

**CALIFORNIA INSTITUTE FOR  
REGENERATIVE MEDICINE  
(A Component Unit of the State of California)**

Report to Independent Citizens Oversight Committee of the  
California Institute for Regenerative Medicine

For the Year Ended June 30, 2010

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To the Independent Citizens Oversight Committee  
of the California Institute for Regenerative Medicine  
San Francisco, California

In planning and performing our audit of the financial statements of the California Institute for Regenerative Medicine (CIRM) for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered CIRM's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CIRM's internal control. Accordingly, we do not express an opinion on the effectiveness of the CIRM's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be a material weakness, as defined above.

We would like to express our appreciation to management and staff for the cooperation and courtesies extended to our staff during the course of the engagement.

The accompanying report is intended solely for the information and use of the Independent Citizens Oversight Committee and management of CIRM and is not intended to be and should not be used by anyone other than these specified parties.

*Macinn Meiri & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
October 15, 2010

**CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE**  
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**Report to Independent Citizens Oversight Committee**  
**Required Communications**  
**For the Year Ended June 30, 2010**

We have audited the financial statements of the California Institute for Regenerative Medicine (CIRM) for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. Professional standards require that we provide you with the following information related to our audit.

**I. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated September 3, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of CIRM. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of CIRM's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

**II. Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**III. Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the CIRM are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2010. We noted no transactions entered into by the CIRM during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant sensitive estimates in the financial statements.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 15, 2010.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CIRM's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the CIRM's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.