

**CALIFORNIA STATE UNIVERSITY,
EAST BAY FOUNDATION, INC.**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2019

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, 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, the financial statements of the business-type activities of the California State University, East Bay Foundation, Inc., a component unit of California State University, East Bay, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the California State University, East Bay Foundation, Inc.'s basic financial statements, and have issued our report thereon dated September 9, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

California State University, East Bay Foundation, Inc.'s Response to Finding

California State University, East Bay Foundation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. California State University, East Bay Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
September 9, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited California State University, East Bay Foundation, Inc., a component unit of California State University, East Bay, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the California State University, East Bay Foundation, Inc.'s major federal programs for the year ended June 30, 2019. California State University, East Bay Foundation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for California State University, East Bay Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of California State University, East Bay Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, California State University, East Bay Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of California State University, East Bay Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California State University, East Bay Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California State University, East Bay Foundation, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of California State University, East Bay Foundation, Inc. as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise California State University, East Bay Foundation, Inc.'s basic financial statements. We issued our report thereon dated September 9, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Glendora, California
September 9, 2019

**CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency Pass Through Agency Federal Program Title	CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
Binational Agricultural Research and Development Fund				
Pass Through Program:				
Department of Agriculture				
Agricultural Research Basic and Applied Research	10.001	IS-4870-15-R	\$ -	\$ (68)
Total Binational Agricultural Research and Development Fund			-	(68)
National Aeronautics and Space Administration				
Pass Through Program:				
Space Telescope Science Institute				
Science	43.001	HST-GO-13651.006-A	-	5,462
Total National Aeronautics and Space Administration			-	5,462
National Endowment For The Humanities				
Pass Through Program:				
California Council for the Humanities				
Promotion of the Humanities Federal/State Partnership	45.129	COS15-460	-	5,229
Total National Endowment For The Humanities			-	5,229
National Institutes of Health				
Pass Through Program:				
University of California, San Francisco				
Environmental Health	93.113	10926sc	-	17,052
Total National Institutes of Health			-	17,052
National Institute of Standards and Technology				
Pass Through Program:				
University of Virginia				
Arrangements for Interdisciplinary Research Infrastructure	11.619	GO11860.PO #2113676	-	20,083
Total National Institute of Standards and Technology			-	20,083
National Science Foundation				
Direct Programs:				
Mathematical and Physical Sciences	47.049	N/A	-	169,277
Biological Sciences	47.074	N/A	-	126,991
Education and Human Resources	47.076	N/A	-	285,254
Pass Through Programs:				
Regents of the University of California, Berkeley				
Education and Human Resources	47.076	0009397	-	32,987
University Enterprises, Inc. (CSU Sacramento)				
Education and Human Resources	47.076	533071	-	10,000
Total National Science Foundation			-	624,509
U.S. Department of Agriculture				
Pass Through Program:				
University of California, Riverside				
Promotion of the Humanities Federal/State Partnership	10.310	S-001113	-	15,815
Total U.S. Department of Agriculture			-	15,815
U.S. Department of Education				
Pass Through Program:				
University of Nebraska-Lincoln				
English Language Acquisition Grants	84.365	24-1708-0112-009	-	26,313
Total U.S. Department of Education			-	26,313
U.S. Department of Energy/NNSA				
Direct Programs:				
Nuclear Energy Research, Development and Demonstration	81.121	N/A	-	211,233
Pass Through Program:				
Brookhaven Science Associates, LLC.				
Advanced Research and Projects Agency Energy Financial Assistance Program	81.135	359277	-	20,809
Lawrence Livermore National Security, LLC				
Graduate Assistance in Areas of National Need	84.200	B627336	-	15,607
Total U.S. Department of Energy/NNSA			-	247,648
U.S. Geological Survey				
Direct Program:				
Earthquake Hazards Program Assistance	15.807	N/A	-	57,116
Total U.S. Geological Survey			-	57,116
Total Research and Development Cluster			-	1,019,160

**CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency Pass Through Agency Federal Program Title	CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Other Federal Programs:				
National Endowment For The Humanities				
Direct Program:				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162	N/A	-	344
Total National Endowment For The Humanities			-	344
National Science Foundation				
Direct Program:				
Education and Human Resources	47.076	N/A	-	288,145
Pass Through Program:				
Education and Human Resources	47.076	N/A	-	35,693
Total National Science Foundation			-	323,838
U.S. Department of Agriculture				
Pass Through Program:				
California State University, Chico Research Foundation				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SUB16-055	-	2,624
California State University, Chico Research Foundation				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SUB18-029	-	35,025
Total U.S. Department of Agriculture			-	37,649
U.S. Department of Education				
Direct Programs:				
Higher Education Institutional Aid	84.031	N/A	-	523,438
TRIO Student Support Services	84.042	N/A	-	732,831
Fund for the Improvement of Education	84.215	N/A	3,431,299	4,891,320
Strengthening Minority-Serving Institutions	84.382	N/A	-	398,233
Pass Through Programs:				
California Department of Rehabilitation				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	30461	-	103,571
UC Office of the President				
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	ESSA-18-CSP-EAST BAY	-	30,672
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	NCLB14-CSP-EASTBAY	-	500
The Ohio State University				
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies	84.015	60049977	-	3,000
Total U.S. Department of Education			3,431,299	6,683,565
U.S. Department of Energy				
Pass Through Programs:				
UC Lawrence Berkeley National Lab				
Granting of Patent Licenses	81.003	7411872	-	115,318
Total U.S. Department of Energy			-	115,318
U.S. Department of Health and Human Services				
Pass Through Programs:				
Regents of the University of California				
Substance Abuse and Mental Health Services_Protocols of Regional and National Significance	93.243	00009667	-	102,345
University of California, San Francisco				
Advanced Nursing Education Grant Program	93.247	8489sc	-	937
University of California, Berkeley				
Foster Care Title IV-E	93.658	00009241	-	1,072,120
Total U.S. Department of Health and Human Services			-	1,175,402
Total Other Federal Programs			3,431,299	8,336,116
Total Federal Expenditures			\$ 3,431,299	\$ 9,355,276

CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of California State University, East Bay Foundation, Inc. (the Foundation), under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in Office of Management and Budget Circular 21, *Cost Principles for Institutions of Higher Education*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The Foundation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

The Foundation passes certain federal awards received from the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). The Foundation reports expenditures of Federal awards to subrecipients on an accrual basis.

NOTE 5 NATIONAL SCIENCE FOUNDATION GRANTS

According to the National Science Foundation's Proposal and Award Policies and Procedures Guide (Guide) dated January 14, 2013, certain National Science Foundation individual programs are included in the Research and Development Cluster and are reported in the Schedule accordingly under the Research and Development Cluster. In accordance with the transition statements published with the adoption of the Guide, awards that existed prior to the Guide's issuance are reported on the Schedule based on the content of the award until they expire.

**CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.215

Name of Federal Program or Cluster

Promise Neighborhoods

Dollar threshold used to distinguish between Type A and Type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019-001 RESTATEMENT OF NET POSITION

Condition: Net position has been restated to recognize a deferred outflow of resources at June 30, 2018 resulting from a change in assumptions as reported by CalPERS in its GASB 68 Accounting Valuation Report. The change was a reduction in the discount rate from 7.65% to 7.15%. This change in assumptions results in an increase to the Foundation's net position.

Criteria: GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* the Foundation determines the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position on the same basis as they are reported by the California Public Employees' Retirement Systems (CalPERS) Financial Office of the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan or PERF C).

Cause: There was an error in the underlying schedule prepared by management used to create the accounting entries required by GASB Statement No. 68. Net position has been restated to recognize a deferred outflow of resources at June 30, 2018 resulting from a change in assumptions as reported by CalPERS in its GASB No. 68 Accounting Valuation Report. The change was a reduction in the discount rate from 7.65% to 7.15%. This change in assumptions results in an increase to the Foundation's net position.

Effect: Beginning net position at June 30, 2018 was increased by approximately \$800,000.

Recommendation: We recommend the Foundation evaluate methodologies reviewing the accuracy of estimates.

Management's Response: Management concurs with the recommendation and will review methodologies for reviewing estimates for accuracy.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**CALIFORNIA STATE UNIVERSITY, EAST BAY FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

The prior year single audit disclosed no findings or questioned costs in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior year's Summary Schedule of Prior Year Audit Findings.