

CALIFORNIA STATE UNIVERSITY,
EAST BAY FOUNDATION, INC.
(A CALIFORNIA STATE UNIVERSITY
AUXILIARY ORGANIZATION)
SINGLE AUDIT REPORTS
JUNE 30, 2006

Armanino McKenna ^{LLP}
Certified Public Accountants & Consultants



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of California State University, East Bay Foundation, Inc. (a nonprofit organization that is a component unit of California State University, East Bay) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered California State University, East Bay Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter.

Compliance and Other Matters

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



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

Armanino McKenna LLP

ARMANINO McKENNA LLP

September 8, 2006

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

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

Compliance

We have audited the compliance of California State University, East Bay Foundation, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. California State University, East Bay Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of California State University, East Bay Foundation, Inc.'s management. Our responsibility is to express an opinion on California State University, East Bay Foundation, Inc.'s compliance based on our audit.

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

In our opinion, California State University, East Bay Foundation, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.



Internal Control Over Compliance

The management of California State University, East Bay Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered California State University, East Bay Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of California State University, East Bay Foundation, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



ARMANINO McKENNA LLP

September 8, 2006

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<i>Research and Development Cluster</i>			
U.S. Department of Agriculture Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ 3,582
<i>Subtotal Direct Programs</i>			<u>3,582</u>
Pass-Through Program From University of California, Riverside - Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8500-0510-GR	<u>111,651</u>
<i>Subtotal Pass-Through Programs</i>			<u>111,651</u>
<i>Total U.S. Department of Agriculture</i>			<u>115,233</u>
U.S. Department of Health and Human Services Biomedical Research and Research Training	93.859		<u>551,363</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>551,363</u>
 <i>Total Research and Development Cluster</i>			 <u>666,596</u>
<i>Other Federal Programs</i>			
U.S. Department of Agriculture California State Department of Agriculture - Summer Food Service Program for Children	10.559		<u>727</u>
<i>Total U.S. Department of Agriculture</i>			<u>727</u>
U.S. Department of Commerce Pass-Through Program From San Jose State University Foundation Coastal Services Center (CSC)	11.473	n/a	<u>212,107</u>
<i>Total U.S. Department of Commerce</i>			<u>212,107</u>
U.S. Department of State Educational Partnerships Program	19.424		<u>16,370</u>
<i>Total U.S. Department of State</i>			<u>16,370</u>

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<i>Other Federal Programs (continued)</i>			
National Science Foundation			
Engineering Grants	47.041		6,942
Mathematical and Physical Sciences	47.049		67,991
Biological Sciences	47.074		557,799
<i>Subtotal Direct Programs</i>			<u>632,732</u>
Pass-Through Program From			
California State University Sacramento Foundation			
Education and Human Resources	47.076	n/a	4,696
<i>Subtotal Pass-Through Programs</i>			<u>4,696</u>
<i>Total National Science Foundation</i>			<u>637,428</u>
Small Business Administration			
Pass-Through Program From			
San Jose State University Foundation			
Small Business Development Center	59.037	n/a	140,686
<i>Total Small Business Administration</i>			<u>140,686</u>
Environmental Protection Agency			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		188,216
<i>Total Environmental Protection Agency</i>			<u>188,216</u>
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049		126,064
<i>Total U.S. Department of Energy</i>			<u>126,064</u>
U.S. Department of Education			
<i>TRIO Cluster:</i>			
TRIO - Student Support Services	84.042		768,673
TRIO - Upward Bound	84.047		1,992
<i>Total TRIO Cluster</i>			<u>770,665</u>
Business and International Education Projects	84.153		68,765
Bilingual Education - Professional Development	84.195		243,873
Research in Special Education	84.324		23,557
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		150,641
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		2,366,886
Teacher Quality Enhancement Grants	84.336		170,385
Transition to Teaching	84.350		196,522
<i>Subtotal Direct Programs</i>			<u>3,991,294</u>

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<i>Other Federal Programs - U.S. Department of Education (continued)</i>			
Pass-Through Program From University of Florida National Institute on Disability and Rehabilitation Research	84.133	n/a	10,063
<i>Subtotal Pass-Through Programs</i>			<u>10,063</u>
<i>Total U.S. Department of Education</i>			<u>4,001,357</u>
U.S. Department of Health and Human Services Biomedical Research and Research Training	93.859		350,524
<i>Subtotal Direct Programs</i>			<u>350,524</u>
Pass-Through Program From Alameda County Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	n/a	34,034
<i>Subtotal Pass-Through Programs</i>			<u>34,034</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>384,558</u>
<i>Total Other Federal Programs</i>			<u>5,707,513</u>
<i>Total Federal Expenditures</i>			<u>\$ 6,374,109</u>

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California State University, East Bay Foundation, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Description of Major Programs

Coastal Services Center

As authorized by 16 U.S.C. 1456C; 15 U.S.C. 1540; 33 U.S.C. 1442, 883a-d, to support projects aimed at developing a science-based, multi-dimensional approach that will allow for the maintenance or improvement of environmental quality while at the same time allowing for economic growth.

Office of Science Financial Assistance Program

As authorized by the Atomic Energy Act of 1954, as amended, Section 31, Public Law 83-703, 68 Stat. 919, 42 U.S.C. 2051; Energy Reorganization Act of 1974, Title I, Section 107, Public Law 93-438, 88 Stat. 1240, 42 U.S.C. 5817; Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93-577; Department of Energy Organization Act of 1977, as amended, Public Law 95-91, 42 U.S.C. 7101, to provide financial support for fundamental research in the basic sciences and advanced technology concepts and assessments in fields related to energy.

Gaining Early Awareness and Readiness for Undergraduate Programs

As authorized by the Higher Education Act, Title IV, Part A, Subpart 2, Chapter 2, 20 U.S.C. 1070a-21-1070a-28, to encourage eligible entities to provide or maintain a guarantee to eligible low-income students who obtain a secondary diploma (or its recognized equivalent), of the financial assistance necessary to permit the students to attend an institution of higher education; and supports eligible entities in providing additional counseling, mentoring, academic support, outreach, and supportive services to elementary and middle schools, and secondary school students who are at risk of dropping out of school; and information to students and their parents about the advantages of obtaining a postsecondary education and the college financing options for the students and their parents.

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

2. Description of Major Programs (continued)

Biomedical Research and Research Training

As authorized by Section 301 and Title IV of the Public Health Service Act, as amended, the National Institute of General Medical Sciences supports basic biomedical research that increases understanding of life processes and lays the foundation for advances in disease diagnosis, treatment, and prevention. The Institute's programs encompass the areas of cell biology, biophysics, genetics, developmental biology, pharmacology, physiology, biological chemistry, bioinformatics, computational biology, and minority biomedical research and training.

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

- Material weakness(es) identified? No

- Reportable condition(s) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

- Material weakness(es) identified? No

- Reportable condition(s) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results (continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.473	Coastal Services Center
81.049	Office of Science Financial Assistance Program
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
93.859	Biomedical Research and Research Training

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

Auditee qualified as a low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year Audit Findings

No prior year audit findings.

Section V - Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).