

**CALIFORNIA STATE UNIVERSITY,**

**EAST BAY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2006 AND 2005**

**Armanino McKenna** <sup>LLP</sup>  
Certified Public Accountants & Consultants



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the California State University, East Bay Foundation, Inc.  
Hayward, California

We have audited the accompanying basic financial statements of the California State University, East Bay Foundation, Inc. ("Foundation"), a component unit of California State University, East Bay, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. 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 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 audits 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 organization'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 audits provide 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, 2006 and 2005, and the results of its operations and its cash flows for the years 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 8, 2006 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 read in conjunction with this report in considering the results of our audits.



The Management's Discussion and Analysis ("MD&A") on pages 3 through 10 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

  
ARMANINO McKENNA LLP

September 8, 2006

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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This section of the California State University, East Bay Foundation, Inc. (the "Foundation") annual financial report includes some of management's insights and analysis of the Foundation's financial performance for the year.

Introduction to the Basic Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board ("GASB") statement No. 35, *Basic Financial Statements -- and Management's Discussion and Analysis -- for Public Colleges and Universities*. This standard is applicable to the Foundation because it is a component unit of California State University, East Bay (the "University"). Consistent with the University, the Foundation has adopted the Business-Type Activity ("BTA") reporting model to represent the activities of the Foundation.

The financial statements include: the statements of net assets; the statements of activities; and the statements of cash flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain a complete understanding of the financial picture of the Foundation.

*Statements of Net Assets:* The statements of net assets include all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. They also identify major categories of restrictions on the net assets of the University.

*Statements of Activities:* The statements of activities present the revenues earned and expenses incurred during the year on an accrual basis.

*Statements of Cash Flows:* The statements of cash flows present the inflows and outflows of cash, summarized by operating, capital financing and investing activities. The statements are prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the years' operating activities.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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Analytical Overview

A summary of key financial statement information is used as a basis for reviewing current year results in comparison with the prior year.

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$14,905,529	\$12,822,145	\$2,083,384	16%
Other non-current assets	415,589	403,743	11,846	3%
Capital assets	<u>6,430,454</u>	<u>6,696,203</u>	<u>(265,749)</u>	(4%)
Total assets	<u>\$21,751,572</u>	<u>\$19,922,091</u>	<u>\$ 1,829,481</u>	9%
<b>LIABILITIES</b>				
Current liabilities	\$ 2,898,063	\$2,176,908	\$ 721,155	33%
Non-current liabilities	<u>13,787,160</u>	<u>12,955,853</u>	<u>831,307</u>	6 %
Total liabilities	<u>16,685,223</u>	<u>15,132,761</u>	<u>1,552,462</u>	10 %
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	1,570,454	1,686,203	(115,749)	(7%)
Unrestricted	<u>3,495,895</u>	<u>3,103,127</u>	<u>392,768</u>	13%
Total net assets	<u>5,066,349</u>	<u>4,789,330</u>	<u>277,019</u>	6%
Total liabilities and net assets	<u>\$21,751,572</u>	<u>\$19,922,091</u>	<u>\$1,829,481</u>	9%

The CSU East Bay Foundation increased net assets in 2006 by \$277,019. However, positive operating results continue to be a struggle for the Foundation in an environment of declining enrollment. The Foundation pays almost \$400,000 to U.S. Bank for principal and interest on bonds that were issued to finance the building. The monies available for the payment come from Foundation profits. Additionally, the Foundation offers a Post Retirement Health benefit for its employees. With increased medical costs and life expectancies, the cost of this benefit increases yearly. The Foundation did recognize new and increased revenue streams in 2006, but will lose approximately \$125,000 in revenue next year with the closure of the TEMBA program and the loss of the Instructionally Related Activity accounts.

CSU East Bay named as its new president Dr. Mohammad Qayoumi who arrived July 1, 2006. Dr. Qayoumi has made it one of his first priorities to increase enrollment and make CSU East Bay a destination campus. This will have a positive impact on Bookstore revenues and should increase the net assets of the organization. However, the Foundation will also need to identify new and varied revenue streams in order to have assets to pay for Post Retirement Health benefits and resume its contribution to the campus, which was temporarily suspended in 2006.

CALIFORNIA STATE UNIVERSITY,  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2006

Operating Results  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenue				
Research grants and contracts				
Federal	\$ 8,019,163	\$ 7,522,608	\$ 496,555	7%
State and local	698,558	311,488	387,070	124%
Non-governmental	914,870	801,246	113,624	14%
Bookstore sales	6,528,017	6,684,426	(156,409)	(2%)
Management fees	462,290	328,383	133,907	41%
Other operating revenues	<u>266,972</u>	<u>306,485</u>	<u>(39,513)</u>	<u>(13%)</u>
Total operating revenue	<u>16,889,870</u>	<u>15,954,636</u>	<u>935,234</u>	<u>6%</u>
Cost of bookstore sales	4,550,455	4,617,215	(66,760)	(1%)
Cost of research	8,840,952	7,810,274	1,030,678	13%
Other operating expenses	<u>3,272,139</u>	<u>3,847,464</u>	<u>(575,325)</u>	<u>(15%)</u>
Total operating expenses	<u>16,663,546</u>	<u>16,274,953</u>	<u>388,593</u>	<u>2%</u>
Operating income	226,324	(320,317)	546,641	171%
Non-operating revenue/(expenses)				
Investment income, net	313,158	214,609	98,549	46%
Interest on capital related debt	<u>(262,463)</u>	<u>(266,436)</u>	<u>3,973</u>	<u>(1%)</u>
Net non-operating revenue/(expenses)	<u>50,695</u>	<u>(51,827)</u>	<u>102,522</u>	<u>198%</u>
Change in net assets	<u>277,019</u>	<u>(372,144)</u>	<u>649,163</u>	<u>174%</u>
Net assets				
Beginning of year	<u>4,789,330</u>	<u>5,161,474</u>	<u>(372,144)</u>	<u>(7%)</u>
End of year	<u>\$ 5,066,349</u>	<u>\$ 4,789,330</u>	<u>\$ 277,019</u>	<u>6%</u>

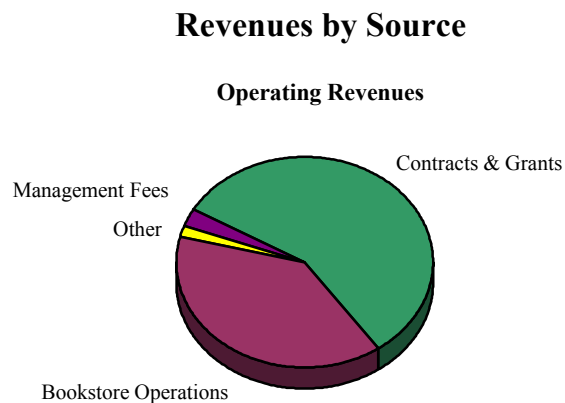
For the year ending June 30, 2006, net assets increased \$277,019. Operating revenues increased 5.86% due to the increased contract and grant activity. However, Foundation/Bookstore operating revenue decreased 2%. The Foundation/Bookstore was able to decrease operating expenses to offset the revenue decrease. Additionally, the Foundation/Bookstore saved \$344,568 in reduced Post Retirement Health Liability costs and the temporary suspension of the annual campus contribution. Nonoperating revenues increased \$102,522 mainly due to a rise in interest rates applied to an increased investment account balance in LAIF.

Investment income, net, increased \$98,549 in 2006. Interest from the Local Agency Investment Fund (LAIF) was \$76,726 more than in 2005 due to a higher asset balance and increasing interest rates. In November 2005, the Foundation's investments were moved from Merrill Lynch to UBS. It is anticipated that the return on investments will be in the 7.5% range under the new managers.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

<u>Operating Revenues</u> <u>For the Years Ended June 30, 2006 and 2005</u>				
	<u>2006</u>	<u>2005</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Operating revenue				
Research grants and contracts				
Federal	\$ 8,019,163	\$ 7,522,608	\$ 496,555	7%
State and local	698,558	311,488	387,070	124%
Non-governmental	914,870	801,246	113,624	14%
Bookstore sales	6,528,017	6,684,426	(156,409)	(2%)
Management fees	462,290	328,383	133,907	41%
Other operating revenues	<u>266,972</u>	<u>306,485</u>	<u>(39,513)</u>	<u>(13%)</u>
Total operating revenue	<u>\$16,889,870</u>	<u>\$15,954,636</u>	<u>\$ 935,234</u>	<u>6%</u>

The following is a graphic illustration of revenues by source:



Total Foundation operating revenues increased \$935,234 or 5.86% compared to 2005. Research grants and contracts increased \$997,249 with increases in all categories. Federal grants increased \$496,555 or 6.60%. Dr. Groziak's grant, Acquisition of a High Field Multi Nuclear FT-NMR Instrument increased reimbursements \$411,000 from the National Science Foundation and Dr. Jones Title IV-E grant from UC Berkeley increased reimbursements \$728,576 over the previous year. Decreases were experienced in the US Department of Education Project SOAR grant and the NIH/Minority Biomedical Study. Project SOAR started up a new grant cycle in 2006 and MBRS lost funding and the grant ended. State grants were up 124.26% over the previous year. Professor Emeritus McGinnis brought in two grants, one from Cal Trans and the second from PG&E. Combined, they were in excess of \$500,000. Non-governmental grants and contracts increased 14.18% with multiple awards. Worthy of noting are grants from The James Irvine Foundation and The Susan B. Komen Foundation.

CALIFORNIA STATE UNIVERSITY,  
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For the Year Ended June 30, 2006

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Revenues directly related to the operations of the Foundation/Bookstore decreased \$62,015 from the previous year. Bookstore sales were down \$156,409, a 2.34% decrease from the prior year. Textbook sales were down 5.10%, general merchandise sales were down 16.85% and softgood sales were down 19.62%. Approximately 85% of Bookstore business is driven by course materials sales which is highly dependent on enrollment. Lower enrollment in 05-06 vs. 04-05 was the reason for a decrease in sales volume. The decrease was somewhat less than what would have been anticipated compared to the actual decrease in enrollment. Merchandise sales are generally in ratio, depending on industry and individual campus trends, to course material sales. Most importantly, supplies in general will run on the same ratio as course materials. In addition to the enrollment decrease, soft good sales (clothing) were impacted by the unique sales increases in 04-05 due to the campus name change. A high volume of CSUH items were sold through winter and spring quarters of 2005 after the name had been changed to East Bay. Sales of computer software were up 97.42%. Computer sales increases were largely due to a large lab purchase by the institution. The Bookstore makes no profit on institution sales. Other bookstore income was down \$69,396 or 37.66%. Half of this decrease came from reduced buyback commission as would be expected with decreased enrollment.

Foundation management fee revenue increased \$133,907 with \$122,652 of the increase coming from the International House program in the Department of Continuing and International Education. Other operating revenue increases came in the form of increased management fees for the IRA program and rental income from the new campus Welcome Center that is housed in the Foundation trailer.

Cash Flows  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	Increase (Decrease)	Percent Change
Cash provided by (used in)				
Operating activities	\$1,613,829	\$ (203,609)	\$1,817,438	893%
Noncapital financing activities	841,248	487,239	354,009	73%
Capital and related financing activities	(417,901)	(521,680)	103,779	20%
Investing activities	<u>(2,947,071)</u>	<u>889,379</u>	<u>(3,836,450)</u>	(431%)
Net change in cash	<u>(909,895)</u>	<u>651,329</u>	<u>(1,561,224)</u>	(240%)
Cash				
Beginning of year	<u>1,026,039</u>	<u>374,710</u>	<u>651,329</u>	174%
End of year	<u>\$ 116,144</u>	<u>\$1,026,039</u>	<u>\$ (909,895)</u>	(89%)

The cash balance decreased \$909,895 in 2006 mainly due to the investment in 2006 of approximately \$750,000 of cash that was held in money market accounts at June 30, 2005 in contemplation of a change in investment managers for the investment portfolio.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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Capital Assets, Net  
As of June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	Increase (Decrease)	Percent Change
Capital assets				
Building	\$7,394,611	\$7,394,611	\$ -	0%
Furniture, fixtures, and equipment	1,390,002	1,417,151	(27,149)	(2%)
Vehicles	90,189	90,189	-	0%
Land	<u>35,000</u>	<u>35,000</u>	<u>-</u>	0%
Total	8,909,802	8,936,951	(27,149)	(0%)
Less accumulated depreciation	<u>(2,479,348)</u>	<u>(2,240,748)</u>	<u>(238,600)</u>	11%
Net capital assets	<u>\$6,430,454</u>	<u>\$6,696,203</u>	<u>\$(265,749)</u>	(4%)

There was minimal activity in capital assets in 2006 except for normal depreciation.

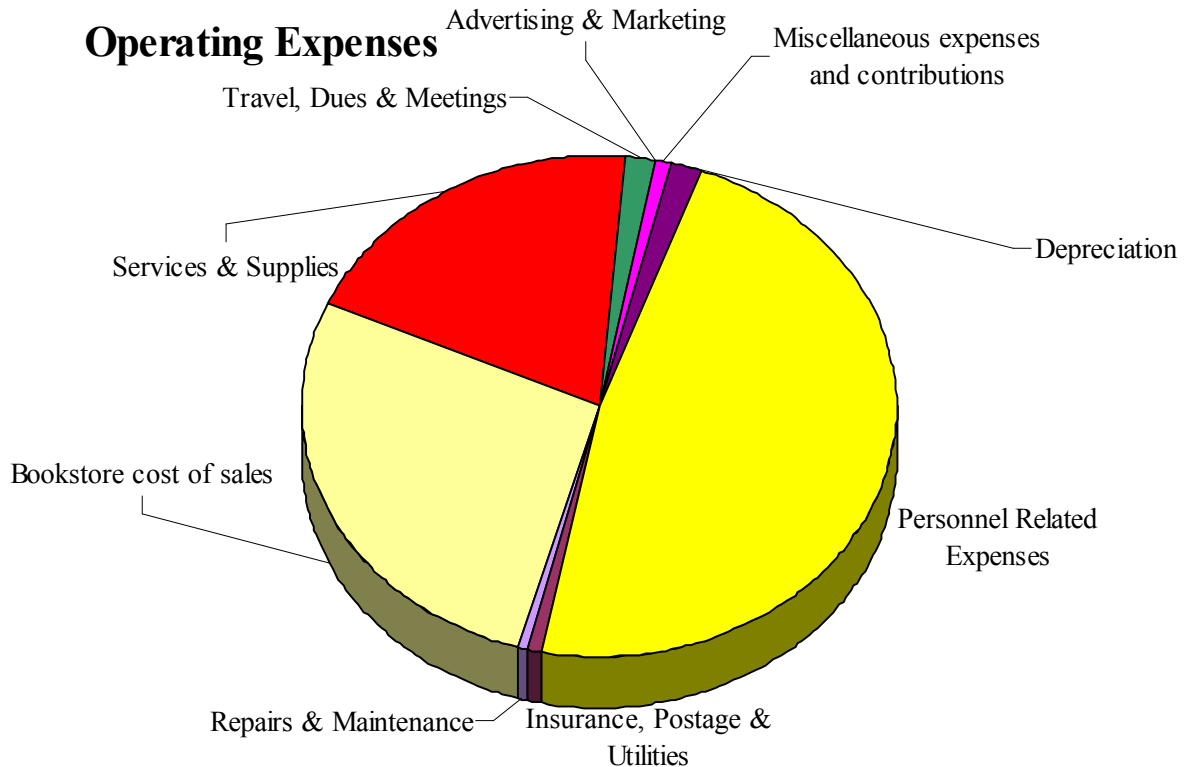
Operating Expenses  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	Increase (Decrease)	Percent Change
Operating expenses				
Personnel related expenses	\$ 7,902,362	\$ 7,863,336	\$ 39,026	0%
Insurance, postage, and utilities	135,689	122,200	13,489	11%
Repairs and maintenance	99,810	102,706	(2,896)	(3%)
Bookstore cost of sales	4,550,455	4,617,215	(66,760)	(1%)
Services and supplies	3,263,507	2,283,242	980,265	43%
Travel, dues and meetings	291,036	289,586	1,450	1%
Advertising and marketing	22,012	22,222	(210)	(1%)
Miscellaneous expenses and contributions	127,488	697,147	(569,659)	(82%)
Depreciation	<u>271,187</u>	<u>277,299</u>	<u>(6,112)</u>	(2%)
Total	<u>\$16,663,546</u>	<u>\$16,274,953</u>	<u>\$ 388,593</u>	2%

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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The following is a graphic illustration of operating expenses.



The cost of research expense increased \$944,722 or 12.10% over 2005 and is in direct proportion to the increase in grant revenue. Nearly one third of the increased cost was in the form of stipend payments, mostly from Title IV-E and a new award titled California Mental Health Educational Stipend.

The cost of bookstore sales was down proportionate to the bookstore sales decrease as discussed on page 7 under revenue. The cost of bookstore sales equals the cost of inventory and markdowns related to the actual sales. If the sales are down, by definition, the cost of sales should also be down assuming that markdowns are controlled.

Other auxiliary enterprise expenses were down \$575,325 or 14.95%. In 2006, the Foundation expensed \$243,543 less in Post Retirement Health Liability costs than in 2005. The Foundation gave the campus \$20,000 to be used for the name change, paying for the design of the new University seal. However, there was no contribution given for research incentive. In 2005, the Foundation gave the campus \$180,000. Also of significance for 2006 was the Bookstore payroll and benefit cost savings of \$101,025 over the prior year.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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Analysis of Net Assets  
As of June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net assets				
Investment in capital assets, net of related debt	\$1,570,454	\$1,686,203	\$ (115,749)	(7%)
Unrestricted	<u>3,495,895</u>	<u>3,103,127</u>	<u>392,768</u>	13%
Total net assets	<u>\$5,066,349</u>	<u>\$4,789,330</u>	<u>\$ 277,019</u>	6%

Net assets increased \$277,019 due to a reduction of Foundation expenses. The Foundation increase in Post Retirement Health Liability costs were \$140,059 this year compared to \$383,602 last year, a savings of \$243,543. Also, the Foundation gave the campus a \$20,000 contribution in 2006, resulting in a savings of \$160,000 over 2005.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Statements of Net Assets  
June 30, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 116,144	\$ 1,026,039
Investments	10,013,080	6,764,697
Accounts receivable, net of allowance for doubtful accounts of \$13,913 and \$53,711, respectively	3,187,305	3,337,262
Inventory	1,142,669	1,236,278
Prepaid expenses and other assets	446,331	457,869
Total current assets	<u>14,905,529</u>	<u>12,822,145</u>
Noncurrent assets		
Restricted cash and cash equivalents	415,589	403,743
Capital assets, net	6,430,454	6,696,203
Total noncurrent assets	<u>6,846,043</u>	<u>7,099,946</u>
 Total assets	 <u>\$ 21,751,572</u>	 <u>\$ 19,922,091</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Bank overdraft	\$ 210,287	\$ -
Accounts payable	668,602	859,671
Accrued salaries and benefits payable	136,607	158,313
Deferred revenue	1,556,122	838,606
Accrued compensated absences	81,512	81,513
Long-term debt obligations - current portion	150,000	150,000
Other current liabilities	94,933	88,805
Total current liabilities	<u>2,898,063</u>	<u>2,176,908</u>
Noncurrent liabilities		
Long-term debt obligations, net of current portion	4,710,000	4,860,000
Agency liabilities	5,923,915	5,082,667
Post-retirement healthcare	3,153,245	3,013,186
Total noncurrent liabilities	<u>13,787,160</u>	<u>12,955,853</u>
 Total liabilities	 <u>16,685,223</u>	 <u>15,132,761</u>
Net assets		
Invested in capital assets, net of related debt	1,570,454	1,686,203
Unrestricted	3,495,895	3,103,127
Total net assets	<u>5,066,349</u>	<u>4,789,330</u>
 Total liabilities and net assets	 <u>\$ 21,751,572</u>	 <u>\$ 19,922,091</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Statements of Activities  
For the Years Ended June 30, 2006 and 2005

	2006	2005
Revenues		
Operating revenues		
Research grants and contracts		
Federal	\$ 8,019,163	\$ 7,522,608
State and local	698,558	311,488
Non-governmental	914,870	801,246
Total research grants and contracts	9,632,591	8,635,342
Bookstore sales	6,528,017	6,684,426
Management fees	462,290	328,383
Other operating revenues	266,972	306,485
Total operating revenues	16,889,870	15,954,636
Expenses		
Operating expenses		
Cost of research	8,840,952	7,810,274
Cost of bookstore sales	4,550,455	4,617,215
Other auxiliary enterprise expenses	3,272,139	3,847,464
Total operating expenses	16,663,546	16,274,953
Operating income (loss)	226,324	(320,317)
Nonoperating revenues (expenses)		
Investment income, net	313,158	214,609
Interest on capital-related debt	(262,463)	(266,436)
Net nonoperating revenues (expenses)	50,695	(51,827)
Income (loss) before other additions	277,019	(372,144)
Change in net assets	277,019	(372,144)
Net assets at beginning of year	4,789,330	5,161,474
Net assets at end of year	\$ 5,066,349	\$ 4,789,330

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Statements of Cash Flows  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Receipts on grants and contracts	\$ 9,961,944	\$ 7,821,998
Receipts from bookstore sales	6,631,447	6,974,353
Other receipts	1,163,952	470,199
Payments to suppliers	(8,219,445)	(7,533,904)
Payments to employees	(7,924,069)	(7,996,410)
Other cash flows	-	60,155
Net cash provided by (used in) operating activities	<u>1,613,829</u>	<u>(203,609)</u>
Cash flows from noncapital financing activities		
Monies received on behalf of others, net	<u>841,248</u>	<u>487,239</u>
Cash flows from capital and related financing activities		
Acquisitions of capital assets	(5,438)	(115,244)
Principal paid on capital debt and lease	(150,000)	(140,000)
Interest paid on capital debt and lease	(262,463)	(266,436)
Net cash used in capital and related financing activities	<u>(417,901)</u>	<u>(521,680)</u>
Cash flows from investing activities		
Sales (purchases) of short-term investments, net	(3,186,300)	744,182
Investment income, net	251,075	145,205
Net change in restricted cash and funds held in trust	(11,846)	(8)
Net cash provided by (used in) investing activities	<u>(2,947,071)</u>	<u>889,379</u>
Net change in cash and cash equivalents	(909,895)	651,329
Cash and cash equivalents - beginning of year	<u>1,026,039</u>	<u>374,710</u>
Cash and cash equivalents - end of year	<u>\$ 116,144</u>	<u>\$ 1,026,039</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 226,324	\$ (320,317)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	271,187	277,299
Changes in operating assets and liabilities		
Accounts receivable, net	149,957	(779,554)
Inventory	93,609	(269,276)
Prepaid expenses and other assets	11,538	(29,068)
Cash overdraft	210,287	-
Accounts payable	(191,069)	546,302
Accrued salaries and benefits payable	(21,706)	(149,289)
Deferred revenue	717,516	91,468
Accrued compensated absences	(1)	17,215
Other current liabilities	146,187	411,611
Net cash provided by (used in) operating activities	<u>\$ 1,613,829</u>	<u>\$ (203,609)</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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1. Reporting Entity

The California State University, East Bay Foundation, Inc. (the "Foundation"), a nonprofit organization, is an auxiliary organization of California State University, East Bay (the "University") and the California State University system. The Foundation's mission is to provide services that aid, supplement and advance the educational purposes of the University and its operations include operating the campus bookstore and managing research grants. In 2005, the University changed its name from California State University, Hayward to California State University, East Bay. The Foundation changed its name accordingly.

2. Significant Accounting Policies

(a) Financial reporting entity

The accompanying basic financial statements include the accounts of the Foundation, including its University Bookstore operations and its research activities performed on behalf of the University. The Foundation is a government organization under accounting principles generally accepted in the United States of America ("GAAP") and is also a component unit of the University, a public university under the California State University system. The Foundation has chosen to use the reporting model for special-purpose governments engaged only in business-type activities.

(b) 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 GAAP as prescribed by the Governmental Accounting Standards Board (the "GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary nonexchange transactions are recognized as revenue as soon as all eligibility requirements have been met.

(c) Election of applicable FASB statements

The Foundation has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board ("FASB") issued after November 30, 1989.

(d) Cash equivalents

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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2. Significant Accounting Policies (continued)

(e) Investments

Investments are reflected at fair value using quoted market prices. Gains and losses are included in the statement of activities as investment income.

(f) Inventory

Inventory, consisting of books and other merchandise, is stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

(g) Capital assets

Capital assets are stated at cost or estimated historical cost if purchased, or at estimated fair value at date of donation if donated. The Foundation capitalizes all capital assets acquired that cost over \$5,000 and depreciates them over their estimated useful lives under the straight-line method. In accordance with instructions from the California State University System, depreciation expense is shown separately in the statement of activities, rather than being allocated among other categories of operating expenses.

(h) Deferred revenue

Deferred revenue consists primarily of grant and contract funds received in advance.

(i) Accrued compensated absences

Employees accrue annual leave at rates based on length of service and job classification.

(j) Net assets

The Foundation's net assets are classified into the following net asset categories:

*Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Unrestricted:* All other categories of net assets, including those net assets designated by the board or management.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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2. Significant Accounting Policies (continued)

(k) Contracts and grants

Contracts and grants represent funds obtained from external agencies for the support of instructional, research, and public service functions of the University. Revenue from contracts and grants is recognized when expensed for the purpose specified. Amounts received in excess of expenses incurred as of the financial statement date are deferred.

Federal awards are subject to review and audit by the grantor agencies. Although such audits could result in expense disallowances under the terms of the grants, management believes that any disallowance would not be material to the Foundation.

(l) Agency liability

The Foundation administers agency assets on behalf of campus organizations. The Foundation generally receives a fee for administering these funds. Depending on the nature of these funds, this fee can be a fixed annual amount, a per-transaction charge, or a fixed percentage charge based upon assets under Foundation administration.

It is management's belief that the Foundation is acting as an agent for the transactions of these units. Accordingly, the activity of such organizations is not recorded in the statement of activities; however, the Foundation does measure the financial activity of such organizations. Agency revenues received for the year ended June 30, 2006, were \$6,347,377 while agency expenses totaled \$5,248,732.

(m) Classification of revenues and expenses

The Foundation considers operating revenues and expenses in the statement of activities to be those of revenues and expenses that result from exchange transactions or from other activities that are connected directly with the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement 35. These nonoperating activities include the Foundation's net investment income and interest expense.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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2. Significant Accounting Policies (continued)

(n) Income taxes

The Foundation is exempt from Federal and State corporate income taxes under Internal Revenue Service Code Section 501(c)(3) and California Revenue and Taxation Service Code 23701(d). In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). However, the Foundation remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

(o) Bookstore operations

The Foundation operates the University Bookstore for purposes of supporting the University's educational mission. Revenue from sales of new and used books, supplies, computers, and general merchandise is recognized at the time of sale.

(p) Use of estimates

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

3. Newly Issued Accounting Standards

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 is effective for the Foundation for the year ending June 30, 2008. This statement establishes standards for the actuarial measurement, recognition, presentation, disclosure, and required supplementary information of postemployment benefits and related liabilities. Although not required to do so, the Foundation currently accounts for these postemployment benefits consistent with the FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Management has not determined what effect, if any, the application of GASB Statement No. 45 will have on the Foundation's financial statements.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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4. Cash

The Foundation pools cash from all sources, except the Employee Pension Plan, so that it can be safely invested at maximum yields. The Foundation invests excess cash in the California Local Agency Investment Fund ("LAIF"). Operating cash is held in Bank of the West. Amounts on deposit typically exceed federal deposit insurance limits. Restricted cash consists of \$415,589 held in a reserve fund for the 1998 bonds.

5. Investments

The LAIF is an investment fund managed by the California State Treasurer's Office that allows local governmental agencies to participate in a major investment portfolio. The LAIF pool is invested in various government securities, federal agency coupons, certificates of deposit, bank notes, federal agency discount notes, time deposits, commercial paper, corporate bonds and AB55 loans. At June 30, 2006, the average life of the portfolio was 152 days. In addition to the LAIF, the Foundation has investments held and managed by UBS Financial Services.

The Foundation's investment policy limits investments in fixed income securities to a minimum of 25% of total investments (at cost). A maximum of 80% may be invested in domestic equities and a maximum of 25% in international equities.

At June 30, 2006, investments were comprised of the following:

	<u>2006</u>	<u>2005</u>
LAIF	\$ 5,861,712	\$3,521,140
Equity securities	2,696,183	1,574,291
Equity mutual funds	575,894	943,004
FNMA Callable Note, maturing in 2010	-	69,825
Corporate bonds	-	656,437
US Government securities	<u>879,291</u>	<u>-</u>
Total	<u>\$10,013,080</u>	<u>\$6,764,697</u>

CALIFORNIA STATE UNIVERSITY,  
 EAST BAY FOUNDATION, INC.  
 Notes to Financial Statements  
 For the Years Ended June 30, 2006 and 2005

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5. Investments (continued)

At June 30, 2006, investments in US Government securities were comprised of the following:

Maturing in:	
Less than 1 year	\$338,015
1 year to 5 years	298,053
5 years to 10 years	199,121
More than 10 years	<u>44,102</u>
Total	<u>\$879,291</u>

6. Prepaid Expenses and Other Assets

Prepaid expenses and other assets of the Foundation as of June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents set aside for retirement of debt	\$210,776	\$246,646
Deferred issuance costs on bonds, net	169,156	177,981
Other prepaid expenses	<u>66,399</u>	<u>33,242</u>
Total	<u>\$446,331</u>	<u>\$457,869</u>

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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7. Property and Equipment

Capital asset activity for the years ended June 30, 2006 and 2005 was as follows:

	<u>Land</u>	<u>Building</u>	<u>Furniture Fixtures and Equipment</u>	<u>Vehicles</u>	<u>Accumulated Depreciation</u>	<u>Totals</u>
July 1, 2004	\$35,000	\$7,394,611	\$1,301,907	\$90,189	\$(1,963,449)	\$6,858,258
Additions	-	-	115,244	-	(277,299)	(162,055)
Retirements	-	-	-	-	-	-
June 30, 2005	35,000	7,394,611	1,417,151	90,189	(2,240,748)	6,696,203
Additions	-	-	5,438	-	(271,187)	(265,749)
Retirements	-	-	(32,587)	-	32,587	-
June 30, 2006	<u>\$35,000</u>	<u>\$7,394,611</u>	<u>\$1,390,002</u>	<u>\$90,189</u>	<u>\$(2,479,348)</u>	<u>\$6,430,454</u>

8. Transactions with Related Parties

The Foundation enters into transactions with the other California State University, East Bay Auxiliaries (Associated Students, Inc. of California State University, East Bay (the "AS"), University Union, Inc. of California State University, East Bay (the "UU"), and the Cal State East Bay Educational Foundation, Inc. (the "Ed. Foundation") (collectively known as the "Auxiliaries")) as well as transactions with the University itself.

The Foundation leases the land for its building for a nominal annual fee from the State of California under an operating lease arrangement expiring on August 1, 2020.

The Foundation received fees for management services provided to affiliates for the years ended June 30, as follows:

	<u>2006</u>	<u>2005</u>
From University affiliated agencies for management of agency funds	<u>\$462,290</u>	<u>\$328,383</u>

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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9. Employee Retirement System

Plan description

All full-time employees of the Foundation participate in the California Public Employees' Retirement System ("CalPERS"), which is an agent multiple-employer defined benefit pension plan. CalPERS functions as an investment and administrative agent for its members.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

Funding policy

Covered employees are required to contribute 5% of their monthly earnings in excess of \$513 per month. The Foundation is required to contribute at an actuarially determined rate. Contributions for 2006, 2005 and 2004 were \$ 347,144, \$303,506 and \$150,605, respectively.

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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10. Bonds Payable and Defeased Debt

In fiscal year 1998, the Foundation issued \$5,760,000 in bonds to serve as refunding bonds for a 1994 bond issue. The proceeds of the 1998 issuance were deposited into an escrow account, which was restricted for the purpose of making principal and interest payments on the 1994 bonds. The 1998 bonds mature through August 2025. Interest rates on the bonds range from 3.70% to 5.25% per annum. The 1998 issue will be repaid through the same resources as the 1994 issue was to be repaid; primarily management fees.

The following is a summary of 1998 bonds payable transactions for the years ended June 30, 2006 and 2005:

July 1, 2004	\$5,150,000
Retirements	<u>(140,000)</u>
June 30, 2005	5,010,000
Retirements	<u>(150,000)</u>
June 30, 2006	<u>\$4,860,000</u>
Amounts due within one year	<u>\$ 150,000</u>

The 1998 bond repayment schedule follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 150,000	\$ 244,248	\$ 394,248
2008	150,000	237,835	387,835
2009	160,000	231,091	391,091
2010	170,000	223,745	393,745
2011	175,000	215,895	390,895
2012-2016	1,025,000	934,651	1,959,651
2017-2021	1,325,000	628,296	1,953,296
2022-2026	<u>1,705,000</u>	<u>232,970</u>	<u>1,937,970</u>
	<u>\$4,860,000</u>	<u>\$2,948,731</u>	<u>\$7,808,731</u>

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Notes to Financial Statements  
For the Years Ended June 30, 2006 and 2005

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10. Bonds Payable and Defeased Debt (continued)

In August, 2004, the trustee retired the \$4,500,000 debt outstanding on the 1994 bonds using the funds held in trust for that purpose. As the debt was previously removed from the Foundation's financial statements, this had no effect on the Foundation's financial statements.

11. Post-Retirement Benefits Other than Pension

In addition to providing pension benefits, the Foundation sponsors a defined benefit post-retirement plan, which covers substantially all full-time employees of the Foundation, as well as those of the Extended Education Program. This plan provides lifetime medical benefits to retirees who have attained age 50 with five years of service.

The following table presents the plan's funded status for the Foundation and Extended Education Program reconciled with amounts recognized in the Foundation's statement of financial position at June 30, 2006:

	<u>Foundation</u>	<u>Extended Education</u>
Benefit obligation for services rendered to date	\$(4,576,021)	\$(1,593,279)
Unrecognized transition obligation	624,812	94,124
Unrecognized net loss (gain)	(197,470)	1,036,828
Fair value of plan assets	<u>995,434</u>	<u>459,296</u>
Net postretirement benefit liability	<u><u>\$(3,153,245)</u></u>	<u><u>\$ (3,031)</u></u>
Accrued postretirement benefit obligation/(asset) recognized in the statement of financial position	<u><u>\$ 3,153,245</u></u>	<u><u>\$ 3,031</u></u>

The Foundation acts as an agent of the Extended Education Program (the "Program"), as a result the accrued post retirement liability of the Program is shown as a part of the line item depository accounts in the statement of financial position.

The following weighted average assumptions were used in fiscal 2006 to develop the postretirement benefit costs on an actuarially determined basis:

Discount rate	6.40%
Expected long-term rate of return on assets	7.0%

Medical costs are assumed to increase 11-13% in 2006, 10% in 2007, graded down 1% per year to 5% after 7 years. The net periodic benefit cost for the year ended June 30, 2006 for the Foundation and the Program, amounted to \$365,722 and \$90,207, respectively.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY,  
 EAST BAY FOUNDATION, INC.  
 Public Employee Retirement System  
 Schedule of Funding Progress

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<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Payroll</u>
6/30/02	\$10,421,182	\$11,517,436	\$(1,096,254)	110.5%	\$4,314,781	(25.4%)
6/30/03	\$12,187,740	\$11,603,412	\$ 584,328	95.2%	\$4,234,870	13.8%
6/30/04	\$13,402,311	\$12,280,807	\$ 1,121,504	91.6%	\$4,466,563	25.1%

CALIFORNIA STATE UNIVERSITY,  
EAST BAY FOUNDATION, INC.  
Schedule of Operating Expenses  
For the Year Ended June 30, 2006

	Management and General	Research	Board Designated Expenditures	Auxiliary Enterprises	Totals
Personnel related expenses	\$ 817,792	\$ 5,569,462	\$ 140,059	\$ 1,375,049	\$ 7,902,362
Insurance, postage and utilities	57,739	1,220	-	76,730	135,689
Repairs and maintenance	48,697	-	-	51,113	99,810
Bookstore cost of sales	-	-	-	4,550,455	4,550,455
Services and supplies	149,274	2,990,802	33,628	89,803	3,263,507
Travel, dues and meetings	12,186	264,383	1,711	12,756	291,036
Advertising and marketing	-	3,315	-	18,697	22,012
Miscellaneous expenses (recoveries)	(72,560)	11,770	27,664	160,614	127,488
Depreciation	69,649	-	-	201,538	271,187
 Total	 <u>\$1,082,777</u>	 <u>\$ 8,840,952</u>	 <u>\$ 203,062</u>	 <u>\$ 6,536,755</u>	 <u>\$ 16,663,546</u>

**California State University, East Bay Foundation, Inc.**

Schedule of Net Assets

June 30, 2006

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 116,144
Short-term investments	10,013,080
Accounts receivable, net	3,187,305
Leases receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	1,589,000

Total current assets	<u>14,905,529</u>
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Noncurrent assets:

Restricted cash and cash equivalents	415,589
Accounts receivable, net	-
Leases receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	6,430,454
Other assets	-

Total noncurrent assets	<u>6,846,043</u>
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Total assets	<u>21,751,572</u>
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Liabilities:

Current liabilities:

Accounts payable	878,889
Accrued salaries and benefits payable	136,607
Accrued compensated absences- current portion	81,512
Deferred revenue	1,556,122
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	150,000
Due to California State University Risk Management Authority	-
Other liabilities	94,933

Total current liabilities	<u>2,898,063</u>
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Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Deferred revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	4,710,000
Depository accounts	5,923,915
Other liabilities	3,153,245

Total noncurrent liabilities	<u>13,787,160</u>
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Total liabilities	<u>16,685,223</u>
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Net assets:

Invested in capital assets, net of related debt	1,570,454
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Restricted for:

Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-

Unrestricted	3,495,895
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Total net assets	\$ <u>5,066,349</u>
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See accompanying independent auditors' report.

**California State University, East Bay Foundation, Inc.**  
Schedule of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2006  
(for inclusion in the California State University)

Revenues:

Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$ _____)	\$	-
Grants and contracts, noncapital:		
Federal		8,019,163
State and local		698,558
Nongovernmental		914,870
Sales and services of educational activities		-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)		6,990,307
Other operating revenues		266,972
		<u>16,889,870</u>
Total operating revenues		<u>16,889,870</u>

Expenses:

Operating expenses:		
Instruction		-
Research		8,840,952
Public service		-
Academic support		-
Student services		-
Institutional support		-
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		7,551,407
Depreciation and amortization		271,187
		<u>16,663,546</u>
Total operating expenses		<u>16,663,546</u>
Operating income (loss)		<u>226,324</u>

Nonoperating revenues (expenses):		
State appropriations, noncapital		-
Gifts, noncapital		-
Investment income, net		313,158
Endowment income		-
Interest on capital-related debt		(262,463)
Other nonoperating revenues (expenses)		-
		<u>50,695</u>
Net nonoperating revenues (expenses)		<u>50,695</u>
Income (loss) before other additions		<u>277,019</u>

State appropriations, capital		-
Grants and gifts, capital		-
Additions to permanent endowments		-
		<u>277,019</u>
Increase (decrease) in net assets		<u>277,019</u>

Net assets:		
Net assets at beginning of year		4,789,330
Net assets at end of year	\$	<u>5,066,349</u>

See accompanying independent auditors' report.

**California State University, East Bay Foundation, Inc.**  
Other Information  
June 30, 2006  
(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2006:**

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		<u>415,589</u>
Total restricted cash and cash equivalents	\$	<u>415,589</u>

**2 Composition of investments at June 30, 2006:**

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State of California Surplus Money Investment Fund	—	—	—
State of California Local Agency Investment Fund	5,861,712	—	5,861,712
Met West Short Term Fund	—	—	—
Met West Medium Term Fund	—	—	—
Met West Equity Fund	—	—	—
Debt securities	4,151,368	—	4,151,368
Equity securities	—	—	—
Fixed income securities (Treasury notes, GNMA's)	—	—	—
Real estate	—	—	—
Certificates of deposit	—	—	—
Notes receivable	—	—	—
Mutual funds	—	—	—
Collateralized mortgage obligations:			
Inverse floaters	—	—	—
Interest-only strips	—	—	—
Agency pass-through	—	—	—
Private pass-through	—	—	—
Other investments:			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Total investments	<u>10,013,080</u>	<u>—</u>	<u>10,013,080</u>

**3 Composition of capital assets at June 30, 2006:**

	<u>Balance June 30, 2005</u>	<u>Prior period Adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance June 30, 2006</u>
Nondepreciable capital assets								
Land and land improvements	35,000	-	-	35,000	-	-	-	35,000
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress	-	-	-	-	-	-	-	-
Total nondepreciable capital assets	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Depreciable capital assets								
Buildings and building improvements	7,394,611	-	-	7,394,611	-	-	-	7,394,611
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	1,507,340	-	-	1,507,340	5,438	(32,587)	-	1,480,191
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total depreciable capital assets	<u>8,901,951</u>	<u>-</u>	<u>-</u>	<u>8,901,951</u>	<u>5,438</u>	<u>(32,587)</u>	<u>-</u>	<u>8,874,802</u>
Total cost	<u>8,936,951</u>	<u>-</u>	<u>-</u>	<u>8,936,951</u>	<u>5,438</u>	<u>(32,587)</u>	<u>-</u>	<u>8,909,802</u>
Less accumulated depreciation:								
Buildings and building improvements	(1,364,657)	-	-	(1,364,657)	(147,912)	-	-	(1,512,569)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(876,091)	-	-	(876,091)	(123,275)	32,587	-	(966,779)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation	<u>(2,240,748)</u>	<u>-</u>	<u>-</u>	<u>(2,240,748)</u>	<u>(271,187)</u>	<u>32,587</u>	<u>-</u>	<u>(2,479,348)</u>
Net capital assets	<u>6,696,203</u>	<u>-</u>	<u>-</u>	<u>6,696,203</u>	<u>(265,749)</u>	<u>-</u>	<u>-</u>	<u>6,430,454</u>

**Detail of depreciation and amortization expense for the year ended June 30, 2006:**

Depreciation and amortization expense related to capital assets	\$	271,187
Amortization expense related to other assets		<u>—</u>
Total depreciation and amortization	\$	<u>271,187</u>



California State University, East Bay Foundation, Inc.  
Other Information  
June 30, 2006  
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7 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2007	—	—	—	—	—
2008	—	—	—	—	—	—
2009	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012 - 2016	—	—	—	—	—	—
2017 - 2021	—	—	—	—	—	—
2022 - 2026	—	—	—	—	—	—
2027 - 2031	—	—	—	—	—	—
2032 - 2036	—	—	—	—	—	—
2037 - 2041	—	—	—	—	—	—
2042 - 2046	—	—	—	—	—	—
2047 - 2051	—	—	—	—	—	—
2052 - 2056	—	—	—	—	—	—
2057 - 2061	—	—	—	—	—	—
Total	\$ 4,860,000	2,948,731	—	—	4,860,000	2,948,731

8 The nature and amount of the prior period adjustment(s) recorded to beginning net assets - GASB Auxiliary Organizations:

Net Asset Class	Amount Dr. (Cr.)
Net assets as of June 30, 2005, 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)	—
10 (list description of each adjustment)	—
Net assets as of June 30, 2005, as restated	\$ —

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

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

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**9 The nature and amount of the prior period adjustment(s) recorded to beginning net assets - EASB Auxiliary Organizations:**

	<b>Net Asset Class</b>	<b>Amount</b>
		<b>Dr. (Cr.)</b>
Net assets as of June 30, 2005, 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)		—
10 (list description of each adjustment)		—
Net assets as of June 30, 2005, as restated		\$ —

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

	<b>Debit</b>	<b>Credit</b>
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: _____		
10 (breakdown of adjusting journal entry)	—	—

**10 Calculation of net assets - Invested in capital assets, net of related debt**

	<b>Auxiliary Organizations</b>	
	<b>GASB</b>	<b>EASB</b>
Capital assets, net of accumulated depreciation	\$ 6,430,454	—
Capital lease obligations, current portion	-	—
Capital lease obligations, net of current portion	-	—
Long-term debt obligations, current portion	(150,000)	—
Long-term debt obligations, net of current portion	(4,710,000)	—
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	\$ 1,570,454	—

See accompanying independent auditors' report.