



**San José State University
Research Foundation
(A California State University
Auxiliary Organization)**

Financial and Compliance Report
June 30, 2019

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Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the San José State University Research Foundation (the Foundation), an auxiliary organization and component unit of the California State University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San José State University Research Foundation as of June 30, 2019, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3–7 and Other Postemployment Benefits (OPEB) schedules on pages 27–28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Foundation's basic financial statements. The accompanying supplemental schedules, listed in the table of contents as supplementary information, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information referred to above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

RSM US LLP

San José, California

September 25, 2019

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

This section of the San José State University Research Foundation (the Foundation") annual financial report includes Management's Discussion and Analysis of the financial performance of the Foundation for fiscal year ended June 30, 2019. This discussion should be read in conjunction with the financial statements and notes.

Introduction to San José State University Research Foundation

The Foundation is a Not-for-Profit Public Benefit Corporation founded in 1931 for the purpose of providing support services to the San José State University ("SJSU") campus community. These services include:

Sponsored programs: Sponsored programs represent grants and contracts received from outside sources for research, training, and other activities performed by faculty, staff, and students of SJSU and the Foundation. These research and other activities enable the campus community to further study fields of interest with funding from external sources.

The Foundation has three major groups of research and training activities; they are located on the SJSU campus, at NASA facilities in Mountain View, and at Moss Landing Marine Laboratories. The Foundation has additional off-site projects throughout the United States and in some foreign countries.

Campus self-support programs: Campus self-support programs include numerous non-credit programs and activities that supplement and support the SJSU educational mission. These activities benefit the students, faculty, and the surrounding San José community.

Board designated programs: Board designated programs are Foundation funded programs that are used to supplement and support the SJSU educational mission.

Support activities – management and general: The Foundation management and general activities include the Central Office which is composed of Sponsored Program Administration, Finance and Accounting, Information Technology, and Human Resources.

Introduction to the Financial Statements

The Foundation financial statements include the following:

Statement of net position: The statement of net position includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date.

Statement of revenues, expenses and changes in net position: The statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

Statement of cash flows: The statement of cash flows present the inflows and outflows of cash for the year and are summarized by operating, financing and investing activities. These statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

Significant Events – Year Ended June 30, 2019

Change in San José State University management: In July 2018, San José State University Interim Provost and Senior Vice President of Academic Affairs Joan Ficke was named President of the Research Foundation Board of Directors. The previous president of the Research Foundation Board of Directors, SJSU Provost and Senior Vice President of Academic Affairs Andrew Feinstein resigned his position at SJSU to take a position as President of the University of Northern Colorado.

In July 2019, Mohamed Abousalem was appointed as SJSU Vice President of Research and Innovation (a newly created position). The Vice President of Research and Innovation became the President of the Research Foundation Board of Directors while the Provost remains as a Board member.

Discontinued operation of a federal government-owned research vessel (sponsored program): For thirty years, the Foundation received funding to operate the Pt. Sur, a research vessel owned by the National Science Foundation ("NSF"). The Pt. Sur was operated by Moss Landing Marine Laboratory ("MLML"), a satellite campus of SJSU and the Foundation. The operating agreement was a recurrent agreement, renewable approximately every 5 years. In June 2013, NSF notified the Foundation that NSF has decided to terminate the operating agreement and retire the Pt. Sur by the end of calendar year 2014. This decision was made by a joint committee of the NSF, the Office of Naval Research ("ONR"), and University-National Oceanographic Laboratory System ("UNOLS"). Five other vessels in the nation were also facing early retirement.

The Research Vessel Pt. Sur was sold in February 2015, by the Foundation on behalf of NSF to another educational institute. The proceeds from the sale and earned interest is \$890,367 and this amount remains with the Research Foundation per an amended agreement with NSF. Subject to NSF's approval, these funds can be used to upgrade MLML marine operations. The Foundation is required to report status of the proceeds to NSF until March 31, 2020.

Financial overview: The following discussion highlights management's understanding on the key financial aspects of the Foundation's financial activities as of and for the year ended June 30, 2019. Included are analysis of current year's activities and balances in the Foundation's net position.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

A comparison of fiscal year 2019 to 2018 Statements of Net Position is shown below:

Comparison of assets, liabilities and net position

	FY 2019	FY 2018	Increase / (decrease)
Assets:			
Current assets:			
Cash and cash equivalents	\$ 973,041	\$ 981,776	\$ (8,735)
Short-term investments	22,039,242	22,398,341	(359,099)
Accounts receivable, net	8,739,251	7,173,562	1,565,689
Prepaid expenses and other assets	158,174	131,365	26,809
Total current assets	31,909,708	30,685,044	1,224,664
Noncurrent assets:			
Restricted cash and cash equivalents	12,783	42,270	(29,487)
Other long-term investments	2,078,586	1,881,148	197,438
Capital assets, net	11,439,181	10,814,951	624,230
Other assets	63,570	63,570	-
Total noncurrent assets	13,594,120	12,801,939	792,181
Total assets	45,503,828	43,486,983	2,016,845
Deferred outflows of resources:			
Net OPEB Liability	136,353	298,286	(161,933)
Total deferred outflows of resources	136,353	298,286	(161,933)
Liabilities:			
Current liabilities:			
Accounts payable	2,848,413	2,066,219	782,194
Accrued salaries and benefits payable	1,447,100	1,480,908	(33,808)
Accrued compensated absences— current portion	1,395,687	1,344,690	50,997
Unearned revenue	5,106,880	5,273,646	(166,766)
Other liabilities	22,522	30,148	(7,626)
Total current liabilities	10,820,602	10,195,611	624,991
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	100,325	227,014	(126,689)
Depository accounts	290,787	285,238	5,549
Other postemployment benefits obligation	17,299,411	16,513,871	785,540
Other liabilities	174,778	151,083	23,695
Total noncurrent liabilities	17,865,301	17,177,206	688,095
Total liabilities	28,685,903	27,372,817	1,313,086
Deferred inflows of resources:			
Net OPEB Liability	-	180,181	(180,181)
Total deferred inflows of resources	-	180,181	(180,181)
Net position:			
Net investment in capital assets	11,428,035	10,798,511	629,524
Restricted for:			
Expendable:			
Research	28,657	29,850	(1,193)
Unrestricted	5,497,586	5,403,910	93,676
Total net position	\$ 16,954,278	\$ 16,232,271	\$ 722,007

Assets: Total assets increased \$2,016,845 from June 30, 2018 to June 30, 2019.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

Current Assets increased \$1,224,664 primarily due to an increase in Accounts Receivable of \$1,565,689, \$785,478 of which was related to the early cutoff by NASA for expense reimbursements, offset by a decrease in Short-term Investments of \$359,099.

Noncurrent Assets increased \$792,181 primarily due to an increase in Long-term Investments of \$197,438 and an increase in Capital Assets of \$624,230, which was for the purchase of two large scientific equipment purchases for the Science department and Engineering department funded by federal grants.

Liabilities: Total liabilities increased \$1,313,086 from June 30, 2018 to June 30, 2019.

Current Liabilities increased \$624,991 primarily due to an increase in Accounts Payable liabilities of \$782,194 mostly related to invoices being submitted later than in prior years, offset by a decrease in Unearned Revenue of \$166,766.

Noncurrent Liabilities increased \$688,095 primarily due to a \$785,540 increase in Post-Retirement Benefit Obligation, offset by a \$126,689 decrease in Accrued Compensated Absences liabilities, net of current portion.

Net position: The total net position increased \$722,007 to \$16,954,278 as of June 30, 2019.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

A comparison of fiscal year 2019 to fiscal year 2018 Statements of Revenues, Expenses, and Changes in Net Position is shown below:

Comparison of revenues and expenses by functional area

	FY2019	FY2018	Increase / (decrease)
Revenues			
Sponsored Programs	\$ 41,989,379	\$ 38,942,051	\$ 3,047,328
Campus Self-support Programs	6,756,246	6,419,789	336,457
Cost Recovery			
Indirect cost recovery from sponsored programs	8,290,378	7,883,869	406,509
Administrative and program fees	533,243	587,048	(53,805)
Investment Income	1,039,416	1,159,714	(120,298)
Other	583,358	89,383	493,975
Total revenue	<u>59,192,020</u>	<u>55,081,854</u>	<u>4,110,166</u>
Expenses			
Sponsored programs	40,433,651	37,460,825	2,972,826
Campus Self-supported programs	8,016,523	9,135,561	(1,119,038)
Board designated programs	1,623,247	1,536,137	87,110
Management and general	8,396,592	8,308,323	88,269
Other expenses	-	780,000	(780,000)
Total expenses	<u>58,470,013</u>	<u>57,220,846</u>	<u>1,249,167</u>
Increase (decrease) in net position	<u>722,007</u>	<u>(2,138,992)</u>	<u>2,860,999</u>
Net Position			
Beginning net position (deficit) as reported previously	16,232,271	17,819,675	(1,587,404)
Cumulative effect of OPEB Liability GASB 75	-	551,588	(551,588)
Beginning net position after restatement	16,232,271	18,371,263	(2,138,992)
Ending balance	<u>\$ 16,954,278</u>	<u>\$ 16,232,271</u>	<u>\$ 722,007</u>

Revenue: Total revenue increased by \$4,110,166 from fiscal year 2018 to fiscal year 2019. This is primarily due to an increase in Sponsored Programs revenue of \$3,047,328 along with an increase of \$406,509 indirect cost recovery from Sponsored Programs. Also, there is an increase in Campus Self-Support Programs revenue of \$336,457 and increase of \$493,975 in other revenue, which includes \$500,000 pre-award funding from SJSU campus.

Expenses: Total expenses increased \$1,249,167 overall from fiscal year 2018 to fiscal year 2019. The increase was primarily due to an increase of \$2,972,826 in federal grant and contracts activity, with an offset of \$1,119,038 drop in Self-Supported Programs expenditures and a decrease in other expenses of \$780,000 which was for International Gateways (IGS) move to campus in fiscal year 2018.

Changes in net position: The result of current year's revenues and expenses is a surplus of \$722,007, compared to prior year's deficit of \$2,138,992, a difference of approximately \$2.9 million. Management has identified three main reasons for the difference: (1) a reduction of campus self-support program expense of \$1,119,038, self-support program expenses has been brought more in-line with revenues, (2) the absence of prior year's IGS moving expense of \$780,000 and (3) the pre-award funding from SJSU campus of \$500,000.

San Jose State University Research Foundation

**Statement of Net Position
June 30, 2019**

Assets	
Current assets:	
Cash and cash equivalents	\$ 973,041
Short-term investments	22,039,242
Accounts receivable, net	8,739,251
Prepaid expenses and other assets	158,174
Total current assets	<u>31,909,708</u>
Noncurrent assets:	
Restricted cash and cash equivalents	12,783
Other long-term investments	2,078,586
Capital assets, net	11,439,181
Other assets	63,570
Total noncurrent assets	<u>13,594,120</u>
Total assets	<u>\$ 45,503,828</u>
Deferred outflows of resources:	
Net OPEB liability	<u>\$ 136,353</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 2,848,413
Accrued salaries and benefits payable	1,447,100
Accrued compensated absences – current portion	1,395,687
Unearned revenue	5,106,880
Other liabilities	22,522
Total current liabilities	<u>10,820,602</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	100,325
Payable to external agencies	290,787
Other postemployment benefits obligation	17,299,411
Other liabilities	174,778
Total noncurrent liabilities	<u>17,865,301</u>
Total liabilities	<u>28,685,903</u>
Net position:	
Net investment in capital assets	11,428,035
Restricted for:	
Expendable:	
Research	28,657
Unrestricted	5,497,586
Total net position	<u>\$ 16,954,278</u>

See notes to financial statements.

San Jose State University Research Foundation

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2019

Revenues:	
Operating revenues:	
Student tuition and fees	\$ 3,520,906
Grants and contracts, noncapital:	
Federal	25,788,384
State	5,917,266
Local	1,815,378
Nongovernmental	4,538,981
Indirect cost recovery from sponsored programs	8,290,378
Administrative and program fees	533,243
Other operating revenues	3,218,872
Total operating revenues	53,623,408
Expenses:	
Operating expenses:	
Instruction	7,836,044
Research	35,291,901
Public service	349,195
Academic support	486,499
Student services	862,012
Institutional support	9,317,806
Operation and maintenance of plant	698,598
Student grants and scholarships	2,609,176
Depreciation and amortization	987,257
Total operating expenses	58,438,488
Operating loss	(4,815,080)
Nonoperating revenues (expenses):	
Federal financial aid grants	1,180,844
State financial aid grants	1,346,904
Local financial aid grants	35,755
Nongovernmental and other financial aid grants, noncapital	96,715
Gifts in-kind	1,269,151
Investment income, net	1,150,538
Interest expense	(572)
Other non-operating revenue	457,752
Net nonoperating revenues	5,537,087
Increase in net position	722,007
Net position at beginning of year	16,232,271
Net position at end of year	\$ 16,954,278

See notes to financial statements.

San Jose State University Research Foundation

**Statement of Cash Flows
Year Ended June 30, 2019**

Cash flows from operating activities:	
Tuition and Fees	\$ 3,178,815
Federal Grants and Contracts	25,138,984
State Grants and Contracts	5,234,759
Local grants and contracts	1,944,494
Nongovernmental grants and contracts	4,482,282
Payments to suppliers	(18,053,765)
Payments to employees	(35,375,113)
Payments to students	(2,609,176)
Indirect cost recovery from sponsored programs	8,290,378
Administrative and program fees	533,243
Other receipts	3,082,314
Net cash used in operating activities	<u>(4,152,785)</u>
Cash flows from noncapital financing activities:	
Federal financial aid grants	1,180,844
State financial aid grants	1,346,904
Local financial aid grants	35,755
Nongovernmental and other financial aid grants	96,715
Gifts and grants received for other than capital purposes	1,269,151
Deferred rent and other liabilities	29,173
Other noncapital financing activities	461,175
Net cash provided by noncapital financing activities	<u>4,419,717</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,655,592)
Proceeds from disposition of capital assets	44,105
Principal paid on capital lease	(5,294)
Interest paid on capital lease	(572)
Net cash used in capital and related financing activities	<u>(1,617,353)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	21,008,441
Purchase of investments	(20,383,144)
Investment income	686,902
Net cash provided by investing activities	<u>1,312,199</u>
Net decrease in cash and cash equivalents	(38,222)
Cash and cash equivalents - beginning of year	<u>1,024,046</u>
Cash and cash equivalents - end of year	<u>\$ 985,824</u>
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 973,041
Restricted cash and cash equivalents	12,783
Total cash and cash equivalents at end of year	<u>\$ 985,824</u>

(Continued)

San Jose State University Research Foundation

Statement of Cash Flows (Continued)
Year Ended June 30, 2019

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,815,080)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	987,257
Change in assets and liabilities:	
Accounts receivables	(1,563,563)
Prepaid expenses and other assets	(26,809)
Deferred outflows of resources	161,933
Accounts payable	782,194
Accrued salaries and benefits	(33,808)
Accrued compensated absences	(75,692)
Deferred revenue	(166,766)
Other postemployment benefits obligation	785,540
Other liabilities	(7,810)
Deferred inflows of resources	(180,181)
Net cash used in operating activities	<u><u>\$ (4,152,785)</u></u>
Supplemental disclosure of noncash investing activity:	
Decrease in fair value of investments	<u><u>\$ (463,636)</u></u>

See notes to financial statements.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Notes to Financial Statements

Note 1. Organization

The San José State University Research Foundation (the Foundation), a non-profit organization incorporated under Internal Revenue Code (the Code) 501(c)(3) in 1931, serves as an auxiliary organization and is a component unit of San José State University (the University) and the California State University System. The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives, to supplement programs and activities of the University, and to promote and assist the educational services of the University. The Foundation receives funding from various sources, such as the federal and state government, local government, other corporations, and interest groups.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards promulgated by the Governmental Accounting Standards Board (GASB).

The Foundation uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of timing of the related cash flows. The Foundation considers assets that can be converted to cash and available for liquidation of current liabilities within 12 months of the statement of net position date to be current assets. However, the Foundation designates a portion of current assets as noncurrent assets for the purpose of fulfilling donor restriction or funds held on behalf of external agencies. Liabilities that can be reasonably expected, in the course of normal operations, to be liquidated within 12 months of the statement of net position are considered current. All other assets and liabilities are considered to be noncurrent.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, and the post-retirement benefit obligation.

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with an original maturity from the date of purchase of three months or less to be cash equivalents.

Investments: Investments are carried at fair value, as determined by quoted market prices, with realized and unrealized gains and losses included on the statement of revenues, expenses and changes in net position. Dividend and interest income are accrued when earned.

Receivables: Receivables are stated at net realizable value. The Foundation uses the specific write-off method of accounting for bad debts, which recognizes bad debt expenses at the time the account is deemed worthless by analyzing the collectability of the receivables. Historically, this method approximates the allowance method. Management has determined that no allowance is necessary at June 30, 2019.

Capital assets: Purchased assets are recorded at cost. Assets acquired through grants in which title vests with the Foundation during the grant period are capitalized. Donated assets are recorded at acquisition value at the date of acquisition. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or to the carrying value is warranted. Asset impairment is recorded whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No asset impairments were recognized during the year ended June 30, 2019.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition and unearned revenue: Revenue is recognized when earned. Unearned revenue represents funding received in advance of work performed or before revenue is earned for sponsored projects and tuition-based programs.

Revenue from sponsored programs, which is primarily from the U.S. Federal government, state governments, local governments, non-profit organizations and other sponsors, is recognized when work is performed (as expenditures are incurred). Revenue from Campus self-support programs, student tuitions and fees, and other revenues are recognized when earned. Investment income, realized and unrealized gains and losses from investments, are recorded as revenues when earned. Gifts are recorded as revenue when they are verifiable, measurable, and all applicable requirements have been met.

Classification of revenues and expenses: The Foundation considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions, which are sponsored programs, campus self-support programs, facilities and administrative cost recovery (indirect cost recovery), and administrative fees associated with each of the programs. Expenses from Foundation board programs and management and general operation are also included in operating expenses. Certain other transactions are reported as non-operating revenues and expenses, including financial assistance to students, investment income, changes in the fair value of investments, gifts in-kind, transfer of assets, and non-periodic post-retirement benefit cost.

Facilities and administrative cost recovery and administrative fees: The Foundation charges facilities and administrative cost (indirect cost recovery) to recover cost for facilities used and for performing services to projects under its sponsored programs. The rates used to charge projects are approved by the U.S. Department of Health and Human Services, and range from 27.5% to 55.2% for on-campus programs, and 26.0% for off-campus programs. Some programs have special negotiated rates which are below this range.

The Foundation charges an administrative fee of 7% to various colleges and departments within the University on all disbursements out of any expendable funds. The Foundation also charges administrative fees to other organizations for providing services based on their individual agreements ranging from 5% to 10%.

Payable to external agencies: Payable to external agencies represents remaining balance of amounts held by the Foundation on behalf of the State of California, other governmental agencies, and other not-for-profit organizations. Because these activities are custodial in nature and transactions do not represent activities carried out by the Foundation, such transactions have no net effect on the Foundation's activities or net position.

Capital assets and depreciation: The Foundation's policy is to capitalize all asset additions that are greater than \$5,000 including assets acquired through grants when title vests with the Foundation during the grant period. Assets acquired through grants in which title vests with the sponsor are not capitalized. Capital assets are recorded at cost when purchased and when donated, at acquisition value at acquisition date. Real estate costs have been allocated to individual building units based on a specific-identification method. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is included on the statement of revenues, expenses and changes in net position.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from three years to 30 years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the lease term or useful life of the related asset, which ranges from three years to 10 years.

Depreciation expense was \$987,257 for the year ended June 30, 2019, of which \$14,812 was for leasehold improvement.

The total cost of assets was \$18,443,357, with related accumulated depreciation of \$7,004,176 with a net book value of \$11,439,181 as of June 30, 2019.

Accrued vacation: The Foundation accrues vacation benefits for eligible employees at various rates depending on length of service. Employees are paid for unused vacation time but are not paid for unused sick leave at the end of employment. During the 2019 fiscal year, \$1,664,743 accrued vacation was earned and \$1,740,435 was used. At June 30, 2019, the Foundation had balances of \$1,496,012 in accrued vacation liabilities of which \$1,395,687 was current.

Net Other Postemployment Benefits (OPEB) liability

The Foundation records the net OPEB liability equal to its total OPEB liability and the Plan Fiduciary net position. The total OPEB liability is an actuarial accrued liability that reflects the present value of future health care benefits earned by employees in prior fiscal years.

Deferred inflows and outflows: Deferred inflows and outflows relate to other post-retirement benefits activity. Deferred inflows of resources are acquisitions of net assets that are applicable to a future reporting period. Deferred outflows are a consumption of net assets applicable to a future reporting period.

Net position: The Foundation's net position is classified into the following categories:

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

Restricted—expendable: Assets, net of related liabilities that are subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

Unrestricted: All other categories of assets, net of related liabilities. In addition, unrestricted assets may be designated for specific purposes by the Foundation's Board of Directors.

Note 3. Investments

Investment policy statement: The Foundation's Investment Policy Statement sets forth objectives for investments, procedures for selecting and monitoring money managers, and specifies control procedures and responsibilities for the Board of Directors, the Finance and Investment Committee, and Foundation Management. The primary function of the investment portfolio is to secure, with appropriate limitations on risk to the principal, protection against inflation and to provide both a dimension of growth of long-term assets and income to fund operations. Each major category of investments may represent a percentage of the portfolio. The current target is a general guideline: 43% fixed income, 40% equities, and 17% alternative investments.

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Investments (Continued)

In the table below, please note the last line titled *State of California Local Agency Investment Fund (LAIF)* refers to a highly liquid investment pool managed by the state of California. The Foundation uses this pool for day-to-day cash needs. The LAIF account is not part of the Investment Policy Statement but does belong in the required disclosures below.

The cost and fair market value of investments as of June 30, 2019, are as follows:

Investment Type	Carrying Value	Historical Cost	Cumulative Unrealized Gain (Loss)
Equity investments	\$ 8,185,744	\$ 7,184,238	\$ 1,001,506
Corporate Bonds	1,244,175	1,247,733	(3,558)
U.S. Treasury Securities	3,767,962	3,719,551	48,411
U.S. Government Securities	932,834	932,771	63
Certificates of deposit	305,178	300,000	5,178
Mutual funds:			
Fixed Income	2,647,050	2,608,924	38,126
Alternatives	1,790,047	1,714,379	75,668
REIT funds and Real Estate	421,169	408,000	13,169
Private Equity	447,606	451,540	(3,934)
Money market funds	470,351	470,351	-
State of California Local Agency Investment Fund (LAIF)	3,905,712	3,905,712	-
Portfolio total	<u>\$ 24,117,828</u>	<u>\$ 22,943,199</u>	<u>\$ 1,174,629</u>

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. In order to reduce interest rate risk exposure, the Foundation's investment policy states that the average duration for the fixed income portion of the portfolio should be less than 10 years.

Investment Type	Total Fair Value	Less Than 6 Months	6 Months to Under 1 Year	1-5 Years	More than 5 Years
Money market funds	\$ 470,351	\$ 470,351	\$ -	\$ -	\$ -
Certificates of deposit	305,178	-	-	305,178	-
U.S. Government securities	932,834	931,594	-	1,240	-
U.S. Treasury securities	3,767,962	1,240,763	568,037	1,959,162	-
Corporate bonds	1,244,175	719,583 *	-	524,592	-
Total	<u>\$ 6,720,500</u>	<u>\$ 3,362,291</u>	<u>\$ 568,037</u>	<u>\$ 2,790,172</u>	<u>\$ -</u>

* \$50,900 is callable on July 31, 2019

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Notes to Financial Statements

Note 3. Investments (Continued)

Custodial credit risk: Custodial credit risk is the risk that funds deposited in a financial institution may become unrecoverable due to insolvency of the financial institution or of a counterparty to an investment transaction in a way that the Foundation would not be able to recover its investment. Financial instruments which potentially subject the Foundation to custodial credit risk generally applies only to funds on deposit and direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. The U.S. Treasury issue, Federally Sponsored Enterprise Issues, and Corporate bonds are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in the Foundation's name. The Foundation's investments have been placed with RBC Wealth Management and UBS Financial Services - both major financial institutions; each holding over \$200 million in SIPC insurance.

Custodial credit risk for banking deposits is the risk that the Foundation will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of the Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. In accordance with the policy, all certificates of deposit are FDIC-insured and limited to \$250,000 at any one institution.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. The Foundation's investment policy states limits on the amount of money that can be invested in fixed income investments, in general, and limits the amount that can be invested in the different risk profiles of fixed income securities based on independent ratings. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments.

Concentration of investment credit risk: Concentration of investment credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Foundation's investment policy contains limitations as to how much can be invested with any one issuer. The Foundation's investment policy permits an unlimited portion of the portfolio to be invested in U.S. Government Treasury bonds and Government National Mortgage Association (GNMA) obligations. The maximum commitment of funds to any other entity is limited to a maximum of 5% of the portfolio for investment grade corporate names and only 2% for non-investment grade companies.

The table below summarizes the ratings of relevant fixed income investments of the Foundation as of June 30, 2019:

Investment Type	Credit Risk (Moody's / S&P)				
	Aaa / AAA	Aa / AA	A / A	Baa / BBB	Not Rated
Corporate bonds	\$ -	\$ -	\$ -	\$ 524,592	\$ 719,583
U.S. Treasury Securities	688,888	-	-	-	3,079,074
U.S. Government securities	-	-	-	-	932,834
Certificates of deposit	-	-	-	-	305,178
Portfolio total	\$ 688,888	\$ -	\$ -	\$ 524,592	\$ 5,036,669

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Investments (Continued)

Investment-related commitments: The Foundation is obligated under several alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table represents significant terms of such agreements for all related alternative investments at June 30, 2019:

Asset Class	Fair Value	Total Commitments	Unfunded Commitments	Remaining Life (Years)	Redemption Terms and Conditions
Rialto Real Estate Fund III Debt, LP	\$ 195,083	\$ 250,000	\$ 44,080	0 to 8	Not eligible for redemption
Blackstone Real Estate Income Trust, Inc	421,169	400,000	-	Perpetual life	Initial 1-year lock-up period expired; can be redeemed monthly
Portfolio Advisor Fund 2017	252,523	635,000	345,820	0 to 15	Not eligible for redemption

Fair value measurements: GASB Statement No. 72 Fair Value Measurements and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Foundations' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the Foundation's management. Foundation management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Investments (Continued)

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Foundation management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by the Foundation to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2019. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Foundation management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The Foundation's Level 1 investments primarily consist of investments in corporate debt securities, exchange traded funds, and mutual funds. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the Foundation's custodian of investments in conjunction with the third-party service provider results delivered to the independent certified public accountant organization providing this report.

For a large portion of the Foundation's portfolio, the Foundation's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

The Foundation's Level 2 investments primarily consist of investments in U.S. government and agency obligations, and corporate debt securities that did not trade on the Foundation's fiscal year-end date. Inputs are prices or yields of similar securities or the same security but as of a date other than June 30, 2019.

The Foundation's Level 3 investments primarily consist of two very illiquid securities. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Money market mutual funds and private California pooled money market funds (LAIF) investments are of the shortest nature and highest quality of fixed income investments. The underlying assets are tracked by the fund managers and price per share of each fund is listed daily. Shares of the vehicles are redeemable with fund management – not on the open market. Therefore transactions are not listed.

For alternative investments that are limited partnership investments or investments that do not trade on national security exchanges, the value is primarily based on the Net Asset Value (NAV) of the underlying investments. The NAV is reported by the external investment manager (general partner) in accordance with their policies as described in their respective financial statements and offering memoranda. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

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Notes to Financial Statements

Note 3. Investments (Continued)

Alternative investments the Foundation holds are described below:

The commercial real estate financing investment is a limited partnership whose general partner (GP) provides a service of assisting large banks clear their portfolios of low- or under-performing commercial property mortgages. The GP values, purchases, and restructures available commercial real estate mortgages. The GP can restructure then sell, restructure and hold or collateralize and sell the collateralized commercial mortgage backed securities all while collecting interest payments. Funds are distributed to investors as interest is collected and as underlying holdings are liquidated through loan repayments and sales.

The private real estate trust is a private equity limited partnership that will continue to invest and own U.S. commercial real estate across property types and geographies. The main investment attractions is rental income with value change factors having low correlation to marketable securities. There is no end date for this fund. The fund will repurchase shares on a monthly basis after a one-year investment period as shares are tendered. This investment is expected to improve cash flow income returns (rental income generally outpaces fixed income interest income) while the underlying assets do not face the same volatility in values as traditional investments.

The multi-strategy private equity fund (PA2017) is a diversified private equity vehicle that allows diversification among many private equity sectors. This is a fund of limited partnership funds. PA2017 brings exposure to the global private equity sectors of buyouts, special situations, Venture Capital, Secondaries, and Co-investment. Distributions to investors results from the liquidation of underlying holdings of each fund invested.

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Net Asset Value	Total
Equity investments	\$ 8,171,312	\$ -	\$ 14,432	\$ -	\$ 8,185,744
Corporate bonds	1,244,175	-	-	-	1,244,175
U.S. Treasury securities	-	3,767,962	-	-	3,767,962
U.S. Government securities	-	932,834	-	-	932,834
Certificates of deposit	-	305,178	-	-	305,178
Mutual funds:					
Fixed income	2,647,050	-	-	-	2,647,050
Alternatives	1,790,047	-	-	-	1,790,047
Alternative investments:					
REIT funds and real estate	-	-	-	421,169	421,169
Private equity	-	-	-	447,606	447,606
Money market funds	-	-	-	470,351	470,351
	<u>\$ 13,852,584</u>	<u>\$ 5,005,974</u>	<u>\$ 14,432</u>	<u>\$ 1,339,126</u>	<u>\$ 20,212,116</u>
State of California Local Agency Investment Fund (LAIF)					3,905,712
					<u>\$ 24,117,828</u>

**San José State University Research Foundation
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Notes to Financial Statements

Note 4. Accounts Receivable

The Foundation's accounts receivables are primarily from its sponsored programs. As of June 30, 2019, the Foundation has the following receivables:

Accounts receivable - sponsored programs	\$ 8,523,594
Other accounts receivables	215,657
Total accounts receivable, net	<u>\$ 8,739,251</u>

Note 5. Related Parties

The Foundation has routine business transactions with the University and other related auxiliary organizations on campus, such as use of meeting rooms and food services.

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as receivables and accounts payable. As of June 30, 2019, receivables due from and payables due to related parties are as follows:

Receivable from the University	\$ 49,816
Payable to the University	825,682
Payable to Student Union	58,040

Transactions with the University and related organizations are recorded on the statement of revenues, expenses and changes in net position as institutional support. During the year ended June 30, 2019, amounts paid to the University and related organizations for services were as follows:

The University	\$ 5,769,232
Spartan Shops, Inc.	146,718
Associated Students	331,602
Tower Foundation	13,420
Student Union	26,223

In the fall of 2018, the University formally launched its strategic support of research, scholarly and creative activities (RSCA) by SJSU faculty. As a part of that initiative, the University agreed to provide \$500,000 in pre-award funding support to the Foundation during the year ended June 30, 2019 which is recorded on the statement of revenues, expenses and changes in net position as other non-operating revenue. Each year, the University will evaluate its ability to provide additional funding, which could be as much as \$1 million per year.

Additionally, the Foundation has agreed to contribute \$15.0 million toward the new Interdisciplinary Science Building that the University is constructing. These contributions are considered a voluntary nonexchange transaction that is contingent on the University's ability to provide the additional funding as described above. If that funding is not received, the Foundation will not be obligated to execute this contribution. If this contingency is met, the Foundation committed to the payment schedule of \$1.5 million by June 2022, with the remaining \$13.5 million to be paid annually in an amount of \$1.0 million from July 2022 through June 2035.

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Notes to Financial Statements

Note 6. Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land and land improvements	\$ 5,176,529	\$ -	\$ -	\$ -	\$ 5,176,529
Construction work in progress (CWIP)	478,451	430,581	(12,745)	(1,859)	894,428
Total capital assets not being depreciated	5,654,980	430,581	(12,745)	(1,859)	6,070,957
Capital assets being depreciated:					
Buildings and building improvements	5,788,905	-	-	-	5,788,905
Leasehold improvements	793,186	19,440	-	-	812,626
Equipment	4,706,161	1,205,571	12,745	(153,608)	5,770,869
Total capital assets being depreciated	11,288,252	1,225,011	12,745	(153,608)	12,372,400
Total capital assets	16,943,232	1,655,592	-	(155,467)	18,443,357
Less accumulated depreciation:					
Buildings and building improvements	(2,828,866)	(209,137)	-	-	(3,038,003)
Leasehold improvements	(699,012)	(14,812)	-	-	(713,824)
Equipment	(2,600,403)	(763,308)	-	111,362	(3,252,349)
Total accumulated depreciation	(6,128,281)	(987,257)	-	111,362	(7,004,176)
Net capital assets being depreciated	5,159,971	237,754	12,745	(42,246)	5,368,224
Net capital assets	\$ 10,814,951	\$ 668,335	\$ -	\$ (44,105)	\$ 11,439,181

Note 7. Commitments

Line of credit: In April of 2010, the Foundation entered into a \$5,000,000 variable rate line of credit (LOC) with UBS Bank USA, pledging the Foundation's investments held at UBS Financial Services as collateral. The LOC is payable on demand. During the year ended June 30, 2019, no funds were drawn for operational use and there were no amounts outstanding under the LOC as of June 30, 2019.

Business credit card program: In November of 2014, the Foundation entered into a commercial card consortium program with US Bank. The program has a maximum credit limit of \$750,000. The Foundation pays off the balance each month. The amount outstanding is recorded on the statement of net position within accounts payable.

Beginning of Year	Increases	Decrease	End of Year
\$ 81,799	\$ 658,721	\$ (623,681)	\$ 116,839

Lease Arrangements

Operating lease obligations: Future minimum lease payments on any non-cancelable operating leases are shown in the table below. The future operating lease obligations include an off-campus office building which the Foundation occupies and shares with the University.

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Notes to Financial Statements

Note 7. Commitments (Continued)

The Foundation has a master lease at 210 North Fourth Street, San José, California, for the entire third and fourth floors, originally for 10 years, which expired February 28, 2013. This lease has been amended six times and is currently extended to expire December 31, 2024.

The Foundation subleases space to SJSU under a sublease agreement, and this sublease has been amended six times and currently expires June 30, 2020. There is no commitment from SJSU to extend this sublease once it expires.

The total leased space has been reduced to 18,269 square feet and the sublease space is approximately 2,338 square feet, or 12.8% of the total lease space. All common occupancy expenses are charged back to SJSU at the same ratio.

Years Ending June 30	Operating Leases	Sublease Income from the University	Net Operating Lease Commitment
2020	\$ 525,993	\$ (67,327)	\$ 458,666
2021	541,927	-	541,927
2022	558,340	-	558,340
2023	575,245	-	575,245
2024	592,657	-	592,657
Thereafter	300,746	-	300,746
Total future minimum lease payments	\$ 3,094,908	\$ (67,327)	\$ 3,027,581

For the year ended June 30, 2019, the total rent expense on this lease was \$533,418 and the sublease income was \$64,543.

Operating lease revenues: The Foundation owns a dock in Moss Landing, California, and leases half of the dock to a fishery operation. The lease period is from November 30, 2015 to November 29, 2019 for \$8,000 per month. The cost of land and building was \$2,470,945, with a net book value of \$2,023,030 as of June 30, 2019. Depreciation expense for the year ended June 30, 2019 was \$35,595. Future lease revenue is listed in the table below:

Years Ending June 30:	
2020	\$ 40,000
	\$ 40,000

Note 8. Employee Benefits and Compensation Plans

Defined contribution plan: The Foundation contributes to the SJSU Research Foundation Defined Contribution Plan (the Plan) for its eligible fully benefited employees. The Plan is administered by the Board of Directors of the Foundation and the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) serves as custodian and record-keeper of the Plan. The Foundation, in conjunction with legal counsel, has determined that the Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

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Notes to Financial Statements

Note 8. Employee Benefits and Compensation Plans (Continued)

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors. For each active employee in the Plan, the Foundation contributes 7% of the employee's base pay to the Plan. Regular wages, vacation, holiday, and sick leave, are generally considered base pay. Employees are allowed to direct their contributions into any of the Plan's investment fund options. The Plan does not allow for employee contributions. Employees are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant's direction and the Plan's provision. Employees are immediately vested in the employer contributions and actual earnings thereon.

For the year ended June 30, 2019, the Foundation recognized contribution expense of \$977,905 and recorded a liability of \$56,111 at June 30, 2019.

Post-retirement health care benefits: In addition to providing contributions into the defined contribution pension plan, the Foundation sponsors a single employer-defined benefit post-retirement medical plan, which covers substantially all full-time employees and their qualified dependents. Eligible employees include employees hired before July 1, 2008 who retire at the age of 55 or older, with 5 years of service, and their dependents. The Foundation adopted a revision to the plan during the year ended June 30, 2009 that employees will receive this benefit if they retire at the age of 60 or older with 10 years of benefited service during the preceding 20 years of employment. This change is effective for employees hired on or after July 1, 2008. The Foundation has chosen to participate in the health benefit program offered by the California Public Employees' Retirement System (CalPERS) for both its active and the eligible retired employees.

Plan funding: The Foundation established an Internal Revenue Code Section 115 Trust, the Research Organizations Retiree Medical Trust (RORMT or Trust), to accept and hold employer contributions to pay administrative expenses related to post-retirement health benefits and to fund the post-retirement health benefits for current and retired participants. There is an annual independent audit of the financial reports for the RORMT; the report is available from the Foundation's office. At the present time, the Foundation pays approximately 85% to 89% of the retiree's monthly medical insurance premiums; in addition the Foundation contributes approximately \$450,000 per year to the Trust as an investment towards fully funding the obligation to the employees.

Annual OPEB cost and net OPEB obligation (OPEB Plan): The Foundation's annual OPEB cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC). The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a given period of time. The Actuarial Report is performed with a measurement date of December 31, 2018 to fulfill GASB Statement No. 74 for the financial report of the RORMT. The values displayed on the next few pages represent values dated December 31, 2018 from that report unless otherwise labeled. As required by GASB Statement No. 75 transactions recorded in the benefit of the OPEB Plan subsequent to the actuarial measurement date are OPEB Plan changes that are reflected in deferred outflows and deferred inflows where the effect to total OPEB liability is deferred to the next reporting period. As of June 30, 2019, transactions recorded in the benefit of the OPEB Plan consist of payments from the Foundation to the RORMT on behalf of retiree medical health insurance coverage that occurred between January 1, 2019 and June 30, 2019. Those employer contribution payments amounted to \$820,186 and were recorded as deferred outflows on the Foundation's statement of net position.

**San José State University Research Foundation
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Notes to Financial Statements

Note 8. Employee Benefits and Compensation Plans (Continued)

The components of the net OPEB liability of the Plan as of June 30, 2019, are as follows:

Total OPEB liability	\$ 21,670,913
Plan fiduciary net position	4,371,502
Net OPEB liability	<u>\$ 17,299,411</u>
Deferred outflow of resources	136,353
Deferred inflow of resources	-
Plan fiduciary net position as a percentage of the total OPEB liability	20.17%

The total OPEB liability was determined by an actuarial valuation performed by MacLeod Watts as of December 31, 2018, using the following actuarial assumptions:

<u>Deferred Outflows/Inflows of Resources</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience in the measurement of total OPEB liability	\$ (6,094,604)	\$ -
Changes in assumptions	5,092,685	-
Net difference between projected and actual earnings of OPEB plan investments	318,086	-
Contribution to OPEB plan after measurement date	820,186	-
Totals	<u>\$ 136,353</u>	<u>\$ -</u>

Assumptions and other inputs used to measure OPEB liability:

Membership as of valuation date:	
Active employees	212
Eligible retired employees (with 46 covered dependents)	77

**San José State University Research Foundation
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Notes to Financial Statements

Note 8. Employee Benefits and Compensation Plans (Continued)

Valuation and measurement dates Actuarial valuation as of December 31, 2018

Actuarial cost method Entry age normal

Asset valuation method Market value of assets as of the measurement date

Actuarial assumptions:

Inflation	2.75%
Projected payroll increases	3.25%
Discount rate	4.90%
Administrative expense	\$60,625
Health care cost trend rate	7% to 5% in 2024, step of 0.5% annually
Mortality	MacLeod Watts Scale 2018 applied generationally

Funding policy The Foundation has elected to contribute annually to the Trust (a) current benefit costs for retirees and (b) an additional dollar amount determined annually.

The discount rate is based on the long-term expected rate of return on assets for benefits covered by plan assets. The long-term expected rate of return on OPEB plan investments is determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class in accordance with the Plan's investment policy.

At December 31, 2018, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Asset Class	Target Allocation	Long-term Rate of Return
Equity	60%	7.10%
Fixed income	40%	5.10%

The discount rate used to measure the total OPEB liability is 4.90% as of December 31, 2018. The projection of cash flows used to determine the discount rate is based on the Foundation's funding policy that the Foundation has elected to contribute annually to the Plan (a) current benefit costs for retirees and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the OPEB Plan.

The following presents the net OPEB liability, calculated using the discount rate of 4.90%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease 3.90%	Current Discount 4.90%	1% Increase 5.90%
\$ 20,766,719	\$ 17,299,411	\$ 14,514,777

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Notes to Financial Statements

Note 8. Employee Benefits and Compensation Plans (Continued)

With regard to the health care cost trend rate, the net OPEB liability would change if the following trend rates were assumed:

	1% Decrease		Base		1% Increase
\$	14,075,837	\$	17,299,411	\$	21,904,085

Note 9. Functional Expenses

Functional expenses for the year ended June 30, 2019, were as follows:

Operating expenses:	
Sponsored programs	\$ 40,433,651
Campus self-support programs	8,016,523
Board designated programs	1,623,247
Management and general	8,365,067
Total operating expenses	<u>\$ 58,438,488</u>

Note 10. Contingencies

The Foundation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial statements of the Foundation.

The Foundation administers federal government-funded programs which are subject to audit by cognizant governmental agencies. The Foundation's management believes that the outcome of such matters will not have a significant impact on the financial position or results of activities of the Foundation. Thus, no reserve for potential disallowances has been reflected in the financial statements as of June 30, 2019.

Note 11. Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2019 through September 25, 2019, the date these financial statements were available to be issued.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Schedule of Changes in the Net OPEB Liability

The schedule of changes in the net OPEB liability as of June 30, 2019, is as follows:

Total OPEB liability:	
Service cost	\$ 812,945
Interest	1,499,946
Change of assumptions	5,709,233
Differences between expected and actual experience	(6,819,270)
Benefit payments	(664,106)
Net change in total OPEB liability	<u>538,748</u>
Total OPEB liability - beginning	<u>21,132,165</u>
Total OPEB liability - ending (a)	<u>21,670,913</u>
Plan fiduciary net position:	
Employer contributions	712,123
Net investment income	(234,184)
Retiree health program premiums	(664,106)
Administrative expenses	(60,625)
Net change in plan net position	<u>(246,792)</u>
Plan fiduciary net position - beginning	<u>4,618,294</u>
Plan fiduciary net position - ending (b)	<u>4,371,502</u>
Net OPEB liability (a) - (b)	<u>\$ 17,299,411</u>
Plan fiduciary net position as a percentage of total OPEB liability	20.17%
Net OPEB liability as a percentage of covered employee payroll	94.75%
Covered employee payroll	<u>\$ 18,257,949</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years with available information.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Schedule of Employer Contributions

Year Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$1,930,541	\$ 712,123	\$1,218,418	\$18,257,949	4%
2017	\$2,111,304	\$1,081,965	\$1,029,339	\$18,699,084	6%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years with available information.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Notes to Required Supplementary Information

The following actuarial methods and assumptions were used to determine the most recent contributions reported in the schedule of contributions:

Valuation and measurement dates	Actuarial valuation as of December 31, 2018
Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets as of the measurement date
Actuarial assumptions:	
Inflation	2.75%
Projected payroll increases	3.25%
Discount rate	4.90%
Administrative expense	\$60,625
Health care cost trend rate	7% to 5% in 2024, step of 0.5% annually
Mortality	MacLeod Watts Scale 2018 applied generationally
Funding policy	The Foundation has elected to contribute annually to the Trust (a) current benefit costs for retirees and (b) an additional dollar amount determined annually.

The total OPEB liability and contributions in relation to actuarially determined contribution take into consideration of the implicit rate subsidy, which is actuarially determined and represents a subsidy toward pre-Medicare retiree medical costs paid via active employee premiums, since the claims from both active and retired employees are combined to calculate a blended premium. The implicit rate subsidy toward the Foundation's eligible retirees was \$52,683 in 2018, which was recognized both as employer contribution and benefit payments in the statement of changes in fiduciary net position for the year ended December 31, 2018.

Employer lump-sum contributions	\$ 47,500
Employer contributions towards blended rate premium	611,940
Implicit rate subsidy toward Foundation's retirees	<u>52,683</u>
Total employer contributions as stated in the schedule of changes in net OPEB liability	<u><u>\$ 712,123</u></u>

San Jose State University Research Foundation

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Department of Agriculture:				
Direct				
U.S. Forest Service	Forestry Research		\$ -	\$ 3,127
Pass-through				
Resource Con Dist of Monterey Cnty	Environmental Quality Incentive Programs	SC-2017-01	127,315	317,560
Total Department of Agriculture			127,315	320,687
Department of Commerce:				
Direct				
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		-	60,606
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		-	95,935
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		-	223,574
Department of Commerce	Marine Mammal Data Program		-	7,343
Department of Commerce	Cooperative Marine Education and Research Programs		-	2,293
Total Direct			-	389,751
Pass-through				
Monterey Bay Aquarium Res Institute	Integrated Ocean Observing System	1611119	-	50,143
Howard University	Educational Partnership Program	0008971-1000066103	-	84,605
UC, San Diego	Sea Grant Support	92600154-R/AQ-138	-	57,859
UC, Santa Cruz	Marine Mammal Data Program	A18-0040-S001-P06545	-	11,068
UC, San Diego	Sea Grant Support	NA14OAR4170075-R/HCM	-	19,408
UC, San Diego	Sea Grant Support	R/HCE-04A	-	41,751
UC, San Diego	Sea Grant Support	R/HCE-05A	-	89,285
UC, San Diego	Sea Grant Support	R/HCME-25B	-	15,368
UC, San Diego	Sea Grant Support	R/HCME-37	-	35,931
UC, San Diego	Sea Grant Support	R/RCE-01	-	81,728
Univ of Maryland Cntr for Envir Sci	Integrated Ocean Observing System	SA7525796A	-	193,624
University of Miami	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	SPC-000483 / 669160	-	2,402,917
Total Pass-through			-	3,063,687
Total Department of Commerce			-	3,473,438
Department of Defense:				
Direct				
Department of Defense	Basic and Applied Scientific Research		-	7,016
Naval Postgraduate School	Basic and Applied Scientific Research		-	16,705
Naval Postgraduate School	Basic and Applied Scientific Research		-	79,503
Office of Naval Research	Basic and Applied Scientific Research		95,336	150,970
Office of Naval Research	Basic and Applied Scientific Research		-	9,402
Department of Defense	Basic, Applied, and Advanced Research in Science and Engineering		-	156,595
Office of Naval Research	General Purpose Oceanographic Research	12.N000.	-	183,147
Total Direct			95,336	603,338
Pass-through				
Stevens Institute of Technology		2102796-21	-	2,637
West Chester University	Basic and Applied Scientific Research	17-010	-	15,174
University of Notre Dame	Basic and Applied Scientific Research	203349SJSURF	-	161,278
Cascadia Research Collective	Basic and Applied Scientific Research	N39430-16-C-1853	-	9,464
Ahtna Environmental Inc.	Department of Defense Impact Aid (Supplement, CWSD, BRAC)	PO#0501103	-	20,472
Ahtna Environmental Inc.	Department of Defense Impact Aid (Supplement, CWSD, BRAC)	PO#0501104	-	14,888
CU Aerospace	Air Force Defense Research Sciences Program	17-24	-	15,550
Intel Corporation	Research and Technology Development	CW2033041	-	25,000
CFD Research Corporation	Research and Development in Biotechnology	20160316	-	55,031
Total Pass-through			-	319,494
Total Department of Defense			95,336	922,832

(Continued)

San Jose State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Interior:				
Direct				
U.S. Forest Service	15.232		\$ -	\$ 2,541
US Fish and Wildlife Service	15.650		-	22,107
Department of Interior	15.807		-	6,937
Department of Interior	15.807		-	7,453
Department of Interior	15.807		-	69,623
Department of Interior	15.808		-	77,975
Department of Interior	15.808		-	26,460
Total Department of Interior			-	213,096
Department of State:				
Department of State	19.900		-	5,073
Department of Transportation:				
Direct				
Department of Transportation	20.701		419,109	1,730,593
Pass-through				
CA State, Dept of Transportation	20.215	88A0123	-	42,212
CA State, Dept of Transportation	20.215	88A0132	-	13,494
Univ of Maryland Cntr for Envir Sci	20.818	07525729P028181	-	10,152
Total Pass-through			-	65,858
Total Department of Transportation			419,109	1,796,451
National Aeronautics and Space Administration:				
Direct				
NASA	43.001		89,239	169,269
NASA	43.001		-	20,294
NASA	43.001		-	207,489
NASA	43.001		-	115,432
NASA	43.001		-	161,411
NASA	43.002		233,551	16,337,236
NASA	43.003		-	29,060
NASA	43.008		229,936	661,091
NASA	43.009		766,374	2,642,606
Total Direct			1,319,100	20,343,888
Pass-through				
Jet Propulsion Laboratory	43.001	1414961	-	279,989
Jet Propulsion Laboratory	43.001	1597310	-	9,023
Jet Propulsion Laboratory	43.001	1621078	-	4,814
Jet Propulsion Laboratory	43.001	1623362	-	53,520
Skidmore College	43.001	32175-3	-	90,277
University of Miami	43.001	663678/ SPC-000388	-	123,586
Space Telescope Sci Institute	43.001	HST-AR-14301.005-A	-	11,986
Space Telescope Sci Institute	43.001	HST-GO-14748.001-A	-	17,899
Space Telescope Sci Institute	43.001	HST-GO-14846.001-A	-	289
Space Telescope Sci Institute	43.001	HST-GO-15235.002-A	-	430
Metis Flight Research Associates	43.001	MFRA2019-S0326	-	50,364
Univ Space Research Assoc.	43.001	SOF 05-00101 KAUFMAN	-	7,000
Univ Space Research Assoc.	43.001	SOF-06-0041-KAUFMAN	-	2,870
University of Iowa	43.NNL16AA15C	W000880432	-	35,505
Total Pass-through			-	687,552
Total National Aeronautics and Space Administration			1,319,100	21,031,440
Institute of Museum and Library Services:				
Direct				
Inst of Museum & Library Serv	45.312		-	29,492
Inst of Museum & Library Serv	45.312		-	49,306
Total Direct			-	78,798
Pass-through				
Loyola Marymount University	45.313	16-110	-	942
Loyola Marymount University	45.313	RE-40-16-0120-16	-	21,397
University of Texas at Austin	45.313	UTA17-000633	-	31,555
Total Pass-through			-	53,894
Total Institute of Museum and Library Services			-	132,692

(Continued)

San Jose State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Science Foundation:				
Direct				
National Science Foundation	Engineering	47.041	\$ -	\$ 446,226
National Science Foundation	Engineering	47.041	-	27,914
National Science Foundation	Engineering	47.041	-	20,066
National Science Foundation	Engineering	47.041	-	11,436
National Science Foundation	Engineering	47.041	-	34,679
National Science Foundation	Engineering	47.041	-	11,285
National Science Foundation	Mathematical and Physical Sciences	47.049	-	55,408
National Science Foundation	Mathematical and Physical Sciences	47.049	-	19,972
National Science Foundation	Mathematical and Physical Sciences	47.049	-	6,887
National Science Foundation	Mathematical and Physical Sciences	47.049	-	61,249
National Science Foundation	Mathematical and Physical Sciences	47.049	-	400,659
National Science Foundation	Mathematical and Physical Sciences	47.049	-	836
National Science Foundation	Geosciences	47.050	-	8,853
National Science Foundation	Geosciences	47.050	-	1,406
National Science Foundation	Geosciences	47.050	-	62,746
National Science Foundation	Geosciences	47.050	-	141,085
National Science Foundation	Geosciences	47.050	-	103,482
National Science Foundation	Geosciences	47.050	-	212,836
National Science Foundation	Geosciences	47.050	-	29,719
National Science Foundation	Geosciences	47.050	-	59,998
National Science Foundation	Geosciences	47.050	-	141,602
National Science Foundation	Geosciences	47.050	-	13,058
National Science Foundation	Geosciences	47.050	-	19,519
National Science Foundation	Geosciences	47.050	-	9,925
National Science Foundation	Geosciences	47.050	-	12,821
National Science Foundation	Geosciences	47.050	-	383,388
National Science Foundation	Geosciences	47.050	-	19,280
National Science Foundation	Geosciences	47.050	-	30,000
National Science Foundation	Computer and Information Science and Engineering	47.070	-	118
National Science Foundation	Computer and Information Science and Engineering	47.070	-	28,869
National Science Foundation	Computer and Information Science and Engineering	47.070	-	131,903
National Science Foundation	Computer and Information Science and Engineering	47.070	-	106,991
National Science Foundation	Computer and Information Science and Engineering	47.070	-	110,169
National Science Foundation	Computer and Information Science and Engineering	47.070	-	62,120
National Science Foundation	Biological Sciences	47.074	-	117,732
National Science Foundation	Biological Sciences	47.074	-	5,350
National Science Foundation	Biological Sciences	47.074	-	58,528
National Science Foundation	Biological Sciences	47.074	10,885	64,531
National Science Foundation	Biological Sciences	47.074	-	11,354
National Science Foundation	Biological Sciences	47.074	-	7,040
National Science Foundation	Social, Behavioral, and Economic Sciences	47.075	21,925	36,088
National Science Foundation	Education and Human Resources	47.076	-	25,637
National Science Foundation	Education and Human Resources	47.076	-	40,223
National Science Foundation	Education and Human Resources	47.076	-	26,682
National Science Foundation	Education and Human Resources	47.076	-	161,197
National Science Foundation	Education and Human Resources	47.076	-	26,235
National Science Foundation	Education and Human Resources	47.076	-	172,796
National Science Foundation	Education and Human Resources	47.076	25,475	145,671
National Science Foundation	Education and Human Resources	47.076	-	91,910
National Science Foundation	Education and Human Resources	47.076	-	92,584
Total Direct			58,285	3,870,063
Pass-through				
University of Maryland	Mathematical and Physical Sciences	47.049	15702-Z4339001	1,502
Columbia University	Geosciences	47.050	44-GG009393	98
Northeastern University	Engineering	47.041	502076-78051	4,459
San Diego State University Fdn	Office of International Science and Engineering	47.079	57387AP30137803211	25,407
UC, Davis	Engineering	47.041	A19-1873-S001	3,022
UC, Santa Barbara	Geosciences	47.050	KK1819	64,822
Univ Corp for Atmospheric Res	Geosciences	47.050	SUBAWD000736	9,958
UC, Berkeley	Education and Human Resources	47.076	9399	45,931
CSU, Sacramento	Education and Human Resources	47.076	533011	17,000
Total Pass-through				172,199
Total National Science Foundation			58,285	4,042,262

(Continued)

San Jose State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Environmental Protection Agency:				
Pass-through				
CA St, Water Resrces Cntrl Bd	66.419	17-023-270	\$ -	\$ 1,004,155
CA St, Water Resrces Cntrl Bd	66.419	17-045-270	-	324,065
So CA Coastal Water Res Project	66.461	15446	-	66,732
San Jose State University	66.461	CD-99T18101-0	10,000	49,788
San Francisco Estuary Institute	66.461	PO NO. 2072	-	2,397
Total Environmental Protection Agency			10,000	1,447,137
Department of Energy:				
Pass-through				
Arizona State University	81.087	17-095	-	58,516
Lawrence Livermore Natl Lab	81.123	B631080	-	33,456
Lawrence Livermore Natl Lab	81.DE-AC52-07NA27344	B626835	-	28,467
Lawrence Berkeley Natl Laboratories	81.DE-AC02-05CH	7286083	-	96,801
Total Department of Energy			-	217,240
Department of Education:				
Direct				
Department of Education	84.116F		-	1,190,623
Pass-through				
Regents of The Univ of California	84.367A	ESSA18-CMP-SAN JOSE	-	24,193
Regents of The Univ of California	84.367A	ESSA18-CWP-SAN JOSE	-	39,258
Total Pass-through			-	63,451
Total Department of Education			-	1,254,074
Department of Health and Human Services:				
Direct				
Dept of Health & Human Services	93.286		-	94,349
Dept of Health & Human Services	93.853		-	44,092
Dept of Health & Human Services	93.855		14,068	83,885
Dept of Health & Human Services	93.859		-	234,785
Dept of Health & Human Services	93.859		-	112,455
Dept of Health & Human Services	93.859		-	104,478
Dept of Health & Human Services	93.859		-	(1,133)
Dept of Health & Human Services	93.859		-	6,035
Dept of Health & Human Services	93.859		-	7,778
Dept of Health & Human Services	93.859		-	73,177
Dept of Health & Human Services	93.859		-	60,978
Dept of Health & Human Services	93.859		-	100,157
Dept of Health & Human Services	93.859		-	75,780
Dept of Health & Human Services	93.859		-	108,206
Dept of Health & Human Services	93.859		-	502,430
Dept of Health & Human Services	93.859		-	120,785
Total Direct			14,068	1,728,237
Pass-through				
Public Health Institute	93.307	735	-	24,698
Public Health Institute	93.279	1020446	-	68,262
UserWise	93.103	1530355	-	2,501
UC, San Francisco	93.173	10803SC	-	105,150
UC, San Francisco	93.853	8141SC	-	64,633
Superior Court of CA, County of SC	93.243	C2201729	-	34
Superior Court of CA, County of SC	93.243	C2201729	-	15,305
Total Pass-through			-	280,583
Total Department of Health and Human Services			14,068	2,008,820
Total Research and Development Cluster			2,043,213	36,865,242

(Continued)

San Jose State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Other programs				
Department of Agriculture:				
Pass-through				
CA State, Dept of Education	State Administrative Expenses for Child Nutrition	10.560	CN160043	-
CA State, Dept of Education	State Administrative Expenses for Child Nutrition	10.560	CN180050	-
Total Department of Agriculture				99,681
Department of Transportation:				
Pass-through				
The National Academy of Sciences	Highway Research and Development Program	20.200	HR20-56(030)A	-
Total Department of Transportation				74,493
National Aeronautics and Space Administration:				
Direct				
NASA	Education	43.008		-
Pass-through				
Jacobs, Inc.	Science	43.001	AGREEMENT SIGNED 9/1	-
Stinger Ghaffarian Technologies	Science	43.001	SC18-00027	-
ASRC Federal	Test Subject Recruitment Office	43.NNA13AB88C	ART860 TASK ORDER NO.5	-
ASRC Federal	Test Subject Recruitment Office	43.NNA13AB88C	ART860 TASK ORDER NO.6	-
Total Pass-through				452,671
Total National Aeronautics and Space Administration				458,371
Institute of Museum and Library Services:				
Direct				
NIJ Endowmnt for the Humnities	Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162		-
NIJ Endowmnt for the Humnities	Promotion of the Humanities Professional Development	45.163		-
Inst of Museum & Library Serv	National Leadership Grants	45.312		-
Total Institute of Museum and Library Services				154,186
Department of Energy:				
Direct				
Sandia National Laboratories	State Energy Program Special Projects	81.181		-
Pass-through				
University of Missouri	Office of Science Financial Assistance Program	81.049	C00035549-1	-
Total Department of Energy				161,878
Department of Education:				
Direct				
Department of Education	Higher Education Institutional Aid	84.031A		-
Department of Education	TRIO Student Support Services	84.042A		-
Department of Education	TRIO McNair Post-Baccalaureate Achievement	84.217A		-
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		-
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		-
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		-
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		-
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		24,203
Department of Education	Child Care Access Means Parents in School	84.335A		-
Total Direct				24,203
Pass-through				
California Department of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	ESSA18-TCAP-SAN JOSE	-
Regents of The Univ of California	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	NCLB14-CMP-SAN JOSE	-
UC, Berkeley	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	NCLB14-CWP-SAN JOSE	-
Total Pass-through				9,722
Total Department of Education				2,045,748
Department of Health and Human Services:				
Direct				
Dept of Health & Human Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-
Pass-through				
UC, Berkeley	Foster Care Title IV-E	93.658	9247	-
UC, Berkeley	Mental and Behavioral Health Education and Training Grants	93.732	9669	-
UC, Berkeley	Foster Care Title IV-E	93.658	9899	-
Superior Court of CA, County of SC	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	C2201661	-
Total Pass-through				1,266,124
Total Department of Health and Human Services				1,337,786
Department of Homeland Security:				
Direct				
U.S. Dept of Homeland Security	MTI Database on Terrorist and Serious Criminal Attacks	97.HSTS02-17-C-OIA173		-
Total expenditures of federal awards				\$ 2,067,416
				\$ 41,293,891

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the San José State University Research Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies for Expenditures of Federal Awards

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The Foundation did not elect to use the 10% de minimis cost as covered in 200.414 indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

To the Board of Directors
San José State University Research Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San José State University Research Foundation (the Foundation), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Foundation's basic financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

San José, California
September 25, 2019

**Report on Compliance for Each Major Federal
Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors
San José State University Research Foundation

Report on Compliance for Each Major Federal Program

We have audited the San José State University Research Foundation (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2019. The Foundation's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the San José State University Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

San José, California
September 25, 2019

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None Reported
Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various 84.031A	Research and Development Cluster Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs: \$1,238,817

Auditee qualified as low-risk auditee? X Yes _____ No

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019**

Item 2018-001—Accounting for OPEB Liability Under GASB 75

Criteria or specific requirement: Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with GAAP. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Understanding the accounting treatment of relevant new accounting standards and reflecting those in the financial statements in a timely manner are important elements of a strong control environment over financial reporting.

Condition: In fiscal 2018, the Foundation adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard changed the actuarial measurement principles for postemployment benefit (OPEB) obligations, and the associated accounting and disclosure for those obligations. This new standard required retrospective application in the accounting records and financial statements as if the standard had existed all along. Accordingly, beginning of year net position balances needed adjustments as part of adopting GASB 75.

Management had arranged for an actuarial expert to compute the OPEB obligation using the new rules. Upon receipt of the actuarial report, responsible finance personnel were uncertain of how to record a journal entry in the accounting records to reflect the change to GASB 75. In particular, there were portions of GASB 75 that involved some calculations typically performed by responsible finance personnel, not the actuary, and those were not identified and calculated until we pointed them out. Specifically, the following was not identified:

- Which portion of the net GASB 75 adjustment which should have been recorded as a cumulative effect of change in accounting principle thereby increasing the Foundation's net position at July 1, 2017. This amount was \$551,588.
- The need to capture six months of Foundation contributions into the OPEB trust between the actuarial measurement date of December 31, 2017, and the Foundation's fiscal year-end of June 30, 2018. These contributions totaled \$298,286 and were required by GASB 75 to be reflected on the statement of net position as a deferred outflow at June 30, 2018.

At our suggestion, these refinements were reflected into the broader journal entry to record the new OPEB obligation and the entry was posted during the audit. Responsible finance personnel were hesitant to record the journal entry until completion of the audit as well as auditing the inputs and assumptions in the actuarial report. This delay in accounting, in turn, delayed management's completion of the financial statement draft to submit for audit.

Context: The Foundation was responsible for the timely and effective implementation of GASB 75 which included understanding both the role of the actuary and the role of management in compiling the information necessary for recording journal entries and disclosures.

Effect: Adoption of the new standard was incomplete and would have resulted in errors in the accounting records had these not been identified in the audit. The delay of the process also caused delay in management's preparation of the financial statement draft.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019**

Item 2018-001—Accounting for OPEB liability under GASB 75 (Continued)

Cause: There was a lack of understanding within the finance department about all the transition accounting requirements outlined in GASB 75. Further, the process of determining the appropriate accounting was delayed until just before the audit started and continued during the audit.

Recommendation: We recommend all new accounting standards be evaluated thoroughly well before adoption to ensure understanding, proper accounting and overall successful implementation. Inherent in this is assigning the task to appropriate individuals within the organization and ensuring supervisory review of their work. Over the last two years, there have been many training courses provided on GASB 75 by NACUBO, AICPA, GFOA and even the CSU; taking advantage of those training opportunities along with reading the new standard, its example disclosures and GASB's OPEB implementation guide would have helped ensure a successful adoption in this case. In addition, we continue to welcome and encourage questions on accounting matters where the Foundation would like input before concluding on treatment. We note management reached out for feedback well over a year ago on this new standard regarding the timing of actuarial valuations and measurement dates and we provided input. Management also reached out with specific questions just before the audit which we were happy to answer. In the end, however, there was more to adopting the new standard than identified by responsible finance personnel which resulted in the omissions noted above.

Views of responsible officials: Management is in agreement with recommendations.

2019 status: Implemented in accordance with corrective action plan in fiscal year 2018.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019**

Item 2018-002—Determining the Fair Value of Alternative Investments and Appropriate Footnote Disclosures

Criteria or specific requirement: Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with GAAP. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Understanding management's responsibility regarding estimating the fair value assigned to private, alternative investments and ensuring any additional resulting disclosures required by GASB 72, *Fair Value Measurement and Application*, are reflected in the financial statements are important elements of a strong control environment over financial reporting.

Condition: During fiscal 2018, the Foundation entered into three new private, alternative investments. Private, alternative investments are non-exchange-traded private funds such as Real Estate Investment Trusts and Private Equity Funds. Aside from an immaterial amount of private, alternative investments that existed in 2017, the Foundation has not had these types of investments before and was not aware of the challenge of supporting the fair market value figures reported in the financial statements or the associated required disclosures. As such, no procedures were undertaken to verify the associated fair value figures reported in the financial statements nor were the financial statement disclosures complete.

Management was under the impression UBS, its investment custodian, had verified the fair value of these investments, similar to UBS' process of valuation for the traded portfolio they hold on behalf of the Foundation. However, as UBS explains in its reporting to investors, they do not determine or verify fair value for alternative investments but, rather, rely on the fair value provided by the fund sponsor. While organizations like UBS may help with due diligence in the Foundation's decision to purchase investments like these, it typically doesn't involve a verification of fair value of their reporting date, and as such it becomes the responsibility of management. At June 30, 2018, the reported fair value market of these alternative investments was \$667,287.

At our suggestion, responsible finance personnel performed a review of the valuation by looking to the results of audited financial statements of the private alternative funds. Further, management incorporated the missing disclosures about alternative investment redemption frequency, redemption notice periods and descriptions of the types of alternative funds in the portfolio into their own financial statements.

Context: The Foundation was responsible for reviewing the valuation of the new alternative investment category and ensuring any additional resulting disclosures were reflected in the financial statements.

Effect: The alternative investment fair value estimate of \$667,287 as reported in the broader investment portfolio had not been independently verified by anyone other than the alternative fund sponsor who provided the valuations in the first place.

Cause: Responsible finance personnel were not aware the fair value of these new investments had not been verified at June 30, 2018. Additionally, management was not aware of the GAAP disclosure requirements as outlined in GASB 72.

Recommendation: We recommend the fair value of private, alternative investments be verified by management each June 30 and all disclosure information be gathered for inclusion in the notes to the financial statements.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019**

Item 2018-002—Determining the Fair Value of Alternative Investments and Appropriate Footnote Disclosures (Continued)

Views of responsible officials (unaudited): Management concurs with the recommendation.

2019 status: Implemented in accordance with corrective action plan in fiscal year 2018.

San José State University Research Foundation
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 973,041
Short-term investments	22,039,242
Accounts receivable, net	8,739,251
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	158,174
Total current assets	<u>31,909,708</u>
Noncurrent assets:	
Restricted cash and cash equivalents	12,783
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	2,078,586
Capital assets, net	11,439,181
Other assets	63,570
Total noncurrent assets	<u>13,594,120</u>
Total assets	<u>45,503,828</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	136,353
Others	—
Total deferred outflows of resources	<u>136,353</u>
Liabilities:	
Current liabilities:	
Accounts payable	2,848,413
Accrued salaries and benefits	1,447,100
Accrued compensated absences, current portion	1,395,687
Unearned revenues	5,106,880
Capital lease obligations, current portion	5,478
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	17,044
Total current liabilities	<u>10,820,602</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	100,325
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	5,668
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	290,787
Net other postemployment benefits liability	17,299,411
Net pension liability	—
Other liabilities	169,110
Total noncurrent liabilities	<u>17,865,301</u>
Total liabilities	<u>28,685,903</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	11,428,035
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	28,657
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	5,497,586
Total net position	<u>\$ 16,954,278</u>

See independent auditor's report.

San José State University Research Foundation
Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2019
(for inclusion in the California State University)

Revenues:

Operating revenues:		
Student tuition and fees, gross	\$	3,520,906
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		31,476,602
State		7,013,885
Local		2,155,490
Nongovernmental		5,704,410
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		—
Scholarship allowances (enter as negative)		—
Other operating revenues		<u>3,752,115</u>
Total operating revenues		<u>53,623,408</u>

Expenses:

Operating expenses:		
Instruction		7,836,044
Research		35,291,901
Public service		349,195
Academic support		486,499
Student services		862,012
Institutional support		9,317,806
Operation and maintenance of plant		698,598
Student grants and scholarships		2,609,176
Auxiliary enterprise expenses		—
Depreciation and amortization		<u>987,257</u>
Total operating expenses		<u>58,438,488</u>
Operating income (loss)		<u>(4,815,080)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Federal financial aid grants, noncapital		1,180,844
State financial aid grants, noncapital		1,346,904
Local financial aid grants, noncapital		35,755
Nongovernmental and other financial aid grants, noncapital		96,715
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		1,269,151
Investment income (loss), net		1,150,538
Endowment income (loss), net		—
Interest expense		(572)
Other nonoperating revenues (expenses) - excl. interagency transfers		457,752
Other nonoperating revenues (expenses) - interagency transfers		<u>—</u>
Net nonoperating revenues (expenses)		<u>5,537,087</u>
Income (loss) before other revenues (expenses)		722,007

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net position		722,007

Net position:

Net position at beginning of year, as previously reported		16,232,271
Restatements		—
Net position at beginning of year, as restated		<u>16,232,271</u>
Net position at end of year	\$	<u><u>16,954,278</u></u>

See independent auditor's report.

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	12,783
Noncurrent restricted cash and cash equivalents	12,783
Current cash and cash equivalents	973,041
Total	\$ 985,824

2.1 Composition of investments:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Money market funds	\$ 470,351	\$ -	\$ 470,351
Repurchase agreements	-	-	-
Certificates of deposit	305,178	-	305,178
U.S. agency securities	932,834	-	932,834
U.S. treasury securities	3,767,962	-	3,767,962
Municipal bonds	-	-	-
Corporate bonds	1,244,175	-	1,244,175
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	4,437,097	-	4,437,097
Exchange traded funds	-	-	-
Equity securities	8,185,744	-	8,185,744
Alternative investments:			
Private equity (including limited partnerships)	-	447,606	447,606
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	421,169	421,169
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	-	-	-
State of California Local Agency Investment Fund (LAIF)	2,695,901	1,209,811	3,905,712
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	22,039,242	2,078,586	24,117,828
Less endowment investments (enter as negative number)	-	-	-
Total investments, net of endowments	\$ 22,039,242	\$ 2,078,586	\$ 24,117,828

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 470,351	\$ -	\$ -	\$ -	\$ 470,351
Repurchase agreements	-				
Certificates of deposit	305,178		305,178		
U.S. agency securities	932,834		932,834		
U.S. treasury securities	3,767,962		3,767,962		
Municipal bonds	-				
Corporate bonds	1,244,175	1,244,175			
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	4,437,097	4,437,097			
Exchange traded funds	-				
Equity securities	8,185,744	8,171,312		14,432	
Alternative investments:					
Private equity (including limited partnerships)	447,606				447,606
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	421,169				421,169
Commodities	-				
Derivatives	-				
Other alternative investment types	-				
Other external investment pools (excluding SWIFT)	-				
Other investments	-				
State of California Local Agency Investment Fund (LAIF)	3,905,712	-	-	-	3,905,712
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	
Total investments	\$ 24,117,828	\$ 13,852,584	\$ 5,005,974	\$ 14,432	\$ 5,244,838

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g., CSU Consolidated SWIFT Inv pool):	\$ -	\$ -	\$ -

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 987,257
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 987,257

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclassi- fications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,571,704	\$ -	\$ 1,571,704	\$ 1,664,743	\$ (1,740,435)	\$ 1,496,012	\$ 1,395,687	\$ 100,325
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	16,440	-	16,440	-	(5,294)	11,146	5,478	5,668
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	16,440	-	16,440	-	(5,294)	11,146	5,478	5,668
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Subtotal long-term debt	-	-	-	-	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 1,588,144	\$ -	\$ 1,588,144	\$ 1,664,743	\$ (1,745,729)	\$ 1,507,158	\$ 1,401,165	\$ 105,993

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

5 Capital lease obligations schedule:

	Capital Lease Obligations Related to SRB			All Other Capital Lease Obligations			Total Capital Lease Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Years ending June 30:									
2020	\$ -	\$ -	\$ -	\$ 5,478	\$ 387	\$ 5,865	\$ 5,478	\$ 387	\$ 5,865
2021	-	-	-	5,668	197	5,865	5,668	197	5,865
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ 11,146	\$ 584	\$ 11,730	\$ 11,146	\$ 584	\$ 11,730
Less: amounts representing interest									(584)
Present value of future minimum lease payments									11,146
Unamortized net premium/(discount)									-
Total capital lease obligations									11,146
Less: current portion									(5,478)
Capital lease obligations, net of current portion									\$ 5,668

6 Long-term debt obligations schedule:

	Auxiliary Revenue Bonds (Non-SRB Related)			All Other Long-Term Debt Obligations			Total Long-Term Debt Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Years ending June 30:									
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,609,165
Payments to University for other than salaries of University personnel	1,372,534
Payments received from University for services, space and programs	1,284,164
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	2,787,532
Accounts (payable to) University (enter as negative number)	(825,682)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	10,584
Other amounts receivable from University (enter as positive number)	-

8 Restatements/prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

Debit/(Credit)

Transaction #1 Enter transaction description

Transaction #2 Enter transaction description

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and Fellowships	Supplies and Other Services	Depreciation and Amortization	Total Operating Expenses
Instruction	\$ 4,117,179	\$ 745,446	\$ 137,795	\$ 163,221	\$ -	\$ 2,672,403	\$ -	\$ 7,836,044
Research	19,347,265	3,810,380	704,345	834,310	-	10,595,601	-	35,291,901
Public service	85,072	7,725	1,428	1,692	-	253,278	-	349,195
Academic support	221,939	35,963	6,648	7,874	-	214,075	-	486,499
Student services	263,496	48,345	8,937	10,586	-	530,648	-	862,012
Institutional support	3,925,707	345,540	203,777	998,235	-	3,844,547	-	9,317,806
Operation and maintenance of plant	-	-	-	-	-	698,598	-	698,598
Student grants and scholarships	-	-	-	-	2,609,176	-	-	2,609,176
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	987,257	987,257
Total operating expenses	\$ 27,960,658	\$ 4,993,399	\$ 1,062,930	\$ 2,015,918	\$ 2,609,176	\$ 18,809,150	\$ 987,257	\$ 58,438,488

**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$	-
Deferred outflows - net pension liability		-
Deferred outflows - net OPEB liability		136,353
Deferred outflows - others:		-
		-
		-
		-
		-
		-
Total deferred outflows - others		-
Total deferred outflows of resources	\$	136,353

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$	-
Deferred inflows - net pension liability		-
Deferred inflows - net OPEB liability		-
Deferred inflows - unamortized gain on debt refunding(s)		-
Deferred inflows - nonexchange transactions		-
Deferred inflows - others:		-
		-
		-
		-
		-
		-
Total deferred inflows - others		-
Total deferred inflows of resources	\$	-