Balance June 30, 2007 (restated)	Additions	Reductions	Balance June 30, 2008	Current portion	Long-term portion
Accrued compensated absences	\$ 330,321	—	—	330,321	13,955	—	344,276	188,241	156,035
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Other:									
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 330,321	—	—	330,321	13,955	—	344,276	188,241	156,035

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

5 Future minimum lease payments:

	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
Year ending June 30:			
2009	\$ —	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	—	—
2014 - 2018	—	—	—
2019 - 2023	—	—	—
2024 - 2028	—	—	—
2029 - 2033	—	—	—
2034 - 2038	—	—	—
2039 - 2043	—	—	—
2044 - 2048	—	—	—
2049 - 2053	—	—	—
2054 - 2058	—	—	—
	<hr/>	<hr/>	<hr/>
Total minimum lease payments			—
Less amounts representing interest			<hr/> —
Present value of future minimum lease payments			—
Less: current portion			<hr/> —
Capitalized lease obligation, net of current portion			<hr/> \$ — <hr/>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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 Interest
Year ending June 30:									
2009	\$ —	—	—	—	—	—	—	—	—
2010	—	—	—	—	—	—	—	—	—
2011	—	—	—	—	—	—	—	—	—
2012	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—
2014 - 2018	—	—	—	—	—	—	—	—	—
2019 - 2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
Total	\$ —	—	—	—	—	—	—	—	—

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

7 Calculation of net assets - Invested in capital assets, net of related debt

	<u>Auxiliary Organizations</u>		<u>Total</u>
	<u>GASB</u>	<u>FASB</u>	<u>Auxiliaries</u>
Capital assets, net of accumulated depreciation	\$ —	32,374,905	32,374,905
Capital lease obligations - current portion	—	—	—
Capital 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:	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	<u>\$ —</u>	<u>32,374,905</u>	<u>32,374,905</u>

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,513,390
Reimbursements to University for other than salaries of University personnel	1,173,217
Payments received from University for services, space, and programs	118,277
Gifts-in-kind to the University from Auxiliary Organizations	—
Amounts (payable to) University (enter as negative number)	(578,618)
Amounts receivable from University	64,640

See accompanying auditors' reports and
notes to financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

	Net Asset Class	Amount Dr. (Cr.)
Net assets as of June 30, 2007, as previously reported	\$	—
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)		—
# (list description of each adjustment)		—
Net assets as of June 30, 2006, as restated	\$	—

Provide a detailed breakdown of the journal entries booked to record each prior period adjustments:

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

See accompanying auditors' reports and
notes to financial statements.

SINGLE AUDIT INFORMATION

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR PROGRAMS			
U.S. Department of Education - Direct			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A050185	\$ 2,491,988
U.S. Department of Education - Pass Through			
Improving Teacher Quality State Grants	84.367	Various (see detail schedule)	633,200
U.S. Department of Health and Human Services - Pass Through			
Child Welfare Services Training Grants	93.648	Various (see detail schedule)	<u>1,724,682</u>
			\$ 4,849,870

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
RESEARCH PROGRAMS			
U.S. Department of Education - Direct			
Higher Education_Institutional Aid	84.031S	Various (see detail schedule)	\$ 197,758
U.S. Department of Defense - Direct			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Various (see detail schedule)	2,103,811
Basic and Applied Scientific Research	12.300	W91QV1-04-P-0277	907,450
U.S. Department of Defense - Pass Through			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Various (see detail schedule)	1,616,604
Basic and Applied Scientific Research	12.300	Various (see detail schedule)	1,162,634
U.S. Army Material Command - Research Office - Direct			
Basic Scientific Research	12.431	W911NF-05-1-0581	133,413
U.S. Department of Health and Human Services - Direct			
Biomedical Research and Research Training	93.859	5S06GM073842-02/03/04	646,677
Drug Abuse and Addiction Research Programs	93.279	1R15 DA021667-01	63,930
Minority Health & Health Disparities Research	93.307	1P20MD002722-01	371,193
U.S. Department of Health and Human Services - Passed Through			
Allergy, Immunology and Transplanation Research	93.855	K22AI074662	11,623
Aging Research	93.866	PO 09713 A3	41,399
Nursing Workforce Diversity	93.178	0314-7128-01	16,888
U.S. National Science Foundation - Direct			
Mathematical and Physical Sciences	47.049	DMS-0453605	38,575
U.S. Department of Agriculture - Direct			
Forestry Research	10.652	Various (see detail schedule)	9,404
U.S. National Aeronautics and Space Administration - Direct			
Aerospace Education Services Program	43.001	Various (see detail schedule)	67,455
Department of Transportation - Direct			
University Transportation Centers Program	20.701	DTRT06-G0023 MOD 1	156,241
TOTAL RESEARCH PROGRAMS			<u>7,545,055</u>
TOTAL MAJOR PROGRAMS			\$ 12,394,925

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL PROGRAMS			
U.S. Department of Health and Human Services - Direct			
Advanced Education Nursing Traineeships	93.358	2 A10 HP 00318-07-00	\$ 19,548
Child Health and Human Development Extramural Research	93.865	5G11HD052368-01/02	90,264
U.S. Department of Health and Human Services -Pass Through			
Child Health and Human Development Extramural Research	93.865	2005-161R SC-01	48,090
Child Care and Development Block Grant	93.575	Various (see detail schedule)	21,435
U.S. Department of Education - Direct			
Rehabilitation Long-Term Training	84.129B	H129B04022	117,919
Fund for Improvement of Postsecondary Education (FIPSE)	84.116N	P116N030014	22,095
Trio_McNair Post-Baccalaureate Achievement	84.217A	P217A30177 / P217A070193	265,768
Child Care Access Means Parents in School	84.335A	P335A050204-07	188,201
Undergraduate International Studies and Foreign Language Programs	84.016	P016A070067	46,010
TRIO_Student Support Services	84.042A	P042A050391	376,644
TRIO_Upward Bound	84.047	Various (see detail schedule)	170,623
Bilingual Education Professional Development	84.195N	T195N020187	88,412
U.S. Department of Education - Pass Through			
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	SSBCMP-0000015751	244,698
Grants to States for Incarcerated Youth Offenders	84.331	SBCMP-0000017047	(51)
National Science Foundation - Direct			
Geosciences	47.050	EAR-0552591	41,400
Computer and Information Science and Engineering	47.070	528058	39,990
Education and Human Resources	47.076	Various (see detail schedule)	199,831

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL PROGRAMS - Continued			
National Science Foundation - Pass Through			
Geosciences	47.050	None	225
Computer and Information Science and Engineering	47.070	KK5121	79,798
Education and Human Resources	47.076	HRD-0331537-508081	76,390
U.S. Department of Housing and Urban Development - Pass Through			
Community Development Block Grants/Technical Assistance Program	14.227	Various (see detail schedule)	83,694
U.S. Institute of International Education			
National Security Education Program	12.CAC	12.CAC	105,093
U.S. Department of Agriculture - Direct			
Specialty Crop Block Grant Program	10.169	58-6000-7-0062	9,603
Agricultural Research_Basic and Applied Research	10.001	58-6201-6-023	4,637
Hispanic Serving Institutions Education Grants	10.223	Various (see detail schedule)	59,746
U.S. Department of Agriculture - Pass Through			
Child and Adult Care Food Program	10.558	36-1527-0A	20,709
U.S. Department of Justice- Pass Through			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Z921201-A	25,093
National Endowment for the Arts - Direct			
Promotion of the Arts_ Grants to Organizations and Individuals	45.024	07-5151-8077	16,959
Small Business Administration - Direct			
OTTC Building, FIPSE	59.000	SBAHQ-05-I-0051	54,288
U.S. Military Academy - Direct			
Visiting Professor in Department of Math	None	None	24,844
Small Business Administration - Direct			
Women's Business Ownership Assistance	59.043	Various (see detail schedule)	310,351
TOTAL OTHER FEDERAL PROGRAMS			<u>2,852,307</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 15,247,232</u>

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
MAJOR PROGRAMS					
U.S. Department of Education - Direct					
GEAR UP					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A050185	U.S. Department of Education	Direct	\$ 2,491,988
U.S. Department of Education - Pass Through					
Project Pathway, No Child Left Behind	84.367	ITQ-01-235	CA Post Secondary Education Commission	Pass Through	(51,609)
Developing Rigorous Education in Arts to Motivate (DREAMS)	84.367	ITQ-02-316	CA Post Secondary Education Commission	Pass Through	281,336
No Child Left Behind - TCAP	84.367	NCLB	CA Post Secondary Education Commission	Pass Through	209,469
CMP - STIR	84.367	1010 G HC104 NCLB2-CMP/NCLB3-	CA Post Secondary Education Commission	Pass Through	90,442
No Child Left Behind - Inland Count Math Project	84.367	CMP/NCLB4-CMP	CA Post Secondary Education Commission	Pass Through	53,740
NCLB4 - IECIS	84.367	8050XJB476	Regents University of California	Pass Through	29,565
NCLBS - IECIS	84.367	8080XJB477	Regents University of California	Pass Through	20,257
Improving Teacher Quality State Grants	84.367				633,200
U.S. Department of Health and Human Services - Pass Through					
Social Work Full Time & Part Time	93.648	5369	U.C. Berkeley, Social Work Department	Pass Through	3,967
Mental Health Training	93.648	SA 5072-15865 SA5848-77618	U.C. Berkeley, Social Work Department	Pass Through	1,376,615
Child Welfare Academy	93.648	SA5960-77367	San Diego State University Foundation	Pass Through	349,003
Foster Care Title IV-E	93.648	54042B P1390 7801 21	San Diego State University Foundation	Pass Through	(4,903)
Child Welfare Services Training Grants	93.648				1,724,682
					\$ 4,849,870

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
RESEARCH PROGRAMS - MAJOR PROGRAM					
U.S. Department of Education - Direct					
Information Security	84.031	P031S10013	U.S. Department of Education	Direct	\$ 47
BE Smart - Community Networking	84.031	P031S070088	U.S. Department of Education	Direct	197,711
Higher Education Institutional Aid	84.031S				197,758
U.S. Department of Defense - Direct					
Innovation Policy Project	12.630	W91NF-05-2-0039 6	Office of Navel Research	Direct	831,017
Center of Academic Excellence	12.630	W91NF-05-2-0039 6	Office of Navel Research	Direct	1,267,945
		F49620-02-0412			
Basic, Applied & Advanced Research in Science and Engineering-Magnetic Resonance	12.630	F49620-02-1-0413	US Air Force/ AFRL	Direct	4,849
Basic, Applied, and Advanced Research in Science and Engineering	12.630				2,103,811
U.S. Department of Defense - Direct					
NAVSEA Distance Learning					
Basic and Applied Scientific Research	12.300	W91QV1-04-P-0277	U.S. Army Contracting	Direct	907,450
U.S. Department of Defense - Pass Through					
BDRA 06/07	12.630	GT70748	Foundation for CSUSB	Pass Through	814
BP- Embedded Computer Products	12.630	GT70737	Foundation for CSUSB	Pass Through	10,274
Office of Technology Transfer and Commercialization	12.630	HM158206120418	Foundation for CSUSB	Pass Through	689,877
Office of Technology Transfer and Commercialization	12.630	54143B 7819	Foundation for CSUSB	Pass Through	915,639
Basic, Applied, and Advanced Research in Science and Engineering	12.630				1,616,604
U.S. Department of Defense - Pass Through					
ITC Distance learning (N.C.E.D.L.)	12.300	S7201/S7806	Science & Engineering Associates	Pass Through	17,040
Office of Technology Transfer and Commercialization	12.300	55170A 7803	San Diego State University Research Fnd	Pass Through	525,483
Training Models and Tools for Adaptive Learning	12.300	0070 G HC533 0070 G JG417	UCLA	Pass Through	562,205
Strategic mobility 21	12.300	S07-309005SB	CSU Long Beach Foundation	Pass Through	57,906
Basic and Applied Scientific Research	12.300				1,162,634
U.S. Army Material Command - Research Office - Direct					
High displacement Piezoelectric					
Basic Scientific Research	12.431	W911NF-05-1-0581	U.S. Army	Direct	133,413
U.S. Department of Health & Human Services - Direct					
SCORE Program					
Biomedical Research and Research Training	93.859	5S06GM073842-02/03/04	U.S. Department of Health & Human Services	Direct	646,677

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
RESEARCH PROGRAMS - MAJOR PROGRAM - Continued					
U.S. Department of Health & Human Services - Direct					
Serotonin & Dopamine Regulation of Behavioral Plan Drug Abuse and Addiction Research Programs	93.279	1 R15 DA021667-01	U.S. Department of Health & Human Services	Direct	63,930
U.S. Department of Health & Human Services - Direct					
Minority Health & Health Disparities Research	93.307	1P20MD002722-01	National Institute of Health	Direct	371,193
U.S. Department of Health & Human Services -Pass Through					
Influenza Virus RNA Allergy, Immunology and Transplantation Research	93.855	K22AI074662	San Diego State University Research Fnd	Pass Through	11,623
U.S. Department of Health & Human Services - Pass Through					
Mitochondrial Inhibition Mimics Corticostriatal Aging Ageing Research	93.866	PO 09713 A3	University of Southern California	Pass Through	41,399
U.S. Department of Health & Human Services - Pass Through					
Protein Expression of PKC Isozymes Nursing Workforce Diversity	93.178	0314-7128-01	Loma Linda University	Pass Through	16,888
U.S. National Science Foundation - Direct					
Investigations in Combinatorics and Knot Theory Mathematical and Physical Sciences	47.049	DMS-0453605	National Science Foundation	Direct	38,575
U.S. Department of Agriculture - Direct					
Forestry Research-Genetic Info Vertebrate Species Forestry Research	10.652	06-CA-11272137-037 / 06CS11051200039	Forest Service	Direct	9,404
U.S. National Aeronautic and Space Administration - Direct					
Employing Planetary Astronomy to inspire Undergraduates	43.001	NNQ04GD54G	NASA	Direct	21,446
Multi Wavelength Approach to Gas Dynamics	43.001	NNX06AC74G	NASA	Direct	20,933
CO2 Sublimation in Comets (Aerospace Education Services Program)	43.001	1277006	Jet Propulsion Laboratory	Direct	25,076
Aerospace Education Services Program	43.001				67,455
Department of Transportation - Direct					
University Transportation Centers Program	20.701	DTRT06-G0023 MOD 1	Department of Transportation	Direct	156,241
TOTAL RESEARCH PROGRAMS					<u>\$ 7,545,055</u>
TOTAL MAJOR PROGRAMS					<u>\$ 12,394,925</u>

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
OTHER FEDERAL PROGRAMS					
U.S. Department of Health and Human Services - Direct Advanced Education Nursing Traineeships	93.358	2 A10 HP 00318-07-00	U.S. Department of Health & Human Services	Direct	\$ 19,548
U.S. Department of Health and Human Services - Direct EARDA Project Child Health and Human Development Extramural Research	93.865	5G11HD052368-01/02	U.S. Department of Health & Human Services	Direct	90,264
U.S. Department of Health and Human Services - Pass Through Context Processing in Children & Young Adults Child Health and Human Development Extramural Research	93.865	2005-161R SC-01	University of Nebraska at Omaha	Pass Through	48,090
U.S. Department of Health and Human Services - Pass Through Infant Toddler Resource	93.575	CSCC-7217	California Department of Education	Pass Through	2,097
Facilities Renovation and Repairs	93.575	CRPM-7044	California Department of Education	Pass Through	17,732
General Child Care- Instructional Materials	93.575	CIMS-7489	California Department of Education	Pass Through	1,606
Child Care and Development Block Grant	93.575				21,435
U.S. Department of Education - Direct Long Term Training, Rehab Counseling Rehabilitation Long-Term Training	84.129B	H129B04022	U.S. Department of Education	Direct	117,919
U.S. Department of Education - Direct North American Mobility in Higher Education Fund for Improvement of Postsecondary Education (FIPSE)	84.116N	P116N030014	U.S. Department of Education	Direct	22,095
U.S. Department of Education - Direct TRIO McNair Post-Baccalaureate Achievement- Ronald E. McNair Program TRIO_McNair Post-Baccalaureate Achievement	84.217A	P217A30177 / P217A070193	U.S. Department of Education	Direct	265,768
U.S. Department of Education - Direct Campus Child Care Access Means Parents in School	84.335A	P335A050204-07	U.S. Department of Education	Direct	188,201
U.S. Department of Education - Direct Asian Studies At CSUSB Undergraduate International Studies and Foreign Language Programs	84.016	P016A070067	U.S. Department of Education	Direct	46,010

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
OTHER FEDERAL PROGRAMS - Continued					
U.S. Department of Education - Direct TRIO_Student Support Services - SAIL	84.042A	P042A050391	U.S. Department of Education	Direct	376,644
U.S. Department of Education - Direct TRIO_Upward Bound	84.047	P047A080969/P047A080976	U.S. Department of Education	Direct	170,623
U.S. Department of Education - Direct Preparing Tomorrows Teachers-PT# Bilingual Education Professional Development	84.195N 84.195	T195N020187	U.S. Department of Education	Direct	88,412
U.S. Department of Education - Pass Through Vocational Rehabilitation-Workability IV Case Services Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	SSBCMP-0000015751	CSUSB sub of CA Department of Rehabilitation	Pass Through	244,698
U.S. Department of Education - Pass Through Special Education Compliance Monitoring Grants to States for Incarcerated Youth Offenders	84.331	SBCMP-0000017047	California State University San Bernardino	Pass Through	(51)
National Science Foundation - Direct REU Dominica Geosciences	47.050	EAR-0552591	National Science Foundation	Direct	41,400
National Science Foundation - Direct Bio-Molecular Imaging Information Discovery Computer and Information Science and Engineering	47.070	528058	National Science Foundation	Direct	39,990
National Science Foundation - Direct Mathematics and Science Scholars Noyce Math & Science Scholars Education and Human Resources	47.076 47.076 47.076	DUE*0631182 DUE-0630255	National Science Foundation National Science Foundation	Direct Direct	80,918 118,913 <u>199,831</u>
National Science Foundation - Pass Through Breaking the Science Barriers Geosciences	47.050	None	San Bernardino Valley College	Pass Through	225
National Science Foundation - Pass Through Bio-Molecular Imaging Information Discovery Computer and Information Science and Engineering	47.070	KK5121	UC Santa Barbara	Pass Through	79,798
National Science Foundation - Pass Through AMP Programs Education and Human Resources	47.076	HRD-0331537-508081	Sacramento State University Foundation	Pass Through	76,390

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - DETAIL
FOR THE YEAR ENDED JUNE 30, 2008
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Direct Pass Through Federal	Federal Expenditures
OTHER FEDERAL PROGRAMS - Continued					
U.S. Department of Housing and Urban Development - Pass Through					
Community Development Block Grants	14.227	89488	City of Corona	Pass Through	36,113
Community Development Block Grants	14.227	F023-29000 PO#J2191	San Bernardino Dept of Comm Hous Dev	Pass Through	47,581
Community Development Block Grants/Technical Assistance Program	14.227				83,694
U.S. Institute of International Education					
Strategic Language Institute 07/08					
National Security Education Program	12.CAC	12.CAC	CSU Long Beach Foundation	Pass Through	105,093
U.S. Department of Agriculture - Pass Through					
Child and Adult Care Food Program (CC)	10.558	36-1527-0A	California Department of Education	Pass Through	20,709
U.S. Department of Agriculture - Direct					
Develop USDA Programs & Activities					
Specialty Crop Block Grant Program	10.169	58-6000-7-0062	U.S. Department of Agriculture	Direct	9,603
U.S. Department of Agriculture - Direct					
Specialty Crop Sector Development					
Agricultural Research_Basic and Applied Research	10.001	58-6201-6-023	U.S. Department of Agriculture	Direct	4,637
U.S. Department of Agriculture - Direct					
Recruitment & Retention of Bilingual Pre-Professionals in Environ.	10.223	2004-38422-14943	USDA, CSREES	Direct	24,638
Preparing Underrepresented Students for USDA Careers	10.223	207-38422-18075	USDA, CSREES	Direct	18,209
Recruitment & Retention of Students in Conservation Biology	10.223	2003-38422-13307	USDA, CSREES	Direct	16,899
Hispanic Serving Institutions Education Grants	10.223				59,746
U.S. Department of Justice - Pass Through					
Broken Window Policing Experiment					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Z921201-A	University of Maryland	Pass Through	25,093
National Endowment for the Arts - Direct					
Coyote Conservatory Summer puppetry					
Promotion of the Arts_Grants to Organizations and Individuals	45.024	07-5151-8077	National Endowment for the Arts	Direct	16,959
Small Business Administration - Direct					
OTTC Building, FIPSE	59.000	SBAHQ-05-I-0051	Small Business Administration	Direct	54,288
U.S. Military Academy - Direct					
Visiting Professor in Department of Math	None	None	West Point Military Academy	Direct	24,844
Small Business Administration - Direct					
Women's Business Ownership Assistance	59.043	SBAHQ-03-W-0005 / SBAHQ-06-W-0011	Small Business Administration	Direct	310,351
TOTAL OTHER FEDERAL PROGRAMS					\$ 2,852,307
TOTAL ALL PROGRAMS					\$ 15,247,232

The above schedule was prepared using the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDIT RESULTS:

Section I

- 1 The auditors' report expresses an unqualified opinion on the general purpose financial statements of:
The Foundation for California State University, San Bernardino

- 2 No instances of noncompliance were disclosed during the audit which were material to the financial statements of:
The Foundation for California State University, San Bernardino

- 3 The auditors' report on compliance on all major federal programs expresses an unqualified opinion for the major federal award programs for:
The Foundation for California State University, San Bernardino

- 4 No material weakness(es) identified relating to the audit of the financial statements are reported in the:
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*.

- 5 No significant deficiency(ies) identified that are not considered to be material weaknesses relating to the audit of the financial statements are reported in the:
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*.

- 6 No material weakness(es) identified relating to the audit of the major federal award programs are reported in the:
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

- 7 No significant deficiency(ies) identified that are not considered to be material weaknesses relating to the audit of the major federal award programs are reported in the:
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

- 8 Audit findings relative to the major federal award programs for:
The Foundation for California State University, San Bernardino
are referenced in this Schedule as follows:

<u>Finding No.</u>	<u>Reference</u>
None	None

- 9 The threshold for distinguishing Types A and B programs was:
\$ 457,417

- 10 The Foundation for California State University, San Bernardino
was determined to be a:
low-risk auditee

- 11 The programs tested as major programs included:
84.334 Gaining Early Awareness and Readiness for Undergraduate Programs
84.367 Improving Teacher Quality State Grants
93.648 Child Welfare Services Training Grants
Research Cluster

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

CDE 2007-1 CHILD CARE AND DEVELOPMENT AND FOOD CLAIMS (CFDA 10.558)

Of fifteen children's files selected for child development and food program testing, six contained income eligibility and four food program fee computational errors, which resulted in incorrect parent fees collections, and under-recovered family fees of less than \$20.

We recommend that remedial training of Child Development Center eligibility and documentation staff be conducted and that subsequent performance be monitored to reduce the frequency of errors.

2008 Auditors' Response:

We noted no such instances during the 2008 audit.

CDE 2006-1 CHILD CARE AND DEVELOPMENT AND FOOD CLAIMS (CFDA 10.558)

Of thirteen children's files selected for child development and food program testing, three contained income eligibility documentation or computational errors, none of which resulted in incorrect parent fees, one missing record of immunization, and two incorrect family fee computations one of which resulted in under-recovered family fees of less than \$10.

We recommend that remedial training of Child Development Center eligibility and documentation staff be conducted and that subsequent performance be monitored to reduce the frequency of errors.

2006 Management Response:

Management has reviewed the findings of the auditor and plans to take corrective action.

2007 Auditors' Response:

As indicated in Current Year Finding CDE 2007-1 the nature of errors detected in 2006 continued to occur in 2007.

2008 Auditors' Response:

We noted no such instances during the 2008 audit.

PRIOR YEAR QUESTIONED COSTS:

NONE

**FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

OMB CIRCULAR A-133 REPORT SECTION

**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 Board of Directors of
The Foundation for California State University,
San Bernardino (The Foundation)
San Bernardino, California

We have audited the financial statements of The Foundation for California State University, San Bernardino (The Foundation) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by an entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vorwin, Hryn + Co.

September 12, 2008

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

To the Board of Directors of
The Foundation for California State University,
San Bernardino (The Foundation)
San Bernardino, California

Compliance

We have audited the compliance of The Foundation for California State University, San Bernardino (The Foundation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Foundation's management. Our responsibility is to express an opinion on The Foundation's compliance based on our audit.

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

In our opinion, The Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of The Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 The Foundation's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by an entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

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

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

Vorwin, Hryn + Co.

September 12, 2008

**FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

MANAGEMENT LETTER

To the Board of Directors of
The Foundation for California State University,
San Bernardino (The Foundation)
San Bernardino, California

We are pleased to submit to you our Report to Management containing our findings and recommendations concerning administrative controls and other accounting, financial and general matters resulting from our audit of The Foundation for California State University, San Bernardino (The Foundation) financial statements at June 30, 2008 on which we have rendered our opinion dated September 12, 2008. We have not performed any auditing procedures beyond such date and, accordingly, the matters herein are based on our knowledge as of that time.

The purpose of our examination was not to make an intensive study of the matters commented upon and, accordingly, additional information may be required before acting upon these suggestions. We were able to satisfy ourselves that any indicated weaknesses in internal controls did not have a significant effect upon the financial statements of The Foundation for the year ended June 30, 2008.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structures or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized in the attached Report to Management.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and applicable funding agencies.

Vasin, Heyn + Co.

September 12, 2008

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2008**

I. CURRENT YEAR OBSERVATIONS

NONE

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

NONE

II. PRIOR YEAR OBSERVATIONS

Risk Related Events

Our risk assessment interviews and document review revealed that written procedures were in place which provided guidelines for managing risk-related events, but that such documentation was not integrated or comprehensive of all risks reasonably faced by the Foundation primarily climate related risks.

We recommend that the risk assessment materials be periodically reviewed and updated in writing in order to maintain a constant organization-wide awareness of actions required to properly respond to risk-events.

2008 Management Response:

Management concurs with this recommendation.

Fraud Risk Training

During the conduct of our fraud-risk assessment testing for Food Service Department employees, related to cash-handling, our review of related policy documents and our inquiries revealed that assigned employees properly described their assigned duties consistent with written procedures from which they were initially trained. We understand that informal whistleblower duties and protections awareness were also present.

We recommend that the cash handler's initial policy-training materials be periodically reviewed with them, that cash handling by employees be assessed as part of the performance appraisal system, and whistleblower practices be formalized in writing in order to maintain a constant organization-wide awareness of actions required to deter and report suspicions of fraud.

2006 Management Response:

Management has reviewed the findings of the auditor and plans to take corrective action.

2007 Management Response:

Management concurs and will take the necessary steps to implement policies and procedures in the Food Service Department whereby cash-handlers will be required to periodically review cash handling policies, appropriate cash handling will be a component of the performance appraisal system, and whistleblower practices will be formalized in writing.

2008 Management Response:

The Foundation has contracted out its commercial service operations and no longer will have Food Service Department employees.

**THE FOUNDATION FOR CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2008**

II. PRIOR YEAR OBSERVATIONS - Continued

Fraud Policies

During the conduct of our fraud-risk assessment testing related to cash-handling our review of related policy documents and our inquiries revealed that assigned employees properly described their assigned duties consistent with written procedures from which they were initially trained.

We recommend that the cash handler's initial policy-training materials be periodically reviewed with them and that cash handling by employees be assessed as part of the performance appraisal system in order to maintain their constant awareness of actions required to deter and report suspicions of fraud.

2004 Management Response:

Management concurs with this recommendation.

2005 Management Response:

Management concurs with this recommendation. Many steps have been taken to improve cash handler's training and multiple controls have been implemented in regards to cash handling. Over/short discrepancies are communicated by the close of the next business day as a source of constant awareness. As an additional step, the training materials will be periodically reviewed and the performance appraisal system will be employed to form a direct correlation.

2005 Auditors' Comment:

This recommendation was partially implemented during the past year.

2006 Management Response:

Management concurs and will continue to take necessary steps to improve our cash handling policies.

2006 Auditors' Comment:

This recommendation was implemented in 2006 except for the Food Service Department (see observation at page 6-5).

2007 Management Response:

Management concurs and will take the necessary steps to implement policies and procedures in the Food Service Department whereby cash-handlers will be required to periodically review cash handling policies and appropriate cash handling will be a component of the performance appraisal system.

2008 Management Response:

The Foundation has contracted out its commercial services and will no longer have employees in the Dining Services and Bookstore operations.