

**CAL POLY POMONA FOUNDATION, INC.  
CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

**AUDIT COMMITTEE MEETING**

**Tuesday, January 31, 2012  
3:00 pm – 4:00 pm  
Building #55 - Executive Conference Room**

**AGENDA**

**CONSENSUS ACTION ITEMS**

**PAGE**

*Consensus Action Items: Items in this section are considered to be routine and acted on by the committee in one motion. Each item of the Consent agenda approved by the committee shall be deemed to have been considered in full and adopted as recommended. Any committee member may request that a consent item be removed from the consent agenda to be considered as a separate action item. If no additional information is requested, the approval vote will be taken without discussion.*

- |   |             |       |
|---|-------------|-------|
| 1. Minutes September 21, 2011 Meeting<br>ACTION: Approval | Joice Xiong | 1 - 2 |
|---|-------------|-------|

**ACTION ITEMS**

- |  |                 |         |
|--|-----------------|---------|
| 2. 2011-12 External Financial and Single Audit<br>ACTION: Approval | David Prenovost | 3 - 40  |
| 3. 2011-12 External Child Care Audit<br>ACTION: Approval           | David Prenovost | 41 - 47 |

**DISCUSSION ITEMS**

None

**INFORMATION ITEMS**

*The following items provide information and reports by management staff to the committee. Staff and committee may engage in discussion on any item if requested by committee member or staff member.*

- |  |                 |         |
|--|-----------------|---------|
| 4. Compliance Review for CIRM Grant Program      | David Prenovost | 48 - 50 |
| 5. CPP EH&S to Oversee Health Permits for Dining | Paul Storey     | 51      |
| 6. CSU Auxiliary Info Website                    | Paul Storey     | 52 - 54 |
| 7. UET Update                                    | David Prenovost | Verbal  |
| 8. Executive Director's Report                   | Paul Storey     |         |

**OPEN FORUM**

**Cal Poly Pomona Foundation, Inc**  
**Audit Committee Meeting Minutes**  
**September 21, 2011**

Present: Joice Xiong, Audit Committee Chair  
Phil Salas, ASI, Student Representative  
Darwin Labordo, AVP/Associate Chief Financial Officer  
Edward Merritt, Professor/Endowed Chair Collins College

Visitors: G. Paul Storey, Executive Director  
David Prenovost, Senior Managing Director, CFO  
Anne McLoughlin, Executive Assistant to the Executive Director  
Debbie Schroeder-Linthicum, Grants and Contracts Manager  
Karen Sandoval, Financial Analyst  
Tina Henton, Vicenti, Lloyd & Stutzman, LLP  
Patricia Stover, Vicenti, Lloyd & Stutzman, LLP  
Joe Romero, GYL Decauer, LLP  
Paul Dustman, GYL Decauer, LLP

Recorder: Debra Poe, Executive Administrative Assistant

**CALL TO ORDER**

Joice Xiong called the meeting to order at 1:00pm and asked everyone to introduce themselves.

**CONSENSUS ACTION ITEMS**

1. Minutes: February 2, 2011 Meeting

A motion was made by Ed Merritt to approve the minutes of February 2, 2011 and was seconded by Darwin Labordo. The motion was approved.

**ACTION ITEMS**

2. 2010-11 External Children Center Audit

Auditors Joe Romero and Paul Dustman of GYL Decauer stated they have completed the audit of the State Preschool Program grants from the California Department of Education for the fiscal year ended June 30, 2011. The results of GYL Decauer's tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and there were no matters involving the internal control over financial reporting and its operation that GYL considered to be material weaknesses.

A motion was made by Ed Merritt to accept the Audit by GYL Decauer's Preschool Program Audit Report for the fiscal year ended June 30, 2011 to be presented to the Board of Directors. The motion was seconded by Darwin Labordo and approved.

3. 2010-11 External Financial and Single Audit

Tina Henton and Patricia Stover of Vicenti Lloyd & Stutzman stated they have completed the financial and single audits of Cal Poly Pomona Foundation for the fiscal year ended June 30, 2011. The Foundation was presented with an unqualified financial statement opinion with no management letter comments, no material weaknesses, reportable conditions and compliance issues noted proposed and/or discussed with management.

A motion was made by Ed Merritt to accept the Vicenti Lloyd & Stutzman's Financial and Single Audit Reports for the fiscal year ended June 30, 2011 to be presented to the Board of Directors. The motion was seconded by Darwin Labordo and approved.

## **DISCUSSION ITEMS**

No discussion items presented

## **INFORMATION ITEMS**

### **4. Acceptance of UET Assets and Liabilities**

Paul Storey explained that the Cal Poly Pomona University Educational Trust (UET) Board of Directors, the Chancellor's Office and University Administration have made the decision to dissolve the UET and transfer all of its net assets to the Cal Poly Pomona Foundation, Inc. The Foundation previously held endowment funds prior to July 2000 and is fully prepared to take appropriate measures to accept the net assets.

As there are currently no permanent endowments in its investment portfolio the Foundation has not updated its Endowment Investment Policy since 2000. With the strong possibility of accepting endowments in the future; the Foundation felt it appropriate to adopt the UET's Investment Policy #1 as the Foundation's Endowment Investment Policy # 130.

### **5. CSU compliance Audit Update**

Paul Storey stated that every three years, the CSU Board of Trustees Office of the University Auditor conducts a compliance audit of the Foundation which received 5 findings. All findings have been cleared through the Office of the University Auditor except for the finding related to Trust and Other Liabilities due to the pending CSU guidelines that have not been finalized.

### **6. CSU PCI Compliance Update**

Paul Storey stated there are Payment Card Industry Security Standards that protects major debit, credit, prepaid, e-purse, ATM and POS cards by increasing data control to reduce credit card fraud. Validation of compliance is done annually by a Self-Assessment Questionnaire. The Foundation is currently working with the University to complete this questionnaire.

### **7. IRS Audit related to CSU SRB Bonds**

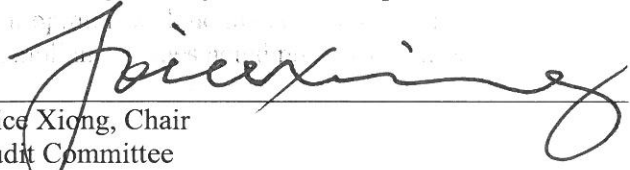
Paul Storey stated the IRS has requested documentation from the CSU regarding the System Revenue Bonds and the Foundation along with the University has provided all requested information.

### **8. Executive Director's Report**

The Foundation Board of Directors Meeting is Tuesday, 9/27/11 at Kellogg West.

## **OPEN FORUM**

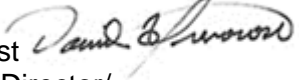
The meeting was adjourned at 2:00pm.

  
Joice Xiong, Chair  
Audit Committee

**CAL POLY POMONA FOUNDATION, INC.**  
**Memorandum**

**Date:** January 12, 2012

**To:** Audit Committee  
Cal Poly Pomona Foundation, Inc.

**From:** David F. Prenovost   
Senior Managing Director/  
Chief Financial Officer



**Subject: EXTERNAL FINANCIAL AND SINGLE AUDIT SELECTION – 2010-2011**

The Foundation issued Request for Proposals (RFP) to perform the Foundation financial and single audit for fiscal year 2007-2008 through 2011-2012 to 15 certified public accounting firms within the greater Los Angeles and Inland Empire area including international, regional, and local firms. Six firms responded to the RFP including AKT LLP; Capin Crouse, LLP; McGladrey and Pullen; Vasin, Heyn and Company; Vicenti, Lloyd and Stutzman; and Windes and McGlaughery.

A selection committee consisting of Glenda Brock, Darwin Labordo, Michael YL Au-Yeung, and Debbie Schroeder-Linthicum evaluated each firm based on the following criteria:

1. Total fees charged for each of the five years of the engagement
2. Firm's demonstrated experience in public agencies and not-for-profit organizations in California with enterprise activities
3. Ability to meet the specific timelines and meetings

Based on the above criteria, the selection committee selected Vicenti, Lloyd and Stutzman, LLP to perform these services for the following annual fees of:

2007-2008	\$60,600 (Actual costs were \$63,010.47. Costs were higher due to work relating to FASB 156—Retiree Benefits)
2008-2009	\$64,236 (Actual costs were \$60,600)
2009-2010	\$68,090 (Actual costs were \$60,600)
2010-2011	\$72,176 (Actual costs were \$62,400)
2011-2012	\$76,506 (Proposed from RFP)

The total fee estimated by Vicenti, Lloyd and Stutzman was lowered for the fiscal year end June 30, 2012 to \$68,400 due to the current economy. This estimated fee of \$68,400 for 2011-12 also includes the audit procedures for the endowments and related investments that are a result of the wind up and dissolution of the University Educational Trust effective January 31, 2012.

In addition, the Chancellor's Office has issued a new policy regarding the selection of audit firms from the Integrated CSU Administrative Manual (ICSUAM). This policy facilitates auxiliary organizations in the selection process by developing standards to ensure auxiliary organizations are contracting with audit firms that possess industry specific proficiencies and experience to best evaluate management's assertions in the financial statements. The expectation with this new policy is to bring all components of the CSU financial statements to equal standards and improve consistency across the system and will require the approval of the Chancellor's Office for the selection of the audit firm, see attached application for further details.

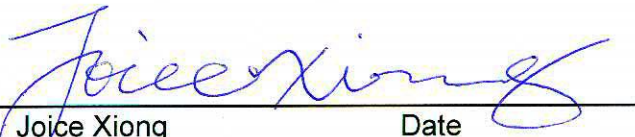
**PROPOSED ACTION**

**THEREFORE**, Foundation management is requesting the Audit Committee's approval subject to the Chancellor's Office approval to retain Vicenti, Lloyd and Stutzman, LLP to perform the financial and single audits for the fiscal year ended June 30, 2012 and to present their recommendation for review and approval to the Board of Directors at its next regularly scheduled meeting.



**NOW, THEREFORE, BE IT RESOLVED** that subject to the Chancellor's Office approval, the Cal Poly Pomona Foundation, Inc. Audit Committee approves retaining Vicenti, Lloyd and Stutzman to perform the financial and single audit for the fiscal year ended June 30, 2012 and will present the Audit Committee's recommendation for review and approval by the Board of Directors at its next regularly scheduled meeting.

By:



Joice Xiong

Date

Audit Committee Chair

Cal Poly Pomona Foundation, Inc.

January 11, 2012

G. Paul Storey  
Executive Director  
California State Polytechnic University, Pomona Foundation  
3801 West Temple Avenue  
Pomona, CA 91768-4038

Dear Paul:

We are pleased to confirm our understanding of the services we are to provide for Cal Poly Pomona Foundation for the year ended June 30, 2012.

We will audit the statement of financial position of Cal Poly Pomona Foundation as of June 30, 2012, and the related statements of activities and cash flows for the year then ended.

These audit services will include the audit of basic financial statements and a separate audit of federally funded grants and contracts. Also, the document we submit to you will include the schedule of expenditures of federal awards, financial statements formatted as requested by the California State University Chancellor's Office and other supplementary schedules requested by Foundation management; these schedules and statements will be subjected to the auditing procedures applied in our audit of the financial statements.

#### Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the third paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

2210 E. Route 66, Suite 100, Glendora, CA 91740

Tel 626.857.7300 | Fax 626.857.7302 | E-Mail [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) | Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of federal awards, and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Foundation involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Foundation received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Foundation complies with applicable laws and regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Foundation or to acts by management or employees acting on behalf of the Foundation. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the Foundation and its environment, including internal control sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.



As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

Identifying and ensuring that Cal Poly Pomona Foundation complies with laws, regulations, contracts, and agreements is your responsibility. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Cal Poly Pomona Foundation's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, and OMB Circular A-133.

#### **Audit Procedures—Compliance**

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Cal Poly Pomona Foundation's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Foundation's major programs. The purpose of these procedures will be to express an opinion on Cal Poly Pomona Foundation's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

#### **Audit Administration and Other Matters**

The Foundation shall furnish the following to us:

- All financial records, books of original entry, supporting documents and other related records, as requested.
- Copies of the Foundation's minutes of the Board of Trustees, policy directives, program agreements, contracts, budgets, and other documents or data pertinent to the financial assistance program and such other information as may be required in the conduct of the examination.
- Assistance by the Foundation staff - which is considered desirable and necessary - including, but not limited to, the preparation of account analyses, summaries, and other working papers which may reduce the time required for the examination, and consequently, audit costs.

We expect to have conferences and discussions with the appropriate officials and employees to review the audit report and any observations concerning any situations which might appear to require corrective action. We will continue to attend board meetings when it is appropriate to do so. It is our desire to make the audit as constructive as possible.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide our reports to the Foundation; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of Vicenti Lloyd & Stutzman LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to a Cognizant or Grantor Agency pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Vicenti Lloyd & Stutzman LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the Cognizant or Grantor Agency. The Cognizant or Grantor Agency may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the date the auditor's report is issued or for any additional period requested by the Cognizant Agency, Oversight Agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We estimate that our fees will not exceed \$68,400 for the audit and the preparation of the Data Collection Form. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

We shall exert every reasonable effort to perform the services provided under the paragraphs above. We further agree to notify the Foundation if we find problems that will require more work than normally expected.

*Government Auditing Standards* requires that we provide you with a copy of our most recent quality control review report. Our 2010 peer review report was is available on our website at [www.vlsllp.com](http://www.vlsllp.com).

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Tina K. Henton, CPA  
Partner

RESPONSE: This letter correctly sets forth the understanding of Cal Poly Pomona Foundation.

Officer signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Name of Auxiliary Organization: Cal Poly Pomona Foundation

Type of Auxiliary Organization (FASB/GASB): FASB

Contact Name and Title: David F. Prenovost, Senior Managing Director/CFO

Phone Number: 909 869-2948

Email: dfprenovost@csupomona.edu

To confirm if the auxiliary organization should comply with FASB or GASB standards, please mark Yes or No with an "X" for each question below:

	Yes	No
a. Is the controlling majority of the members of the auxiliary organization's governing body elected, appointed or approved by the officials of one or more state or local governments (e.g. CSU)?		X
b. If the auxiliary organization is unilaterally dissolved by a government (e.g. CSU), are the net assets required to revert to the government?		X
c. Does the auxiliary organization have the power to enact and enforce a tax levy?		X

If you answer yes to one or more of the questions above, the auxiliary organization should comply with GASB standards.

**APPLICABLE ONLY FOR NEXT YEAR FY2012/2013. NOT APPLICABLE FOR CURRENT YEAR FY2011/2012.**

☐ Check this box if the auxiliary organization is using the same audit firm that has passed the qualification review in prior year and continues to maintain the qualification standards. The auxiliary organization does not have to complete the rest of the accompanying Qualifications Review Questionnaire for such previously approved firms.



## QUALIFICATIONS REVIEW QUESTIONNAIRE FOR PROPOSED AUDIT FIRM

### Section I: General Information about the Proposed Audit Firm

1. Please fill out the information below for the proposed audit firm.

<b>Name of Proposed Audit Firm</b>	<u>Vicenti Lloyd &amp; Stutzman, LLP</u>
<b>Address</b>	<u>2210 E. Route 66, Suite 100, Glendora, CA 91740</u>
<b>Phone</b>	<u>(626) 857-7300</u>
<b>Website (if any)</b>	<u>www.vlsllp.com</u>
<b>Firm License Number and Expiration Date</b>	<u>#2854 Expires 11/1/2012</u>
<b>Number of Full-Time Employees</b>	<u>64</u>
<b>Contact Name and Title</b>	<u>Tina K. Henton, Partner</u>
<b>Email Address</b>	<u>thenton@vlsllp.com</u>

2. Explain why you want to hire the proposed audit firm and provide an overall evaluation of the firm's experience and expertise.  
The Foundation issued a RFPs in the Spring of 2008 to 15 CPA firms (international, regional and local) to perform a financial and single audits for the fiscal years 2007-08 through 2011-12. A selection committee (consisting of University and Auxiliary Employees) reviewed and evaluated the proposals from the six firms that responded based upon the following three criteria: 1). Total Fees; 2). Experience auditing non-profit organizations with enterprise and grant and contract activities; and 3). Ability to meet the specific timelines and meeting schedule. Based upon the above criteria, the selection committee selected Vicenti. Lloyd and Stutzman.

3. Indicate below the number of audit engagements completed by the proposed audit firm by type and industry in the previous year.

Engagement Type	Public Education	Other Government	Other Not-For-Profit	Total
A-133 Audit Engagements	60		4	64
GASB Audit Engagements	1	34	4	39
FASB Audit Engagements	42		38	80
Other Audit Engagements				
Total	103	34	46	183

**Section II: Minimum Experience and Proficiency**

- A. **Experience and Proficiency in Auditing both GASB and FASB 501(c)3 Not-for-Profit Organizations and Public Education Institutions**

4. List 10 not-for-profit / public education clients that are currently audited by the proposed audit firm, including at least 5 GASB clients.

	Client Name	Client Website	Phone Number	Industry	Type of Organization (Foundation, Union, etc.)	Reporting Standards (enter GASB or FASB)
1	Cal State University, Dominguez Hills	<a href="http://www.csudh.edu">www.csudh.edu</a>	(310) 243-3255	Education	Foundation, Associated Students, and Loker Student Union	GASB
2	Mt. San Antonio Community College	<a href="http://www.mtsac.edu">www.mtsac.edu</a>	(909) 274-7500	Education	College, Auxiliary and Foundation	GASB/FASB
3	Citrus Community College	<a href="http://www.citruscollege.edu">www.citruscollege.edu</a>	(626) 963-0323	Education	College and Foundation	GASB/FASB
4	Rancho Santiago Community College	<a href="http://www.rscdd.edu">www.rscdd.edu</a>	(714) 480-7300	Education	College and Foundation	GASB/FASB
5	Hartnell Community College	<a href="http://www.hartnell.edu">www.hartnell.edu</a>	(831) 755-6700	Education	College and Foundation	GASB/FASB
6	Long Beach Unified School District	<a href="http://www.lbschools.net">www.lbschools.net</a>	(562) 997-8000	Education	K-12 School District and Foundation	GASB/FASB



# The California State University

OFFICE OF THE CHANCELLOR

7	<u>Cal Baptist University</u>	<u>www.calbaptist.edu</u>	<u>1.877.228.3615</u>	<u>Education</u>	<u>Private University</u>	<u>FASB</u>
8	<u>Oak Tree Charitable Foundation</u>	<u>www.oaktreeracing.com/content/oak-tree-racing-association-charitable-foundation</u>	<u>(626) 574-7223</u>	<u>Horse Racing</u>	<u>Foundation</u>	<u>FASB</u>
9	<u>Pilgrim Place</u>	<u>www.pilgrimplace.org</u>	<u>(909) 399-5500</u>	<u>Retirement Home</u>	<u>Retirement Home</u>	<u>FASB</u>
10	<u>PEO Homes</u>	<u>www.navigage.org</u>	<u>(626) 300-3711</u>	<u>Retirement Home</u>	<u>Retirement Home</u>	<u>FASB</u>

5. List 3 - 5 clients from Section IIA-4 above that the auxiliary organization contacted to check references for the proposed audit firm. Describe the results of each reference check below.

	Client Name	Reference Results
1	<u>Mt. San Antonio Community College</u>	<u>Very professional and experienced staff – Cheryl Greer</u>
2	<u>Cal Baptist University</u>	<u>Completely satisfied with them - Jackie Gonzales</u>
3	<u>Long Beach Unified School District</u>	<u>Pleased and experienced with staff - Shawn Bartschi</u>
4		
5		

- B. Experience and Proficiency in Performing OMB Circular A-133 Single Audits (Not Applicable if the Auxiliary Organization Receives Total Annual Federal Grants less than \$500,000)

6. List 5 clients audited according to OMB Circular A-133 Single Audit Act in the last 3 years and indicate the type of grants audited (financial aid, Research & Development, ARRA, etc.)

	Client Name	Client Website	Phone Number	Industry	Type of Grants	Office Location that Performs the Audit
1	<u>Cal State University, Dominguez Hills-</u>	<u>www.csudh.edu</u>	<u>(310)243-1042</u>	<u>Education</u>	<u>Inter-University Consortium (Department of Health and Human Services), Transition to Teaching, Leaders for Urban Schools, CASLA Program, and Urban Teacher Residency Program (Department of Education)</u>	<u>Glendora</u>
2	<u>Cal State University, Northridge-</u>	<u>www.csun.edu</u>	<u>(818)677-7579</u>	<u>Education</u>	<u>R&amp;D, CSU-Louis Stokes Alliance for Minority Participation (National Science Foundation), Valley</u>	<u>Glendora</u>

					Foundation), Valley Trauma Center and related ARRA Subaward and Northwestern Los Angeles County Rape Crises Center and related ARRA Subaward (Department of Justice), Family Focus Center – Family Empowerment and CSUN special Education Intern Program (Department of Education)	
					R&D including ARRA, MRI: Acquisition of a 400 MHz NMR Spectrometer (National Science Foundation), Innovation Village (Department of Commerce Economic Development Administration), Great Leaders for Great Schools (Department of Education)	
3	<u>Cal Poly Pomona Foundation</u>	<u>-foundation.csupomona.edu</u>	<u>(909)869-2950</u>	<u>Education</u>		<u>Glendora</u>
4	<u>California Baptist</u>	<u>www.calbaptist.edu</u>	<u>1-877-228-3615</u>	<u>Private Education</u>	<u>Financial Aid</u>	<u>Glendora</u>



	<u>University</u>					
S	<u>Service Center for Independent Living</u>	<u>scil-ilc.org</u>	<u>-(909) 621-6722</u>	<u>ILC's</u>	<u>Department of Rehabilitation</u>	<u>Glendora</u>

C.

- 7.

[illegible]

- b. For each member of the prospective engagement team listed in the table above, indicate how many years of audit experience he/she has in the following industries and engagements.

Category	Industry Type			Audit Engagement Type		
	Public Education	Other Government	Other Not-For-Profit	A-133	GASB	FASB
<b>Partners:</b>						
<u>Tina K. Henton</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
<u>Renee S. Graves</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
<b>Managers:</b>						
<u>Patricia L. Stover</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
<b>Seniors:</b>						
<b>Staff:</b>						
<u>Sara Banta</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>



8. **External Peer Review:** CSU requires that all audit firms of auxiliary organizations have an onsite peer review conducted every three years and received an unqualified opinion. Please provide a copy of the most recent peer review report for the proposed audit firm and answer the questions below:

a. What was the date of the last peer review report?

May 26, 2010

b. What was the peer review period year-end date?

December 31, 2009

c. What was the opinion in the peer review report?

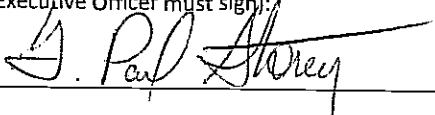
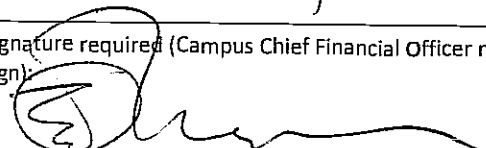
Pass

**D. Record of Providing High Quality Financial Statements Audits for Not-For-Profit Organizations**

9. The proposed audit firm is required to submit audited not-for-profit (non-CSU) financial statements recently audited by their firm. The Chancellor's Office will perform a technical review of those statements to evaluate the application of accounting principles. For auxiliary organizations reporting under GASB accounting requirements, the (non-CSU) financial statements submitted to the Chancellor's Office are required to be GASB financial statements. For those auxiliaries reporting under FASB, the sample financial statements submitted by the prospective auditor should be based on the FASB requirements.

**Section III: Certification**

I, the undersigned, declare that I am the authorized representative of the auxiliary organization submitting this questionnaire and that the answers contained, including any accompanying information, have been examined by me and that the matters set forth are true, correct and complete.

Signature required (Auxiliary Organization Chief Executive Officer must sign): 	Print Name and Title: <u>G. Paul Storey, Executive Director</u>	Print Name of the Auxiliary Organization: <u>Cal Poly Pomona Foundation</u>	Date: <u>January 13, 2012</u>
Signature required (Campus Chief Financial Officer must sign): 	Print Name and Title: <u>Edwin A. Barnes, Vice President/Chief Financial Officer</u>	Print Name of the Campus: <u>California State Polytechnic University, Pomona</u>	Date: <u>January 13, 2012</u>

**Section IV: Supplemental Documents**

10. Please attach all required supplementary back-up documents in this section.

Reference Page	Description	Mark "X" if attached
Section IIC-8	Most Recent Peer Review Report	<u>X</u>
Section IID-9	Copy of Audited Non-CSU Financial Statements (FASB/GASB)	<u>X</u>
Other	If you have any additional documents to supplement the qualifications review, please list them below and attach with the questionnaire:	

If you have any questions regarding the qualifications review questionnaire, please contact the Systemwide Financial Standards and Reporting team:

Name	Title	Phone Number	Email
Ben Cheng	Senior Manager, Financial Reporting	562-951-4548	<a href="mailto:bcheng@calstate.edu">bcheng@calstate.edu</a>
Alice Yip	Financial Reporting Analyst	562-951-4549	<a href="mailto:ayip@calstate.edu">ayip@calstate.edu</a>
Linda Kim	Financial Reporting Analyst	562-951-4531	<a href="mailto:lkim@calstate.edu">lkim@calstate.edu</a>
Criselle Espiritu	Financial Reporting Analyst	562-951-4394	<a href="mailto:cespiritu@calstate.edu">cespiritu@calstate.edu</a>



Steven A. Campbell  
Stephen B. Taylor  
Linda L. House  
Kelly L. O'Brien  
E. Preston Hatch

## System Review Report

To the Partners of Vicenti Lloyd & Stutzman LLP  
and the Peer Review Committee of the  
California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Vicenti Lloyd & Stutzman LLP (the firm) in effect for the year ended December 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Vicenti Lloyd & Stutzman LLP in effect for the year ended December 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vicenti Lloyd & Stutzman LLP has received a peer review rating of *pass*.

*Campbell Taylor & Company*

May 26, 2010

# Citrus College Foundation

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**June 30, 2011**

**CITRUS COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Citrus College Foundation  
1000 W. Foothill Boulevard  
Glendora, California 91740-1899

We have audited the statement of financial position of Citrus College Foundation (the Foundation), a California nonprofit corporation, as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of the Citrus College Foundation at June 30, 2011, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 9, 2011

**CITRUS COLLEGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

**ASSETS**

Current assets

Cash and cash equivalents	\$ 75,670
Interest receivable	18,212
Investments	<u>2,741,771</u>
Total current assets	<u>2,835,653</u>

Noncurrent assets

Investments, at fair value	<u>3,883,176</u>
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Total assets	<u><u>\$ 6,718,829</u></u>
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**NET ASSETS**

Unrestricted	\$ 901,822
Temporarily restricted	2,762,582
Permanently restricted	<u>3,054,425</u>
Total Net Assets	<u><u>\$ 6,718,829</u></u>

*See the accompanying notes to the financial statements.*

**CITRUS COLLEGE FOUNDATION**

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and gains</b>				
Donations and grants	\$ 11,226	\$ 117,121	\$ 7,500	\$ 135,847
Annual campaign	3,640	19,450		23,090
Golden Circle membership		22,133		22,133
Fundraising and special events		165,057		165,057
Performances		125,700		125,700
Management fee	84,024			84,024
Investment return	183,837	723,252		907,089
Donated services (Note 8)	157,216			157,216
In-kind donation	6,600	4,410		11,010
Other income	184	39,190		39,374
Total revenues and gains	446,727	1,216,313	7,500	1,670,540
<b>Net assets released from restrictions (Note 5)</b>	592,887	(592,887)	-	-
Total revenues, gains, and net assets released from restrictions	1,039,614	623,426	7,500	1,670,540
<b>Expenses</b>				
Program services	515,383			515,383
Supporting services:				
Management and general	292,813			292,813
Fundraising	77,504			77,504
Total expenses	885,700	-	-	885,700
Change in net assets	153,914	623,426	7,500	784,840
Net transfers	4,308	(4,308)	-	-
Change in net assets after net transfers	158,222	619,118	7,500	784,840
<b>Net assets</b>				
Beginning, July 1	743,600	2,143,464	3,046,925	5,933,989
Ending, June 30	<u>\$ 901,822</u>	<u>\$ 2,762,582</u>	<u>\$ 3,054,425</u>	<u>\$ 6,718,829</u>

*See the accompanying notes to the financial statements.*



**CITRUS COLLEGE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2011**

<b>Cash flows from operating activities</b>	
Donations and special events	\$ 511,201
Payments to suppliers	(575,513)
Payments to/on-behalf of students	<u>(57,937)</u>
Net cash used by operating activities	<u>(122,249)</u>
 <b>Cash flows from investing activities</b>	
Reinvested interest and dividends	(227,891)
Proceeds from sale of investments	9,586,990
Purchase of investments	<u>(9,251,672)</u>
Net cash provided by investing activities	<u>107,427</u>
Net decrease in cash and cash equivalents	(14,822)
Cash and cash equivalents, beginning of year	<u>90,492</u>
Cash and cash equivalents, end of year	<u><u>\$ 75,670</u></u>
 <b>Reconciliation of change in net assets to net cash provided/(used) by operating activities</b>	
Change in net assets	\$ 784,840
Adjustments to reconcile net income to net cash used by operating activities	
Investment income	(246,103)
Realized and unrealized gain on investments	<u>(660,986)</u>
Net cash used by operating activities	<u><u>\$ (122,249)</u></u>

*See the accompanying notes to the financial statements.*

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – ORGANIZATION:**

The Citrus College Foundation (the Foundation) is a nonprofit organization, organized August 4, 1966 to develop and nurture relationships which provide resources to further Citrus Community College's mission of advancing students' educational goals.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

**Classification of Net Assets**

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarships, endowment grant and other programmatic support.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Contributions**

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Recognition of Donor Restricted Contributions**

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as all checking, money market, and certificate of deposit accounts insured by Federal Deposit Insurance Corporation with an original maturity of 90 days or less.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

**Management Fee**

The Foundation serves the Citrus College campus clubs, departments, and organizations in managing funds for scholarships and other purposes to promote education. In accordance with the fund management service policy, interest bearing funds are assessed an annual management fee equal to one percent of the fund's average monthly balance. This fee is recognized as unrestricted income.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Estimates**

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

**In-Kind Donations**

The Foundation receives non-cash donations for items auctioned during their special fundraising events. These donations have been reflected in the statement of activities as in-kind donations and as fundraising expenses. The amount represents the fair value, when available, of the donated item.

**Functional Allocations of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational return in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2006.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Subsequent Events**

The Foundation has evaluated subsequent events through November 9, 2011, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.

**NOTE 3 - SECURED DEPOSITS:**

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2011, none of the Foundation's bank balance of \$129,736 was exposed to an uninsured credit risk.

**B. Investments**

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$100,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2011 the Foundation has investments in excess of the SIPC insurance amount.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - INVESTMENTS:**

Investments are recorded at cost at the date of acquisition or fair value at the date of the donation in the case of gifts. At June 30, 2011 fair value of the investments is determined, and if this amount is materially different from the carrying value (acquisition cost or gift valuation), the investments are adjusted to fair value. This adjustment is reflected in the statement of activities, and results in a change to net assets. The investments are reported at fair value in the Statement of Financial Position, with that determination made by aggregating all investments.

Cost and fair values at June 30, 2011, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Net Gain/(Loss)</u>
Money Market (Level 1)	\$ 720,598	\$ 720,598	\$ -
Common stock (Level 1)	2,208,662	2,603,444	394,782
Mutual Funds (Level 1)	589,241	753,153	163,912
Government bonds (Level 1)	<u>2,491,865</u>	<u>2,547,752</u>	<u>55,887</u>
<b>Total</b>	<b><u>\$ 6,010,366</u></b>	<b><u>\$ 6,624,947</u></b>	<b><u>\$ 614,581</u></b>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investment return for the year ending June 30, 2011 was as follows:

Interest and dividends, less investment expense \$65,212	\$ 246,103
Net realized gains	71,000
Net unrealized gains	<u>589,986</u>
<b>Total</b>	<b><u>\$ 907,089</u></b>

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 5 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED**  
**NET ASSETS:**

Temporary restricted net assets are available for the following purposes:

Alumni funds	\$ 26,577
Athletic funds	61,727
Child center funds	302,949
Continuing education funds	881
Fine arts funds	2,653
Foundation events	80,766
Instrumental funds	43,255
Language arts funds	2,041
Library funds	63,584
Miscellaneous special project funds	145,328
Performing arts	161,337
Scholarship funds	1,100,764
Science funds	4,529
Social science funds	892
Veteran funds	42,842
Vocational education funds	20,297
Unallocated investment receivable	18,212
Endowment Fund unallocated investment gains	<u>683,948</u>

<b>Total temporarily restricted net assets</b>	<b><u>\$ 2,762,582</u></b>
--	----------------------------

Permanently restricted net assets are as follows:

<b>Investment in perpetuity, the income from which is expendable to support program activities</b>	<b><u>\$ 3,054,425</u></b>
--	----------------------------

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 5 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED**  
**NET ASSETS: (continued)**

Temporary restricted net assets released from restrictions were for the following purposes:

Scholarships	\$ 57,937
Special projects	10,317
General program expenses - management fee	82,974

Grants, promotions and other financial assistance for the following programs:

Alumni funds	4,430
Athletic funds	115,927
Child center funds	2,030
Center for international trade	2,000
Fine art funds	54
Foundation events	26,787
Instrumental funds	1,500
Library funds	2,388
Performing arts	203,307
Science and mathematics funds	1,626
Social science fund	463
Veteran funds	31,857
Vocational education funds	<u>49,290</u>
<b>Total</b>	<b><u>\$ 592,887</u></b>



**CITRUS COLLEGE FOUNDATION  
(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – TITLE V, ENDOWMENT GRANT:**

**Hispanic Serving Institutions**

The Citrus Community College District provided the Foundation with an endowment grant which was awarded by the U.S. Department of Education in fiscal year ended June 30, 2005. This grant is a Title V, Hispanic Serving Institution Grant (H.S.I.) and the purpose is to expand educational opportunities for, and improve the academic attainment of Hispanic students; and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students.

The Foundation received \$400,000 through Title V – H.S.I. Grant by certifying that matching funds of \$400,000 from acceptable resources was met. The corpus of the endowment is to be invested over a period of twenty years and the Foundation may not spend more than fifty percent of the aggregate income earned for allowable expenditures. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

The cumulative earnings from inception of the grant are \$54,700. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2011, total cumulative expenditures from inception of the grant were \$33,171 leaving an available balance of \$21,529. For the fiscal year ended June 30, 2011, the Foundation incurred allowable expenditures of \$6,706 for management fees.

At June 30, 2011, the fair value of the endowment grant is \$828,751.

**Hispanic Serving Institutions – Bridges to Success**

The Citrus Community College District provided the Foundation with an endowment grant which was awarded by the U.S. Department of Education in fiscal year ended June 30, 2011. This grant is a Title V, Hispanic Serving Institution Grant (H.S.I.) Bridges to Success and the purpose is to increase the success, persistence, degree of completion, and transfer rates of Hispanic and underrepresented students by providing a strengthened and articulated pathway from basic skills to associate degree, and the associate degree to transfer.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6 – TITLE V, ENDOWMENT GRANT: (continued)**

The Foundation received \$10,000 through Title V – H.S.I. Bridges to Success Grant by certifying that matching funds of \$10,000 from acceptable resources was met over the next three years, the Foundation has the potential to receive additional funds of approximately \$150,000 provided additional matching funds from acceptable resources are met. The corpus of the endowment is to be invested over a period of twenty years and the Foundation may not spend more than fifty percent of the aggregate income earned for allowable expenditures. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

The cumulative earnings from inception of the grant are \$1,492. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. For the fiscal year ended June 30, 2011, the Foundation incurred allowable expenditures of \$100 for management fees.

At June 30, 2011, the fair value of the endowment grant is \$21,392.

**NOTE 7 – ENDOWMENT:**

The Foundation's endowment consists of an endowment established for scholarship purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 7 – ENDOWMENT: (continued)**

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

**CITRUS COLLEGE FOUNDATION**  
**(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 7 – ENDOWMENT: (continued)**

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 98,840	\$ 486,240	\$ 3,046,925	\$ 3,632,005
Investment return:				
Investment income, net of expenses	15,664	207,003		222,667
Contributions	6,147	10,000	7,500	23,647
Management fees	(1,094)	(13,871)		(14,965)
<b>Endowment net assets, end of year</b>	<u><u>\$ 119,557</u></u>	<u><u>\$ 689,372</u></u>	<u><u>\$ 3,054,425</u></u>	<u><u>\$ 3,863,354</u></u>

**Endowment Net Asset Composition by Type of Fund as of June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 689,372	\$ 3,054,425	\$ 3,743,797
Board-designated endowment funds	119,557			119,557
	<u><u>\$ 119,557</u></u>	<u><u>\$ 689,372</u></u>	<u><u>\$ 3,054,425</u></u>	<u><u>\$ 3,863,354</u></u>

**Return Objectives and Risk Parameters**

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to balance safety of principle, growth or principle and generation of income.

**CITRUS COLLEGE FOUNDATION  
(A Nonprofit California Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 7 – ENDOWMENT: (continued)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation invests the funds for long-term growth and income, while preserving principal with a minimum risk.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a spending policy which makes 5% of the moving average balance of total assets available annually for spending.

**NOTE 8 – RELATED PARTIES:**

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director and administrative assistant. The donated services for the fiscal year 2011 was \$157,216 and is reflected in the financial statements as donated services. In addition, certain expenses for supplies, mileage and equipment for the Foundation were paid for by the District. These expenses totaled \$6,600 and are recognized as in-kind donations and operating expenses.

Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The value of donated facilities has not been determined and is therefore not included in the financial statements, however, management does not believe the amount to be material.



# CAL POLY POMONA FOUNDATION, INC.

## Memorandum



**Date:** January 12, 2012

**To:** Audit Committee  
Cal Poly Pomona Foundation, Inc.

**From:** David F. Prenovost *David F. Prenovost*  
Chief Financial Officer

**Subject:** **EXTERNAL CHILD DEVELOPMENT PRESCHOOL GRANT PROGRAM  
AUDIT SECTION – 2011-2012**

Foundation manages a Child Development Preschool Grant program funded through the California Department of Education. The Child Development Division of the California Department of Education, which disburses public funds under contracts with non-profit organizations to provide services to children under code section 8448 of the California Education Code, requires an annual financial and compliance audit of this program. In December 2010, Foundation issued a request for proposal (RFP) for an independent audit of this grant program. The Foundation issued the RFP to 18 certified public accounting firms within the greater Los Angeles and Inland Empire area including international, regional, and local firms. Six firms responded to the RFP including AKT LLP, McGladrey and Pullen, LLP, Onisko & Scholtz, LLP, Vasin, Heyn & Company, Vicenti, Lloyd and Stutzman, LLP and GYL Decauwer, LLP.

Foundation management reviewed these proposals including total fees charged for each of the five years of the engagement, Firm's demonstrated experience in California Department of Education funded programs, reference checks, and ability to meet the specific timelines and meetings schedules.

Based on the above criteria, Foundation management selected GYL Decauwer, LLP to perform these services for the following annual fees of:

2010-2011	\$12,000
2011-2012	\$12,000
2012-2013	\$12,400
2013-2014	\$12,800
2014-2015	\$13,200

### PROPOSED ACTION

**WHEREAS**, Foundation management is requesting the Audit Committee's approval to retain GYL Decauwer, LLP to perform the Child Development Preschool Grant program audit for the fiscal year ended June 30, 2012, and to present their recommendation for review and approval by the Board of Directors at its next regularly scheduled meeting.

**NOW, THEREFORE, BE IT RESOLVED** that the Cal Poly Pomona Foundation, Inc. Audit Committee approves retaining GYL Decauwer, LLP to perform the Child Development Preschool Grant program audit for the fiscal year ended June 30, 2012 and will present the Audit Committee's recommendation for review and approval by the Board of Directors at its next regularly scheduled meeting.

By: *Joice Xiong*

Joice Xiong

Date

Audit Committee Chair

Cal Poly Pomona Foundation, Inc.



January 12, 2012

Mr. David Prenovost  
Cal Poly Pomona Foundation, Inc.  
State Preschool, General Child Care and Pre-Kindergarten Programs  
3801 Temple Ave., Building 55  
Pomona, CA 91768

We are pleased to confirm our understanding of the services we are to provide for Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Pre-Kindergarten Programs, Inc. for the year ended June 30, 2012.

We will audit the statement of financial position of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Pre-Kindergarten Programs as of year end and the related statements of activities and cash flows for the year ended June 30, 2012. Also, the following supplementary information accompanying the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal and state awards.
2. Supplementary information required in conformity with the Audit Guide of Child Development and Nutrition Program issued by the California Department of Education.

### Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, all include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

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*your*  
*Success*  
*is our*  
**DESTINATION**



We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the organization, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Pre-Kindergarten Programs is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate a management-level individual with suitable skill, knowledge, or experience to oversee any nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for helping to ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U. S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.



You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Organization is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.



An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Pre-Kindergarten Programs' compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Engagement Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of GYL Decauwer LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to funding sources or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of GYL Decauwer LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the funding source. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Joseph Romero is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We estimate our fees will be \$ 12,000 for the audit. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 10 days or more overdue and will not be resumed until your account is paid in full. We will require a \$3,000 retainer fee at time of return of this engagement letter to us. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. We may charge 1.5% interest per month on balances outstanding over 30 days.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review reports accompany this letter.

We appreciate the opportunity to be of service to Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Pre-Kindergarten Programs and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us along with the \$3,000 retainer fee.

Very truly yours,



GYL DECAUWER LLP

**RESPONSE:**

This letter correctly sets forth the understanding of:

**CAL POLY POMONA FOUNDATION, INC.**  
**STATE PRESCHOOL, GENERAL CHILD CARE AND PRE-KINDERGARTEN PROGRAMS**

Officer Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_





Certified Public Accountants

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## SYSTEM REVIEW REPORT

June 10, 2011

To the Partners

GYL Decauwer, LLP

and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of GYL Decauwer, LLP (the firm) in effect for the year ended March 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a system review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

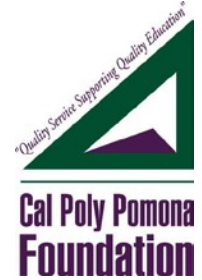
In our opinion, the system of quality control for the accounting and auditing practice of GYL Decauwer, LLP in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. GYL Decauwer, LLP has received a peer review rating of *pass*.

A handwritten signature in blue ink that reads "Goff Backa Alfera &amp; Company, LLC".

GOFF BACKA ALFERA & COMPANY, LLC  
PITTSBURGH, PENNSYLVANIA

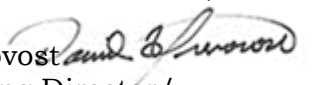
# **CAL POLY POMONA FOUNDATION, INC.**

## **Memorandum**



**Date:** January 25, 2012

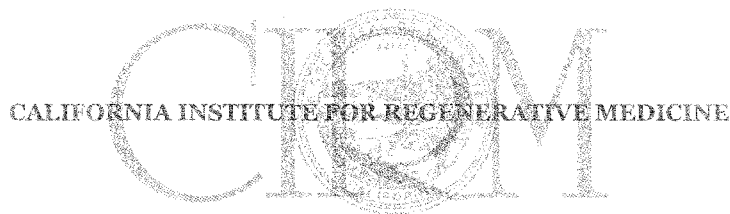
**To:** Audit Committee  
Cal Poly Pomona Foundation, Inc.

**From:** David F. Prenovost   
Senior Managing Director/  
Chief Financial Officer

**Subject: COMPLIANCE REVIEW FOR CALIFORNIA INSTITUTE FOR  
REGENERATIVE MEDICINE (CIRM) GRANT PROGRAM**

On January 3, 2012 per the attached notice, Foundation was notified that the program above was selected for a compliance review which includes a site visit by agency staff including a review of specific expenditure transactions for the period June 1, 2010 through May 31, 2011.

This review is tentatively scheduled for the week of February 27, 2012.



January 3<sup>rd</sup>, 2011

G. Paul Storey  
Executive Director  
Cal Poly Pomona Foundation, Inc.  
3801 W. Temple Avenue, Building 55  
Pomona, CA 91768  
VIA EMAIL: [gpstorey@csupomona.edu](mailto:gpstorey@csupomona.edu)  
(909) 869-2951

Dear Mr. Storey:

As you are aware, the California Institute for Regenerative Medicine (CIRM) is obligated to assure that CIRM-funded research is conducted in accordance with the CIRM's regulations and policies. Pursuant to this mandate CIRM has developed a compliance program to review Grantee regulatory compliance. One element of this program is the routine selection of specific grants for in-depth review. This review includes a site visit to Grantee institutions to meet with officials involved in the administration and oversight of CIRM-funded research.

We are contacting you because the following grant has been selected for in-depth review:

**TB1-01176**

**PI: Dr. Jill Adler-Moore**

Project Title: *Cal Poly Pomona and Cal State LA Collaborative CIRM Bridges Program to Enhance Stem Cell Research Training and Education*  
Budget period under review: 6/1/2010 – 5/31/2011

The site visit will focus on financial oversight. Below we describe in detail the goal of our review, the documentation that should be provided and readily available during our site visit, and the relevant institutional individuals who should attend.

**Grant-Specific Financial Oversight Review:** We would like to review documentation that substantiates the expenditure of grant funds as reported on the CIRM Annual Financial Report for the budget period indicated above. We request that your documentation is organized accordingly; please ensure that expenditure information corresponds to the CIRM budget period for each Grant under review. As we will review the documentation on site, if your organization maintains an electronic accounting system with scanned copies of the required documentation, we are happy to accept 'screen views' of the documents listed below rather than paper copies.

**a. Necessary documentation:**

- i. Two copies of accounting ledger/general ledger and any subsidiary ledgers for reporting period(s)
- ii. One copy of timesheet or salary distribution documentation for the PI
- iii. One copy of the stipend distributions paid to CIRM-funded trainees
- iv. All subcontract and consulting agreements and corresponding invoices
- v. Invoices and purchase orders (as appropriate) for supplies purchased under the CIRM Grant
- vi. Reimbursement requests (with receipts), travel advances, and direct payment (i.e. for purchase of airline tickets or hotel) records for all travel charged to the CIRM Grant
- vii. Purchase order (as appropriate), invoices, and actual physical asset for any equipment purchased under the CIRM Grant

**b. Institutional individuals suggested to attend**

- i. Controller or Accounting Manager(s)
- ii. Sponsored Research or other Grants Administration Manager(s)

With the advance preparation of documents listed above, the site visit should require approximately three hours. In order to ensure complete preparation for the visit, we would like to schedule a pre-visit call with you and the appropriate support staff at least one week prior to our visit. On this call, we can discuss any questions about how to prepare for this site visit. **We would like to schedule this visit for the week beginning February 13<sup>th</sup>, 2012.** We will be visiting other organizations as well, so we'd like to coordinate the visits to be as close as possible. I will follow up with you to find the best available time for both CSU Pomona and CIRM attendees.

Sincerely,



Gabriel Thompson  
Deputy Grants Management Officer

cc:

Geoffrey Lomax Dr.PH.  
Senior Officer to the Standards Working Group

Chila Silva-Martin  
Compliance Officer & Finance Officer

Matthew Plunkett  
Chief Financial Officer

# Memorandum



Date: January 17, 2012

To: Audit Committee  
Cal Poly Pomona Foundation, Inc.

From:   
G. Paul Storey  
Executive Director

Subject: **CAL POLY POMONA ENVIRONMENTAL HEALTH & SAFETY TO  
OVERSEE HEALTH PERMITS AND INSPECTIONS FOR DINING  
SERVICES**

## **Change in Environmental Health Inspections**

After changes in fees and charges were communicated to November 2011 from the County of Los Angeles' Environmental Services, it was acknowledged that there would be would significantly increased costs for Permits and Inspections for all of the Dining venues on campus.

Foundation Dining Services, in partnership with David Patterson, Director of CPP Environmental Health and Safety, did research to find an acceptable way to provide these inspection services "in-house" for the campus, based on what is done at all of the University of California campuses as well as some of the CSU campuses.

Mr. Patterson has drafted a letter to formally notify the County of Los Angeles of our intent to internally provide these services to the campus community.

To fill this need the Cal Poly Pomona Foundation is finalizing an MOU with *So Cal EHS Consulting Services* to provide these inspections based on the State of California Health requirements for the remainder of the current fiscal year.

*So Cal EHS Consulting Services* currently provides services to Cal State San Marcos. Their principal, Scott Bourdon, Director of EH&S at Cal State Fullerton, also provides this service to the campus community.



# Memorandum



Date: January 17, 2012

To: Audit Committee  
Cal Poly Pomona Foundation, Inc.

From: G. Paul Storey  
Executive Director

Subject: **CSU AUXILIARIES INFORMATION WEBPAGE AND SB8**

The CSU webpage has added a special section for auxiliaries with basic information on each (<http://auxiliary.calstate.edu/>). This page outlines what auxiliaries are and how they function to support the California State Universities.

There is a search function to locate auxiliaries by campus, function or key words.

The newest compliance issue for auxiliaries is the implementation of the McKee Public Records Act, also known as SB8. This bill requires auxiliaries to comply with the same statute governing access to records in possession of the California State University, the California Public Records Act. This requirement for auxiliaries began January 1, 2012.

At the AOA Conference held in January, Marlene Jones (Office of the CSU General Counsel), who is the resource attorney on records access and privacy issues, led a session that presented information related to auxiliary compliance of SB8. Her presentation included exceptions to the requirement for compliance of SB8. The protection of information is as important as the release of information and these exemptions are listed on the attached document.

From SB 8 excerpts related to protection of information...

**89915.5 – Ed Code – exemptions in 6254-55 of the Gov Code**

**89916 – Ed Code – defines protected information (SB 8) for auxiliaries**

**CPRA for all exemptions – Gov Code – 6254 K – anything exempted by statute (includes fed/state statutes that protect intellectual property) – and GC 6255 for exception**

89915.5. Nothing in this article shall require an auxiliary organization to disclose information that is exempt from disclosure pursuant to the exemptions set forth under Sections 6254 to 6255, inclusive, of the Government Code.

89916.

- (a) Notwithstanding any other law, the following records maintained by an auxiliary organization shall not be subject to disclosure:
- (1) Information that would disclose the identity of a donor, prospective donor, or volunteer.
  - (2) Personal financial information, estate planning information, and gift planning information of a donor, prospective donor, or volunteer.
  - (3) Personal information related to a donor's private trusts or a donor's private annuities administered by an auxiliary organization.
  - (4) Information related to fundraising plans, fundraising research, and solicitation strategies to the extent that these activities are not already protected under Section 99040, Title 5 (commencing with Section 3426) of Part 1 of Division 4 of the Civil Code, Section 1060 of the Evidence Code, or subdivision (k) of Section 6254 of the Government Code.
  - (5) The identity of students and alumni to the extent that this information is already protected under state and federal statutes applicable to the California State University. This paragraph shall not apply to a part-time or full-time employee of the auxiliary organization, or to a student who participates in a legislative body of a student body organization as defined in Section 89305.1.
- (b) Subdivision (a) shall not be construed to exempt from disclosure records that contain information regarding any of the following:
- (1) The amount and date of a donation.
  - (2) Any donor-designated use or purpose of a donation.
  - (3) Any other donor-imposed restrictions on the use of a donation.
  - (4) (A) The identity of a donor who, in any fiscal year, makes a gift or gifts, in a quid pro quo arrangement, where either the value of the benefit received is in excess of two thousand five hundred dollars (\$2,500) or the benefit would be impermissible under state or federal law. In these circumstances, records pertaining to the gift or gifts maintained by an auxiliary organization that would otherwise be exempt from disclosure under subdivision (a) shall be disclosed.  
(B) Annually, on January 1, the monetary threshold set forth in subparagraph (A) shall be adjusted upward or downward to reflect the percentage change in the Consumer Price Index, as calculated by the United States Bureau of Labor Statistics, rounded off to the nearest one thousand dollars (\$1,000).
  - (5) Self-dealing transactions, including, but not limited to, loans of money or property, or material financial interests of or between auxiliary officers or directors and an auxiliary organization, as set forth in Sections 5233 and 5236 of the Corporations Code. In these circumstances, records pertaining to the self-dealing transactions maintained by an auxiliary organization that would otherwise be exempt from disclosure under subdivision (a) shall be disclosed.
  - (6) Any instance in which a volunteer or donor of a gift is awarded, within five years of the date of the service or gift, a contract from the university or auxiliary organization that was not subject to competitive bidding. In these circumstances, records pertaining to the service or gift maintained by an auxiliary organization that would otherwise be exempt from disclosure under paragraph (1) of subdivision (a) shall be disclosed.

89916.5.

- (a) Notwithstanding any provision of law, trade secrets, as defined in Section 3426.1 of the Civil Code, shall not be subject to disclosure. This information shall be redacted from auxiliary organization records before disclosure.
- (b) For purposes of this section, "trade secrets" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that does both of the following:
- (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use.
  - (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Will be on the Education Code website on January 1, 2012...

<http://www.leginfo.ca.gov/cgi-bin/calawquery?code=edc&codebody=&hits=20>

#### Gov't Code 6254 and 6255

6254. Except as provided in Sections 6254.7 and 6254.13, nothing in this chapter shall be construed to require disclosure of records that are any of the following:

- ★ (a) Preliminary drafts, notes, or interagency or intra-agency memoranda that are not retained by the public agency in the ordinary course of business, if the public interest in withholding those records clearly outweighs the public interest in disclosure.
- (b) Records pertaining to pending litigation to which the public agency is a party, or to claims made pursuant to Division 3.6 (commencing with Section 810), until the pending litigation or claim has been finally adjudicated or otherwise settled.
- (c) Personnel, medical, or similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy.
- ... (k) Records, the disclosure of which is exempted or prohibited pursuant to federal or state law, including, but not limited to, provisions of the Evidence Code relating to privilege. *mediation, trade secrets, atty/client priv/ and atty/workproduct priv.*

Visit the Gov't Code site for more details in GC Section 6254...

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6250-6270>

#### 6255. *balancing test / deliberative process*

- (a) The agency shall justify withholding any record by demonstrating that the record in question is exempt under express provisions of this chapter or that on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.
- (b) A response to a written request for inspection or copies of public records that includes a determination that the request is denied, in whole or in part, shall be in writing.