

**Basic Financial Statements with Required
Supplementary Information and Supplementary
Information (and Reports of Independent Certified
Public Accountants as Required by OMB Circular
A-133)**

San Jose State University Research Foundation

**(a California State University Auxiliary Organization and a Component Unit of San Jose
State University)**

June 30, 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
San Jose State University Research Foundation

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Report on the financial statements

We have audited the accompanying basic financial statements of the business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Jose State University) (the “Foundation”), as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 Foundation’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 Foundation’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 business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Jose State University) as of June 30, 2015, and the changes in its net 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 Discussion and Analysis on pages 6 - 12 and the Schedule of Post-Employment Health Care Benefits Funding Progress on page 33, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods for 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as required by the California State University on pages 51 - 60 and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,) on pages 35 - 42, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 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 23, 2015, 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 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 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 the Foundation's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
September 23, 2015

San Jose State University Research Foundation

Management's Discussion and Analysis (Unaudited)

June 30, 2015

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, 2015. 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 benefit corporation founded in 1931 for the purpose of providing support services to the San José State University (University) 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 the University 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 San Jose State University (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 San Jose State University educational mission. These activities benefit the students, faculty, and the surrounding San Jose community.

Board Designated Programs

Board designated programs are Foundation funded programs that are used to supplement and support the San Jose State University educational mission.

Enterprise Programs

Enterprise programs include three business incubator programs that were created by the City of San Jose Redevelopment Agency. The Foundation was contracted to operate these programs on behalf of the City as they benefit the University and the surrounding community. As of the current year end, all enterprise programs have been discontinued.

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.

San Jose State University Research Foundation **Management's Discussion and Analysis (Unaudited)** **June 30, 2015**

Introduction to the Financial Statement

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 statements 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.

Significant Events – Year Ended June 30, 2015

Change in San Jose State University Management

In July 2015, Mohammad Qayoumi, the president of San Jose State University (SJSU), announced his separation from SJSU in the middle of August 2015. An interim president was appointed.

Change in Foundation Management

In June 2015, Sandeep Muju was appointed as executive director of the Foundation. Pamela Stacks who served as the Foundation's interim chief operating officer prior to Dr. Muju's appointment, was named Associate Vice President for Research for the University's Office of Research.

Discontinued Enterprise Programs

Enterprise Programs include three business incubator programs that were created by the City of San Jose Redevelopment Agency. The Foundation was contracted to operate these programs on behalf of the City as they benefit the University and the surrounding community. The three incubator programs are the San Jose BioCenter, the Environmental Business Cluster, and the US Market Access Center. Because of the loss of the Redevelopment Agency funding, the Foundation has discontinued operation of the BioCenter as of August 31, 2012, and discontinued operation of the Environmental Business Cluster as of March 31, 2013. The Foundation discontinued operation of the US Market Access Center on October 31, 2013.

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2015

***Discontinued Operation of a Federal Government Owned Research Vessel
(Sponsored Program)***

For the past thirty years, the San Jose State University Research 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 the San Jose State University and the Foundation. The operating agreement is 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 are 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, \$865,379; remain in Research Foundation possession per the agreement with NSF. These funds are restricted for the purposes of retrofitting other MLML vessels with equipment, or other needs for continuity of the marine operations at MLML.

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, 2015. Included are analysis of current year's activities and balances in the Foundation's net position.

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2015

A comparison of fiscal year 2015 to 2014 Statements of Net Position is shown below:

Assets:	FY 2015	FY 2014	Inc/(decrease)
Current assets:			
Cash and cash equivalents	\$ 1,081,877	\$ 1,233,650	\$ (151,773)
Short-term investments	23,834,755	24,378,124	(543,369)
Accounts receivable, net	7,632,881	7,370,645	262,236
Leases receivable, current portion	31,166	62,146	(30,980)
Prepaid expenses and other assets	210,543	232,627	(22,084)
Total current assets	<u>32,791,222</u>	<u>33,277,192</u>	<u>(485,970)</u>
Noncurrent assets:			
Restricted cash and cash equivalents	34,815	36,992	(2,177)
Other long-term investments	1,223,302	487,437	735,865
Capital assets, net	8,949,375	8,959,058	(9,683)
Other assets	83,834	64,912	18,922
Total noncurrent assets	<u>10,291,326</u>	<u>9,548,399</u>	<u>742,927</u>
Total assets	<u>43,082,548</u>	<u>42,825,591</u>	<u>256,957</u>
Deferred outflows of resources:			
Unamortized loss on refunding(s)	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred outflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:			
Current liabilities:			
Accounts payable	3,532,377	2,734,878	797,499
Accrued salaries and benefits payable	1,615,385	1,819,496	(204,111)
Accrued compensated absences— current portion	1,418,027	1,332,536	85,491
Unearned revenue	6,538,192	8,491,819	(1,953,627)
Other liabilities	36,194	68,673	(32,479)
Total current liabilities	<u>13,140,175</u>	<u>14,447,402</u>	<u>(1,307,227)</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	151,298	234,265	(82,967)
Depository accounts	287,169	449,476	(162,307)
Other postemployment benefits obligation	15,855,633	15,279,565	576,068
Other liabilities	8,000	11,322	(3,322)
Total noncurrent liabilities	<u>16,302,100</u>	<u>15,974,628</u>	<u>327,472</u>
Total liabilities	<u>29,442,275</u>	<u>30,422,030</u>	<u>(979,755)</u>
Deferred inflows of resources:			
Deferred inflows from SCAs, grants, and others	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:			
Net investment in capital assets	8,949,375	8,959,058	(9,683)
Restricted for:			
Nonexpendable – endowments	—	—	—
Expendable:			
Research	70,754	37,961	32,793
Capital projects	—	—	—
Unrestricted	4,620,144	3,406,542	1,213,602
Total net position	<u>\$ 13,640,273</u>	<u>\$ 12,403,561</u>	<u>\$ 1,236,712</u>

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Assets: Total assets increased \$256,957 from June 30, 2014 to June 30, 2015.

Current assets decreased \$485,970 primarily due to a decrease in cash of \$151,773, a decrease in short-term investment of \$543,369, and an increase in receivables of \$262,236.

Noncurrent assets increased \$742,927 primarily due to an increase in the other long-term investments of \$735,865.

Liabilities: Total liabilities decreased by \$979,755 from June 30, 2014 to June 30, 2015.

Current liabilities decreased \$1,307,227 primarily due to the decrease in unearned revenue of \$1,953,627 from prepaid grants, tuition and fees. Liabilities from accounts payable increased by \$797,499.

Noncurrent liabilities increased by \$327,472 primarily due to a \$576,068 increase in post-retirement benefit obligation, and a decrease of \$162,307 in depository accounts.

Net Position: The total net position increased \$1,236,712 to \$13,640,273 as of June 30, 2015.

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2015

A comparison of fiscal year 2015 to fiscal year 2014 Statements of Revenues, Expenses, and Changes in Net Position is shown below:

	FY2015	FY2014	Inc/(decrease)
Operating Revenues			
Sponsored Programs	\$ 41,793,049	\$ 43,147,288	\$ (1,354,239)
Campus Self-support Programs	8,503,821	8,698,944	(195,123)
Enterprise Programs	-	69,994	(69,994)
Cost Recovery			
Indirect cost recovery from sponsored programs	7,907,405	8,274,448	(367,043)
Administrative and program fees	487,003	535,006	(48,003)
Total operating revenue	<u>58,691,278</u>	<u>60,725,680</u>	<u>(2,034,402)</u>
Operating Expenses			
Sponsored programs	46,105,572	48,455,745	(2,350,173)
Self-supported programs	6,884,805	8,342,222	(1,457,417)
Enterprise programs	(1,908)	167,243	(169,151)
Board designated programs	1,221,481	2,091,914	(870,433)
Management and general	7,755,115	7,072,951	682,164
Other expenses	164,767	14,059	150,708
Total Operating expenses	<u>62,129,832</u>	<u>66,144,134</u>	<u>(4,014,302)</u>
Operating Income/(loss)	<u>(3,438,554)</u>	<u>(5,418,454)</u>	<u>1,979,900</u>
Non-operating revenue/(expenses)			
Financial Aid	2,627,313	2,917,275	(289,962)
Investment Income	344,297	1,854,368	(1,510,071)
Gifts and Donations (cash and in-kind)	1,703,656	2,365,603	(661,947)
Net non-operating revenues/(expenses)	<u>4,675,266</u>	<u>7,137,246</u>	<u>(2,461,980)</u>
Increase/(decrease) in net position	<u>1,236,712</u>	<u>1,718,792</u>	<u>(482,080)</u>
Net Position			
Beginning balance	12,403,561	10,684,769	1,718,792
Ending balance	<u>\$ 13,640,273</u>	<u>\$ 12,403,561</u>	<u>\$ 1,236,712</u>

Revenue: Total revenue decreased by \$2,034,402 from fiscal year 2014 to fiscal year 2015.

The variance is primarily due to a decrease in Sponsored Programs revenue of \$1,354,239; the revenue varies from year to year because new grants start and old grants end throughout the year. As a result, F&A cost recovery decreased by \$367,043. The Foundation is actively encouraging SJSU faculty to submit new proposals which will result in more awards.

San Jose State University Research Foundation

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Operating Expenses: Total operating expenses decreased \$4,014,302 overall from fiscal year 2014 to fiscal year 2015

The decrease was primarily due to a \$2,350,173 drop in federal grants and contracts activity, as explained in the revenue section above. Furthermore, there was a decrease in campus self-support expenditures in the amount of \$1,457,417.

In fiscal year 2015, the Foundation transferred \$100,000 to the Tower Foundation (a related party) to establish a quasi-endowment for the purpose of awarding scholarships to outstanding students.

Non-operating Revenues (Expenses): Non-operating revenues (expenses) come from sources that are not part of the Foundation's primary business functions. Total non-operating revenues (expenses) resulted in a net decrease of \$2,461,980, mostly from a decrease in investment income of \$1,510,071 and a decrease of \$661,947 in gifts and donations.

San Jose State University Research Foundation

(a California State University Auxiliary Organization and a Component Unit of San Jose State University)

BASIC FINANCIAL STATEMENTS

June 30, 2015

San Jose State University Research Foundation
Statement of Net Position
June 30, 2015

Assets:

Current assets:	
Cash and cash equivalents	\$ 1,081,877
Short-term investments	23,834,755
Accounts receivable, net	7,632,881
Leases receivable	31,166
Prepaid expenses and other assets	210,543
	<hr/>
Total current assets	32,791,222
Noncurrent assets:	
Restricted cash and cash equivalents	34,815
Other long-term investments	1,223,302
Capital assets, net	8,949,375
Other assets	83,834
	<hr/>
Total noncurrent assets	10,291,326
	<hr/>
Total assets	43,082,548

Deferred outflows of resources:

Unamortized loss on refunding(s)	<hr/> -
	<hr/>
Total deferred outflows of resources	<hr/> -

Liabilities:

Current liabilities:	
Accounts payable	3,532,377
Accrued salaries and benefits payable	1,615,385
Accrued compensated absences— current portion	1,418,027
Unearned revenue	6,538,192
Other liabilities	36,194
	<hr/>
Total current liabilities	13,140,175
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	151,298
Payable to external agencies	287,169
Other postemployment benefits obligation	15,855,633
Other liabilities	8,000
	<hr/>
Total noncurrent liabilities	16,302,100
	<hr/>
Total liabilities	29,442,275

Deferred inflows of resources:

Deferred inflows from SCAs, grants, and others	<hr/> -
	<hr/>
Total deferred inflows of resources	<hr/> -

Net Position:

Net investment in capital assets	8,949,375
Restricted for:	
Nonexpendable	-
Expendable:	
Research	70,754
Unrestricted	4,620,144
	<hr/>
Total net position	\$ 13,640,273

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

Revenues:

Operating revenues:	
Student tuition and fees	\$ 5,868,738
Grants and contracts, noncapital:	
Federal	23,609,875
State	11,123,975
Local	4,223,173
Nongovernmental	2,836,025
Indirect cost recovery from sponsored programs	7,907,405
Sales and services of auxiliary enterprises	42,233
Administrative and program fees	487,003
Other operating revenues	2,592,851
	<hr/>
Total operating revenues	58,691,278

Expenses:

Operating expenses:	
Instruction	13,351,981
Research	35,906,661
Public service	466,052
Academic support	799,965
Student services	789,287
Institutional support	7,162,562
Operation and maintenance of plant	762,753
Student grants and scholarships	2,642,251
Auxiliary enterprise expenses	18,381
Depreciation and amortization	229,939
	<hr/>
Total operating expenses	62,129,832
	<hr/>
Operating (loss)	(3,438,554)

Nonoperating revenues:

Federal financial aid grants, noncapital	1,167,149
State financial aid grants, noncapital	1,185,064
Local financial aid grants, noncapital	89,293
Nongovernmental and other financial aid grants, noncapital	185,807
Gifts (including in-kind donation of \$1,664,425)	1,703,656
Investment income, net	344,297
	<hr/>
Net nonoperating revenues	4,675,266
	<hr/>
Increase in net position	1,236,712

Net position:

Net position at beginning of year	12,403,561
Net position at end of year	<u>\$ 13,640,273</u>

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Cash Flows
Year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 6,476,606
Federal grants and contracts	24,444,744
State grants and contracts	7,822,867
Local grants and contracts	3,982,592
Nongovernmental grants and contracts	2,835,845
Payments to suppliers	(19,557,330)
Payments to employees	(38,528,493)
Payments to students	(2,642,251)
Sales and services of auxiliary enterprises	42,233
Indirect cost recovery from sponsored programs	7,907,405
Administrative and program fees	487,003
Other receipts	2,455,070
Net cash (used in) operating activities	<u>(4,273,709)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal financial aid grants, noncapital	1,167,149
State financial aid grants, noncapital	1,185,064
Local financial aid grants, noncapital	89,293
Nongovernmental and other financial aid grants	185,807
Gifts and grants received for other than capital purposes	1,703,656
Monies disbursed on behalf of others	(162,307)
Other noncapital financing activities	30,980
Net cash provided by noncapital financing activities	<u>4,199,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts	(53,723)
Acquisition of capital assets	(166,533)
Net cash (used in) capital and related financing activities	<u>(220,256)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	25,393,926
Purchase of investments	(26,599,491)
Investment income (loss)	1,345,938
Net cash provided by investing activities	<u>140,373</u>
Net decrease in cash and cash equivalents	(153,950)
Cash and cash equivalents - beginning of year	1,270,642
Cash and cash equivalents - end of year	<u>\$ 1,116,692</u>

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Cash Flows (continued)
Year ended June 30, 2015

Summary of cash and cash equivalents at end of year:

Cash and cash equivalents	\$ 1,081,877
Restricted cash and cash equivalents	34,815
Total cash and cash equivalents at end of year	<u>\$ 1,116,692</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating (loss)	(3,438,554)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	229,939
Change in assets and liabilities:	
Accounts receivables- net	(250,808)
Prepaid expenses and other assets	3,162
Accounts payable	797,499
Accrued salaries and benefits	(204,111)
Accrued compensated absences	2,524
Deferred revenue	(1,953,627)
Other postemployment benefits obligation	576,068
Other liabilities	(35,801)
Net cash (used in) operating activities	<u>\$ (4,273,709)</u>

Supplemental disclosure of non-cash investing activity:

Decrease in fair value of investments	\$ (1,013,069)
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See accompanying notes to financial statements.

San Jose State University Research Foundation

June 30, 2015

Notes to Financial Statements

Note 1 - Organization

The San Jose 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 Jose 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.

Pronouncements Issued

The Foundation implemented the following GASB statements that became effective for the year ended June 30, 2015:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*

Implementation of GASB 68 did not have a significant impact on the financial statements. The Foundation elected to implement the following GASB statements early:

- GASB Statement No. 72, *Fair Value Measurement and Application*

GASB Statement No. 72, Fair Value Measurements and Application (the "Statement") was issued and becomes effective for financial statements for periods beginning after June 15, 2015. Management has elected to adopt this Statement early. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. Additionally, this Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements

Implementation of GASB 72 did not have a significant impact on the financial statements.

San Jose State University Research Foundation June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 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. An allowance for doubtful accounts of \$231,984 was recorded at June 30, 2015, for the enterprise program which was discontinued in October 2013.

Capital Assets

Purchased assets are recorded at cost. Contributed property and equipment are recorded at estimated fair value or appraised value at the date of contribution. 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 years ended June 30, 2015.

Revenue Recognition and Unearned Revenue

Revenue is recognized when earned. Deferred 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 US 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 Auxiliary enterprise programs 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, enterprise 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, cash and in-kind donations, transfer of assets, and non-periodic post-retirement benefit cost.

San Jose State University Research Foundation June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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 US Department of Health and Human Services, the rates 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 greater than \$5,000. Capital assets are recorded at cost when purchased and when donated, at fair value on the date donated. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 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 3 to 10 years. Depreciation expense was \$229,939 for the year ended June 30, 2015. There was no leasehold improvement amortization for the year ended June 30, 2015.

The total cost of assets was \$14,167,365, with related accumulated depreciation of \$5,217,990 with a net book value of \$8,949,375 as of June 30, 2015.

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 at the end of employment. Employees are not paid for unused sick leave at the end of employment. At July 1, 2014, the Foundation had balances of \$1,566,801 in its accrued vacation liabilities. During the fiscal year, \$1,916,788 accrued vacation was earned and \$1,914,264 was used. At June 30, 2015, the Foundation had balances of \$1,569,325 in accrued vacation liabilities.

San Jose State University Research Foundation June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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 – Cash, Cash Equivalents, and Investments

Investment Policy Statement

Investments held by the Foundation are a portion of the organization's accumulated cash surplus that is deemed not to be part of the normal day-to-day cash needs. 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. In general terms, each major category of investments may represent a percentage of the portfolio: up to 5% cash, 10% alternative investments, 40% equities, and at least 50% in fixed income.

For the table below, please note the last line, titled *State of California Local Agency Investment Fund (LAIF)*, listed represents highly liquid investments that are part of the day-to-day cash needs. The LAIF account is not part of the Investment Policy Statement but does belong in the necessary disclosures below.

The cost and fair market value of investments as of June 30, 2015 are as follows:

Investment Type	Fair Value	Historical Cost	Cumulative unrealized gain (loss)
Equity securities - Funds	\$ 7,938,112	\$ 7,280,939	\$ 657,173
Land and other real estate REIT Fund	374,244	363,717	10,527
US Fixed Income - Funds	7,160,771	7,354,104	(193,333)
Debt securities - Corporate	2,360,791	2,331,111	29,680
Fixed income securities (Treasury notes, GNMA's)	152,598	145,320	7,278
Agency pass-through	953,279	766,570	186,709
Certificates of deposit	402,086	395,000	7,086
Non - traditional mutual funds	995,117	996,300	(1,183)
Money market funds	40,237	40,237	-
State of California Local Agency Investment Fund (LAIF)	4,680,822	4,680,822	-
Portfolio total	<u>\$ 25,058,057</u>	<u>\$ 24,354,120</u>	<u>\$ 703,937</u>

San Jose State University Research Foundation

June 30, 2015

Note 3 – Cash, Cash Equivalents, and Investments (continued)

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	Average Years Duration
Debt securities - Corporate	1.16
Certificates of deposit	4.46
Fixed income securities (Treasury notes, GNMA's)	0.29
Portfolio total	<u>5.91</u>

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. Financial instruments which potentially subject the Foundation to custodial credit risk consist primarily of cash, cash equivalents, and investments. The Foundation maintains cash and cash equivalents primarily with major financial institutions. Cash equivalents include investments in money market mutual funds, and the State of California's Local Agency Investment Fund ("LAIF"). The Foundation's investments have been placed with RBC Wealth Management and UBS Financial Services- both major financial institutions with over \$200 million in SIPC insurance.

Custodial credit risk for 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.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, the Foundation would not be able to recover its investment. With respect to investments, custodial risk generally applies only to 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.

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.

San Jose State University Research Foundation

June 30, 2015

Note 3 – Cash, Cash Equivalents, and Investments (continued)

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 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. At least 40% of the Foundation's portfolio should be in investment grade fixed income investments. These can be in certificates of deposit, U.S. Government bonds, and corporate bonds, publicly traded investments, such as mutual funds, closed end funds, and Exchange Traded Funds.

The table below summarizes the ratings of relevant fixed income investments of the Foundation:

Investment Type	Credit Risk (Moody's / S&P)				Not	
	Aaa / AAA	Aa / AA	A / A	Baa / BBB	Investment Grade	Not Rated
Debt securities - Corporate	\$ -	\$ -	\$ 1,062,446	\$ 1,128,208	\$ 167,796	\$ 2,341
Fixed income securities (Treasury notes, GNMA's)	125,662	26,936	-	-	-	-
Agency pass-through	25,659	-	-	-	-	927,620
Certificates of deposit	-	-	-	-	-	402,086
Portfolio total	<u>\$ 151,321</u>	<u>\$ 26,936</u>	<u>\$ 1,062,446</u>	<u>\$ 1,128,208</u>	<u>\$ 167,796</u>	<u>\$ 1,332,047</u>

Fair Value Measurements

Statement No. 72 of the Government Accounting Standards Board ("GASB") *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.

San Jose State University Research Foundation June 30, 2015

Note 3 – Cash, Cash Equivalents, and Investments (continued)

Fair Value Measurements (continued)

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.

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, 2015. 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 uses 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.

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.

San Jose State University Research Foundation
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Note 3 – Cash, Cash Equivalents, and Investments (continued)

Fair Value Measurements (continued)

	EARLY ADOPTION OF GASB 72			
	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Equity securities - Funds	\$ 7,873,571	\$ 48,141	\$ 16,400	\$ 7,938,112
Land and other real estate REIT Fund	374,244	-	-	374,244
US Fixed Income - Funds	7,160,771	-	-	7,160,771
Debt securities - Corporate	1,959,534	398,916	2,341	2,360,791
Fixed income securities (Treasury notes, GNMA's)	-	152,598	-	152,598
Collateralized mortgage obligations:				
Agency pass-through	-	953,279	-	953,279
Certificates of deposit	402,086	-	-	402,086
Non - traditional mutual funds	995,117	-	-	995,117
Leveled investment total	<u>\$ 18,765,323</u>	<u>\$ 1,552,934</u>	<u>\$ 18,741</u>	<u>\$ 20,336,998</u>
			Money market and LAIF	\$ 4,721,059
			Investment portfolio total	<u>\$ 25,058,057</u>

Note 4 – Accounts Receivable

The Foundation's accounts receivables are primarily from its sponsored programs. As of June 30, 2015 the Foundation has the following receivables:

	2015
Accounts receivable - sponsored programs	\$ 7,324,537
Other receivables	540,328
Subtotal accounts receivable	7,864,865
Allowance for doubtful accounts	(231,984)
Total accounts receivable, net	<u>\$ 7,632,881</u>
Leases receivable	<u>\$ 31,166</u>

San Jose State University Research Foundation June 30, 2015

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.

The Foundation entered into an agreement in 2010 with the Tower Foundation for investing endowment funds awarded by the National Endowment for Humanities, a U.S. Government Agency. The award is a challenge grant for \$375,000 with a condition that the awardee is required to perform fund-raising in the amount of \$1,125,000 or prorated to a one-to-three matching ratio. As the Tower Foundation is the designated philanthropic organization of San Jose State University campus, the Tower Foundation has agreed to perform fund-raising to meet the requirement and agreed to the investing of both government funds and donor funds. This award ended in July 2014.

During the fiscal year ended June 30, 2015, because the fund-raising goal was not met in its entirety, \$9,448 of federal funds was returned by the Tower Foundation to the Foundation. The Foundation returned the same amount to the National Endowment for Humanities in fiscal year 2015.

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, 2015, receivables due from and payables due to related parties are as follows:

Receivable from the University	\$ 44,906
Receivable from Tower Foundation	15,158
Payable to the University	1,349,561
Payable to Student Union	584
Payable to Associated Students	40,116
Payable to Spartan Shops, Inc.	41,761
Payable to Tower Foundation	4,707

During the year ended June 30, 2015, amounts paid to the University and related organizations for services were as follows:

The University	\$ 5,477,231
Spartan Shops, Inc.	467,851
Associated Students	95,342
Student Union	4,754
Tower Foundation	130,994

San Jose State University Research Foundation

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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)	1,016,420	87,658	(1,067,600)	(36,478)	-
Total capital assets not being depreciated	6,192,949	87,658	(1,067,600)	(36,478)	5,176,529
Capital assets being depreciated:					
Buildings and building improvements	4,700,171	2,543	1,067,600	-	5,770,314
Leasehold improvements	680,902	-	-	-	680,902
Equipment	1,600,429	166,533	-	-	1,766,962
Software and websites	772,658	-	-	-	772,658
Total capital assets being depreciated	7,754,160	169,076	1,067,600	-	8,990,836
Total capital assets	13,947,109	256,734	-	(36,478)	14,167,365
Less accumulated depreciation:					
Buildings and building improvements	(2,000,732)	(203,782)	-	-	(2,204,514)
Leasehold improvements	(680,902)	-	-	-	(680,902)
Equipment	(1,533,759)	(26,157)	-	-	(1,559,916)
Software and websites	(772,658)	-	-	-	(772,658)
Total accumulated depreciation	(4,988,051)	(229,939)	-	-	(5,217,990)
Net capital assets being depreciated	2,766,109	(60,863)	1,067,600	-	3,772,846
Net capital assets	\$ 8,959,058	\$ 26,795	\$ -	\$ (36,478)	\$ 8,949,375

The Foundation and the University entered into an agreement on August 13, 2013 to build an aquaculture laboratory in Moss Landing, California. This project was built on Foundation owned property, and the construction was managed through the University. The Foundation owns the laboratory. The cost was approximately \$1.1 million. The laboratory opened in August 2014.

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, 2015 no funds were drawn for operational use and there were no amounts outstanding under the LOC as of June 30, 2015.

San Jose State University Research Foundation June 30, 2015

Note 7 – Commitments (continued)

Line of Credit (continued)

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 the balance off each month.

Beginning balances	Increases	Decrease	Ending balances
\$0	\$37,958	(\$37,958)	\$0

Lease Arrangements

Change to 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.

The Foundation has a master lease at 210 North Fourth Street, San Jose, California, for the entire third and fourth floors, originally for 10 years. The Foundation pays the rent and maintenance costs to the property owner. The Foundation also signed a sublease agreement with the University in which the Foundation specifies that it is only responsible for paying the rent and maintenance costs of the square footage that the Foundation occupies. Any space that is not occupied by the Foundation is the responsibility of the University. The University reimburses the Foundation (sublease receipts) for space that the Foundation does not occupy. The original lease expired on February 28, 2013 and has been extended to August 31, 2016.

Years Ending June 30	Operating Leases	Sublease Income from the University	Net Operating Lease Commitment
2016	\$ 581,600	\$ (240,201)	\$ 341,399
2017	98,851	(40,826)	58,025
Thereafter	-	-	-
Total future minimum lease payments	\$ 680,451	\$ (281,027)	\$ 399,424

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, 2012 to November 29, 2015 for \$8,000 per month. The cost of land and building was \$2,470,945, with a net book value of \$2,165,413 as of June 30, 2015. Depreciation expense for the year ended June 30, 2015 was \$35,596. Future lease revenue is listed in the table below:

Years Ending June 30,	
2016	\$ 40,000
	\$ 40,000

San Jose State University Research Foundation

June 30, 2015

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").

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 percent 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, 2015, the Foundation recognized pension expense of \$1,137,553 and recorded a liability of \$89,162 at June 30, 2015.

During the Plan year ended December 31, 2014, the Foundation converted from a FASB reporting entity, to a GASB reporting entity.

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.

Plan Funding

The Foundation established an Internal Revenue Code Section 115 Trust, the Research Organizations Retiree Medical Trust (RORMT), 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 89% of the retiree's monthly medical insurance premiums; in addition the Foundation contributes approximately \$400,000 per year to the Trust as an investment towards fully funding the obligation to the employees. At June 30, 2015, the actuarial value of Trust investments was \$2,686,422.

Annual OPEB Cost and Net OPEB Obligation

The Foundation's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC 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 period not to exceed 30 years. The Foundation has 23 years remaining in its 30 year amortization period.

San Jose State University Research Foundation
June 30, 2015

Note 8 - Employee Benefits and Compensation Plans (continued)

The following shows the components of the Foundation's OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and changes in the Foundation's net OPEB obligation at June 30, 2015:

	2014 / 15
Calculation of Annual OPEB Cost	
Normal Cost	\$ 735,459
Amortization of unfunded actuarial accrued liability	1,081,893
Annual Required Contribution (ARC)	1,817,352
Interest on net OPEB Obligation	909,134
Adjustment to ARC	(1,236,334)
Calculation of Net OPEB Obligation	
Net OPEB Obligation (Asset) at beginning of year	15,279,565
Annual OPEB Cost	1,490,152
Less actual employer contributions	(914,084)
Net OPEB Obligation at end of year	\$ 15,855,633

Annual OPEB Cost and Net OPEB Obligation

The following table sets forth the plan's funded status as of July 1, 2013, given that this is the date of the most recent actuarial study:

	Number of Employees	Present Value
Active Employees	231	\$ 9,217,380
Retirees and Surviving Spouses	56	5,042,427
Actuarial Accrued Liability		14,259,807
Actuarial Value of Assets		1,511,217
Unfunded Actuarial Accrued Liability		\$ 12,748,590
Funded ratio		10.6%
Covered payroll		\$ 18,525,349
UAAL as a percentage of covered payroll		68.9%

San Jose State University Research Foundation

June 30, 2015

Note 8 - Employee Benefits and Compensation Plans (continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2015 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of net Annual OPEB Cost Contributed	OPEB Obligation
6/30/2015	\$ 1,490,152	61.30%	\$ 15,855,633
6/30/2014	\$ 1,420,653	58.00%	\$ 15,279,565

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The method and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The valuation was completed using the Projected Unit Credit Actuarial Cost method and assuming a closed 30-year amortization of the Unfunded Actuarial Accrued Liability using the level dollar amortization method.

The following assumptions were made:

Discount Rate: A discount rate of 5.95% was used based on the long-term rate of return on the assets held.

Retirement Age for Active Employees: Rather than assuming that every employee is of average age and service, we have valued every employee in the census file given to us, based on age and service.

Mortality: Mortality rates by age and year were calculated based on the rates used in California PERS valuations, with generational mortality projection using Scale AA.

Turnover: California PERS provides a table for annual withdrawal rates based on age and service. These rates were used for our valuation.

Healthcare Cost Trend Rate: Maximum employer contribution was assumed that it would increase 6.4% for the calendar year 2016.

San Jose State University Research Foundation
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Note 9 – Functional Expenses

Functional expenses for the year ended June 30, 2015 were as follows:

Operating expenses:	
Sponsored programs	\$ 46,105,572
Campus self-support programs	6,884,805
Enterprise programs	(1,908)
Board designated programs	1,221,481
Management and general	7,755,115
Other expenses	164,767
Total operating expenses	<u>\$ 62,129,832</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, 2015.

Note 11 - Subsequent Events:

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2015 through October 5, 2015, the date these financial statements were available to be issued.

Required Supplementary Information

**San Jose State University Research Foundation
Schedule of Post-Employment
Health Care Benefits Funding Progress
June 30, 2015**

<u>Actuarial Valuation</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued</u>	<u>Unfunded Actuarial</u>	<u>Funded Ratio</u>
July 1, 2013	\$ 1,511,217	\$ 14,259,807	\$ 12,748,590	10.60%

The fair value of plan assets at June 30, 2015 was \$2,686,422.

Fiscal year 2014 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions*. In future years, as actuarial valuations become available, two year trend information will be disclosed.

Reports and Schedules Required by OMB Circular A-133

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
RESEARCH AND DEVELOPMENT EXPENDITURES					
Department of Agriculture:					
Analyses of Fire-Induced Atmospheric Turbulence Regimes from Field Observations			10.13-CR-11242306-073	\$ 7,260	\$
Specialty Crop Block Grant Program - Farm Bill	CA Dept of Food & Agriculture	SCB14031	10.170	19,377	
Organic Agriculture Research and Extension Initiative	UC, Santa Cruz	S0183656	10.307	22,860	
Forestry Research			10.652	2,766	
Total Department of Agriculture:				<u>52,263</u>	
Department of Commerce:					
Integrated Ocean Observing System	Monterey Bay Aquarium Res Institute	1411342	11.012	59,044	
Integrated Ocean Observing System	University of Maryland	07525684 PO4048	11.012	394	
Integrated Ocean Observing System	University of Maryland	CA12-1107-5-25684	11.012	178,718	
Integrated Ocean Observing System	Sonoma State University	SA 110483	11.012	9,779	
				<u>247,935</u>	
Sea Grant Support	Regents of The Univ of California	10309609-003	11.417	9,925	
Sea Grant Support	Regents of The Univ of California	NA10OAR4170060	11.417	1,794	
				<u>11,719</u>	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program			11.427	314,147	140,072
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	University of Miami	R120127-66910P	11.432	2,282,309	
Marine Mammal Data Program			11.439	49,798	
Center for Sponsored Coastal Ocean Research			11.478	132,452	
Coastal Ocean Program					
Measurement and Engineering Research and Standards			11.609	34,671	
Total Department of Commerce:				<u>3,073,031</u>	
Department of Defense:					
Basic and Applied Scientific Research			12.300	55,739	
Basic and Applied Scientific Research	Cascadia Research Collective	JUNE 1,2014	12.300	19,989	
				<u>75,728</u>	
Basic Scientific Research	Florida Institute of Technology	201345	12.431	11,912	
Basic and Applied Scientific Research			12.N00014-13-C-5008	159,510	
Basic and Applied Scientific Research			12.N0024	77	
Basic and Applied Scientific Research			12.N62473-07-2-0015	16,116	
Naval Postgraduate School - MISO Dive			12.unknown	662	
Total Department of Defense:				<u>264,005</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Department of The Interior:					
Coastal Impact Assistance Program (CIAP)	CA Ocean Protection Council	10-012	15.426	\$ 44,626	\$
Fish and Wildlife Management Assistance			15.608	12,961	
Coastal Program			15.630	21,457	
Natural Resource Damage Assessment, Restoration and Implementation			15.658	4,064	
Earthquake Hazards Research and Monitoring Assistance			15.807	15,901	
U.S. Geological Survey_ Research and Data Collection			15.808	277,830	
National Cooperative Geologic Mapping Program			15.810	957	
Total Department of The Interior:				377,796	
Department of State:					
Public Diplomacy Programs for Afghanistan and Pakistan			19.501	891,173	
Total Department of State:				891,173	
Department of Transportation:					
University Transportation Centers Program			20.701	1,136,553	584,009
Total Department of Transportation:				1,136,553	
National Aeronautics and Space Administration:					
Science			43.001	1,060,775	
Science	Jet Propulsion Laboratory	1414961	43.001	221,386	
Science	Southwest Research Institute	1415GC0065	43.001	13,831	
Science	Jet Propulsion Laboratory	1427170	43.001	19,170	
Science	Jet Propulsion Laboratory	1457726	43.001	24,758	
Science	University of Miami	663678	43.001	175,067	
Science	University of Washington	748791	43.001	22,059	
Science	Georgia Tech Univ.	RE407-G2	43.001	86,243	
Science	University of Georgia	RR175-250/4940766	43.001	9,723	
Science	Smithsonian Institution	SV3-83010	43.001	18,478	
				1,651,490	
Aeronautics			43.002	13,944,921	508,387
Aeronautics	Ntl Space Biomedical Research Inst	HFP02803	43.002	118,330	
Aeronautics	CSU, Long Beach Foundation	S07359809	43.002	51,699	
Aeronautics	CSU, Long Beach Foundation	SCG178915100	43.002	4,401	
				14,119,351	
Education			43.008	76,322	
Cross Agency Support			43.009	1,782,705	50,592
Total National Aeronautics and Space Administration:				17,629,868	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Ntl Endowmnt for the Humnities:					
Promotion of the Humanities_Challenge Grants			45.130	\$ 216,314	\$
National Leadership Grants			45.312	33,229	
Total Ntl Endowmnt for the Humnities:				<u>249,543</u>	
Inst of Museum & Library Serv:					
Laura Bush 21st Century Librarian Program	Loyola Marymount University	13-026	45.313	12,331	
Total Inst of Museum & Library Serv:				<u>12,331</u>	
National Science Foundation:					
Engineering Grants	Northeastern University	502076-78051	47.041	106,747	
Engineering Grants	Purdue University	NEES-4101-31869	47.041	18,134	
				<u>124,881</u>	
Mathematical and Physical Sciences			47.049	137,855	
Mathematical and Physical Sciences	University of Maryland	15702-Z4339001	47.049	1,749	
				<u>139,604</u>	
Geosciences			47.050	2,183,171	50,432
Geosciences	Humboldt State University	7100439	47.050	17,236	
Geosciences	Univ Corp for Atmospheric Res	Z14-12728	47.050	11,508	
				<u>2,211,915</u>	
Computer and Information Science and Engineering			47.070	30,000	
Computer and Information Science and Engineering	San Diego State University Fdn	SA0000389	47.070	2,478	
Computer and Information Science and Engineering	San Diego State University Fdn	SA0000389 AMEND 1	47.070	2,500	
Computer and Information Science and Engineering	San Diego State University Fdn	SA0000389 AMEND 2	47.070	2,500	
Computer and Information Science and Engineering	San Diego State University Fdn	SA0000389 AMEND 3	47.070	2,500	
Computer and Information Science and Engineering	San Diego State University Fdn	SA0000389 AMEND 5	47.070	2,498	
Computer and Information Science and Engineering	UC, Berkeley	SA4898-10808PG	47.070	104,709	
				<u>147,185</u>	
Undergraduate Science, Mathematics, and Engineering Edu	Zikon Inc.	NSF IIP 1256578	47.071	25,492	
Biological Sciences			47.074	425,432	17,003
Biological Sciences	UC, Berkeley	7363	47.074	10,231	
				<u>435,663</u>	
Social, Behavioral, and Economic Sciences			47.075	30,033	
Education and Human Resources			47.076	378,780	
Education and Human Resources	CSU, Sacramento	523921	47.076	38,398	
Education and Human Resources	Georgia State University	SP00010602-08	47.076	14,228	
				<u>431,406</u>	
Polar Programs			47.078	211,859	31,201
Office of International Science and Engineering	San Diego State University Fdn	57387AP30137803211	47.079	102,290	
Total National Science Foundation:				<u>3,860,328</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Environmental Protection Agency:					
The San Francisco Bay Water Quality Improvement Fund	City of San Jose	W900T60701	66.126	\$ 11,900	\$
Water Pollution Control State, Interstate, and Tribal Program Support	CA St, Water Resrces Cntrl Bd	11-074-270	66.419	4,747,012	2,344,342
Regional Wetland Program Development Grants	So CA Coastal Water Res Project	8937	66.461	21,036	(319)
Regional Wetland Program Development Grants	So CA Coastal Water Res Project	8941	66.461	29,544	
Regional Wetland Program Development Grants	San Jose State University	CD-00T83101-0	66.461	116,921	23,444
Regional Wetland Program Development Grants	San Jose State University	CD-99T05801-0	66.461	73,907	27,453
Regional Wetland Program Development Grants	San Jose State University	CD-99T18101-0	66.461	41,755	
				<u>283,163</u>	
P3 Award: National Student Design Competition for Sustainability			66.516	8,034	
Total Environmental Protection Agency:				<u>5,050,109</u>	
Department of Energy:					
Stochastic & Hybrid Models	Lawrence Berkeley Natl Laboratories	6998690	81.DE-AC02-05	6,831	
Stochastic & Hybrid Models	Lawrence Berkeley Natl Laboratories	7050051	81.DE-AC02-05	82,757	
Total Department of Energy:				<u>89,588</u>	
US Department of Education:					
National Institute on Disability and Rehabilitation Research	Univ of Wisconsin, Milwaukee	143405509	84.133G	38,772	
Total US Department of Education:				<u>38,772</u>	
Dept of Health & Human Services National Institutes of Health:					
Drug Abuse and Addiction Research Programs	Public Health Institute	1020446	93.279	7,015	
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	CSULA, Univ. Auxiliary Svcs.	SJSU231032	93.525	1,537	
Adoption Opportunities	Santa Cruz County	EW13807-01	93.652	8	
Foster Care_Title IV-E	UC, Berkeley	8306	93.658	11,800	
Foster Care_Title IV-E	UC, Berkeley	8509	93.658	79,481	
				<u>91,281</u>	
Extramural Research Programs in the Neurosciences and Neurological Disorders	UC, San Francisco	8141SC	93.853	167,590	
Biomedical Research and Research Training			93.859	564,110	
Total Dept of Health & Human Services National Institutes of Health:				<u>831,541</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)
For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
U.S. Dept of Homeland Security: Centers for Homeland Security	University of Connecticut	35552	97.061	\$ 68,624	\$
Development and Delivery of Prototype Technologies			97.HSCG32-14-C	156,303	
Total U.S. Dept of Homeland Security:				<u>224,927</u>	
Total Research and Development Expenditures				33,781,828	3,776,616
OTHER PROGRAM EXPENDITURES					
Department of Agriculture:					
State Administrative Expenses for Child Nutrition	CA State, Dept of Education	CN120068	10.560	20	
State Administrative Expenses for Child Nutrition	CA State, Dept of Education	CN130059	10.560	3,592	
State Administrative Expenses for Child Nutrition	CA State, Dept of Education	CN140069	10.560	186,865	20,000
Total Department of Agriculture:				<u>190,477</u>	
Department of Commerce:					
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	Humboldt State University	PO#0007101099	11.432	220,220	
Total Department of Commerce:				<u>220,220</u>	
Department of Defense:					
Basic and Applied Scientific Research			12.300	136,940	
Total Department of Defense:				<u>136,940</u>	
Department of Housing and Urban Development:					
Community Development Block Grants/Entitlement	City of San Jose	CPS-12-005	14.218	11,693	
Community Development Block Grants/Entitlement	City of San Jose	CPS-12-005B	14.218	91,604	
Total Department of Housing and Urban Development:				<u>103,297</u>	
Department of Transportation:					
Highway Training and Education	CA State, Dept of Transportation	88A0093	20.215	33,853	
Highway Training and Education	The National Academy of Sciences	HR 20-59(030)	20.215	61,123	
Total Department of Transportation:				<u>94,976</u>	
National Aeronautics and Space Administration:					
Science	ASRC Federal	ART860	43.001	133,005	
Science	Lockheed Martin Corporation	GE06358J80	43.001	58,281	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Science	UC, Santa Cruz	P0505923	43.001	\$ 9,627	\$
Science	Wyle Laboratories	PO# T72552	43.001	150,872	
Science	Regents of The Univ of California	S0160331	43.001	182,268	
				<u>534,053</u>	
Aeronautics			43.002	7,500	
Test Subject Recruitment Office	ASRC Federal	ART860	43.NNA13AB88C	284,104	
Total National Aeronautics and Space Administration:				<u>825,657</u>	
Ntl Endowmnt for the Humnities:					
Promotion of the Humanities_Professional Development			45.163	128,576	
Total Ntl Endowmnt for the Humnities:				<u>128,576</u>	
Inst of Museum & Library Serv					
Laura Bush 21st Century Librarian Program			45.313	22,726	
Total Inst of Museum & Library Serv:				<u>22,726</u>	
Department of Veterans Affairs:					
VA-CASE Professional Development CPAC			64.VA240C-14-D-0009	4,162	
LEAN/Lean Six Sigma (LSS)					
Total Department of Veterans Affairs:				<u>4,162</u>	
Department of Energy:					
Office of Science Financial Assistance Program	University of Missouri	C00035549-1	81.049	33,017	
Total Department of Energy:				<u>33,017</u>	
Department of Education:					
Higher Education_Institutional Aid			84.031A	158,489	
Higher Education_Institutional Aid	Gavilan Joint Comm College District	P031C110070	84.031C	193,015	
TRIO_Student Support Services			84.042A	433,680	
TRIO_McNair Post-Baccalaureate Achievement			84.217A	259,103	
				<u>692,783</u>	
Rehabilitation Services_Vocational Rehabilitation Grants to States	CA State, Dept of Rehab	28870	84.126A	178,526	
Special Education — Personnel Development to Improve Services and Results for Children with Disabilities			84.325K	796,452	
Gaining Early Awareness and Readiness for Undergraduate Programs			84.334A	892,429	
English Language Acquisition State Grants			84.365Z	339,366	
English Language Acquisition State Grants	UC, Santa Cruz	S0183644	84.365Z	77,306	
				<u>416,672</u>	
Improving Teacher Quality State Grants	Regents of The Univ of California	NCLB10-CMP-SAN JOSE	84.367	393	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)
For the year ended June 30, 2015

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Improving Teacher Quality State Grants	Regents of The Univ of California	NCLB11-CMP-SAN JOSE	84.367	\$ 27,000	\$
Improving Teacher Quality State Grants	Regents of The Univ of California	NCLB11-TCAP-SAN JOSE	84.367	23,077	
Improving Teacher Quality State Grants	Regents of The Univ of California	NCLB11-CWP-SAN JOSE	84.367	36,156	
				<u>86,626</u>	
Improving Teacher Quality State Grants	UC, Berkeley	92-CA12-SEED2012	84.367D	12,192	
Strengthening Minority-Serving Institutions			84.382B	<u>561,498</u>	
Total Department of Education:				<u>3,988,682</u>	
Dept of Health & Human Services National Institutes of Health:					
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Superior Court of CA, County of SC	C2201661	93.243	7,765	
Foster Care_Title IV-E	UC, Berkeley	8306	93.658	(1,456)	
Foster Care_Title IV-E	UC, Berkeley	8509	93.658	<u>1,013,110</u>	
				<u>1,011,654</u>	
Biomedical Research and Research Training			93.859	693,280	
Biomedical Research and Research Training	Stanford University	26971890-43884-A	93.859	<u>152,459</u>	
				<u>845,739</u>	
PPHF Geriatric Education Centers	Stanford University	26540890-48595-A	93.969	19,000	
Total Dept of Health & Human Services National Institutes of Health:				<u>1,884,158</u>	
Agency for International Development:					
USAID Foreign Assistance for Programs Overseas			98.001	<u>778,638</u>	
Total Agency for International Development:				<u>778,638</u>	
Total Other Program Expenditures				<u>8,411,526</u>	<u>20,000</u>
Total federal expenditures				<u>\$ 42,193,354</u>	<u>\$ 3,796,616</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is a summary of the expenditures of the Foundation's federal awards on an accrual basis. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Subrecipients

Certain funds are passed through to subgrantee organizations by the Foundation. Expenditures incurred by the subgrantees and reimbursed by the Foundation are presented in the Schedule.

The Foundation is also the subrecipient of federal funds, which have been reported as expenditures and listed as federal pass-through funds.

Note 3 – Federally Restricted Endowment

The accompanying Schedule includes a federally restricted endowment awarded by the Promotion of the Humanities Challenge Grants, CFDA # 45.130. This is a five year challenge grant which requires matching donor funds; this grant ended on July 31, 2014.

During the prior years ended June 30, 2014, 2013, 2012, 2011 and 2010 the Foundation received federal funds of \$14,059, \$85,941, \$44,638, \$29,711 and \$51,413 respectively. During the current year, as the matching donor fund requirement was not met in its entirety, \$9,448 was returned to the granting agency in fiscal year 2015.

Note 4 – Noncash Federal Awards

During the year ended June 30, 2015, the Foundation did not receive nonmonetary assistance.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization) (the “Foundation”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements as listed in the table of contents, and have issued our report thereon dated September 23, 2015.

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 design 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 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 Foundation’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 the Foundation’s 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*.

Intended purpose

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 Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Jose, California
September 23, 2015

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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Report on compliance for major federal program

We have audited the compliance of San Jose State University Research Foundation (the "Foundation") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to the Foundation's federal program.

Auditor's responsibility

Our responsibility is to express an opinion on compliance the Foundation's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on major federal program

In our opinion, the 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, 2015.

Report on internal control over compliance

Management of the Foundation is responsible for designing, implementing, 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 compliance requirements that could have a direct and material effect on the major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Jose, California
October 5, 2015

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? None
- Significant deficiency identified? None reported

Noncompliance material to financial statements noted? None reported

Federal awards

Internal control over major programs:

- Material weakness identified? None
- Significant deficiency identified? None reported

Type of auditor's opinion issued on compliance for major program: Unmodified

- Any audit findings disclosed that are required to be reported
 in accordance with section 510(a) of Circular A-133? None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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Various	Research and Development Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$1,265,801

- Auditee qualified as low-risk auditee? No

SECTION II — FINANCIAL STATEMENT FINDINGS

None reported for the year ended June 30, 2015.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported for the year ended June 30, 2015.

SCHEDULE OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Item 2014-003 – Issuance of management decisions in response to audit findings in sub-recipient OMB Circular A-133 audit reports

Federal award:

Research and Development Cluster
CFDA #20.701 and 66.419

Criteria or specific requirement:

Pursuant to 31 USC 7502(f)(2)(B) the Foundation must ensure subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period. The Foundation also must issue a management decision on audit findings within six months after receipt of the subrecipient's audit report.

Condition:

The Foundation does not have controls in place to issue a management decision to sub-recipients who have reported audit findings. Formal management decisions are required within six months of receipt of the subrecipient's audit report.

Context:

The Foundation does have procedures to obtain the OMB circular A-133 compliance audit reports of sub-recipients and evaluate the impact of findings on the pass-through awards from the Foundation. The Foundation also monitors for subsequent corrective action on all findings. However, the requirement to formally issue a written management decision to the sub-recipient was not met.

Effect:

Sub-recipients were not informed of the results and conclusions of Foundation management in relation to findings noted in their respective OMB Circular A-133 compliance audit reports.

Questioned cost:

None noted.

Cause:

Management was not aware of the requirement to issue management decisions in writing to sub-recipients.

Recommendation:

We recommend that management implement a process to ensure that management decisions are prepared and issued to sub-recipients which have audit findings within six months after receipt of the sub-recipient's audit report.

Views of responsible officials and planned corrective actions:

Management concurs and has immediately implemented a process to ensure the Foundation issues a written management decision on audit findings within six months after receipt of the subrecipient's audit report. Post-Award procedures have been updated and implemented.

Current year status:

Implemented as intended.

San Jose State University Research Foundation

(a California State University Auxiliary Organization and a Component Unit of San Jose State University)

SUPPLEMENTARY INFORMATION

June 30, 2015

Schedule of Net Position

(as required by California State University)

Assets:

Current assets:

Cash and cash equivalents	\$	1,081,877
Short-term investments		23,834,755
Accounts receivable, net		7,632,881
Leases receivable, current portion		31,166
Notes receivable, current portion		-
Pledges receivable, net		-
Prepaid expenses and other assets		210,543
Total current assets		32,791,222

Noncurrent assets:

Restricted cash and cash equivalents		34,815
Accounts receivable, net		-
Leases receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		-
Endowment investments		-
Other long-term investments		1,223,302
Capital assets, net		8,949,375
Other assets		83,834
Total noncurrent assets		10,291,326
Total assets		43,082,548

Deferred outflows of resources:

Unamortized loss on debt refunding		-
Net pension obligation		-
Others		-
Total deferred outflows of resources		-

See accompanying independent auditor's report.

Schedule of Net Position (continued)
(as required by California State University)

Liabilities:

Current liabilities:	
Accounts payable	3,532,377
Accrued salaries and benefits payable	1,615,385
Accrued compensated absences– current portion	1,418,027
Unearned revenue	6,538,192
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Claims Liability for losses and LAE - current portion	-
Depository accounts	-
Other liabilities	36,194
	<hr/>
Total current liabilities	13,140,175
	<hr/>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	151,298
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims Liability for losses and LAE, net of current portion	-
Depository accounts	287,169
Other postemployment benefits obligation	-
Pension obligation	15,855,633
Other liabilities	8,000
	<hr/>
Total noncurrent liabilities	16,302,100
	<hr/>
Total liabilities	29,442,275
	<hr/>
Deferred inflows of resources:	
Unamortized gain on debt refunding	-
Non-exchange transactions	-
Service concession arrangements	-
Net pension obligation	-
Others	-
	<hr/>
Total deferred inflows of resources	-
	<hr/>
Net Position:	
Net investment in capital assets	8,949,375
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	
Research	70,754
Loans	
Capital projects	-
Debt service	
Other	
Unrestricted	4,620,144
	<hr/>
Total net position	\$ 13,640,273
	<hr/> <hr/>

See accompanying independent auditor's report.

Schedule of Revenues, Expenses and Changes in Net Position (as required by California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$____0____)	\$ 5,868,738
Grants and contracts, noncapital:	
Federal	23,609,875
State	11,123,975
Local	4,223,173
Nongovernmental	2,836,025
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$____0____)	42,233
Other operating revenues	10,987,259
Total operating revenues	<u>58,691,278</u>
Expenses:	
Operating expenses:	
Instruction	13,351,981
Research	35,906,661
Public service	466,052
Academic support	799,965
Student services	789,287
Institutional support	7,162,562
Operation and maintenance of plant	762,753
Student grants and scholarships	2,642,251
Auxiliary enterprise expenses	18,381
Depreciation and amortization	229,939
Total operating expenses	<u>62,129,832</u>
Operating income (loss)	<u>(3,438,554)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	1,167,149
State financial aid grants, noncapital	1,185,064
Local financial aid grants, noncapital	89,293
Nongovernmental and other financial aid grants, noncapital	185,807
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	1,621,656
Investment income (loss), net	344,297
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>4,593,266</u>
Income (loss) before other additions	1,154,712
State appropriations, capital	-
Grants and gifts, capital	82,000
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>1,236,712</u>
Net position:	
Net position at beginning of year, as previously reported	12,403,561
Restatements	-
Net position at beginning of year, as restated	<u>12,403,561</u>
Net position at end of year	<u>\$ 13,640,273</u>

See accompanying independent auditor's report.

Schedule of Other Information (as required by the California State University)

1 Restricted cash and cash equivalents at June 30, 2015:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	34,815
Total restricted cash and cash equivalents	<u>\$ 34,815</u>

2.1 Composition of investments at June 30, 2015:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	4,680,822	-	4,680,822	-	-	-	4,680,822
Corporate bonds	1,337,774	-	1,337,774	-	-	-	1,337,774
Certificates of deposit	402,086	-	402,086	-	-	-	402,086
Mutual funds	8,289,701	-	8,289,701	-	1,223,302	1,223,302	9,513,003
Money Market funds	40,237	-	40,237	-	-	-	40,237
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	130,782	-	130,782	-	-	-	130,782
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	26,936	-	26,936	-	-	-	26,936
U.S. agency securities	1,078,941	-	1,078,941	-	-	-	1,078,941
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities	115,601	-	115,601	-	-	-	115,601
Exchange traded funds (ETFs)	7,731,875	-	7,731,875	-	-	-	7,731,875
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>23,834,755</u>	<u>-</u>	<u>23,834,755</u>	<u>-</u>	<u>1,223,302</u>	<u>1,223,302</u>	<u>25,058,057</u>
Less endowment investments (enter as negative number)							
Total investments	<u>23,834,755</u>	<u>-</u>	<u>23,834,755</u>	<u>-</u>	<u>1,223,302</u>	<u>1,223,302</u>	<u>25,058,057</u>

2.2 Investments held by the University under contractual agreements at June 30, 2015:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 :	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2015 related to:

	Amount
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2015	<u>\$ -</u>

See accompanying independent auditors report.

Schedule of Other Information (continued)

(as required by the California State University)

2.4 Restricted noncurrent investments at June 30, 2015 related to:	<u>Amount</u>
Endowment investment	\$ —
Grant asset sale proceed	865,379
Funds held for external agencies	287,169
Restricted for research	70,754
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2015	\$ 1,223,302

3.1 Composition of capital assets at June 30, 2015:

	<u>Balance June 30, 2014</u>	<u>Prior period Adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2014 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers of Completed CWIP</u>	<u>Balance June 30, 2015</u>
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 5,176,529	-	-	5,176,529	-	-	-	5,176,529
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	1,016,420	-	-	1,016,420	87,658	(36,478)	(1,067,600)	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	6,192,949	-	-	6,192,949	87,658	(36,478)	(1,067,600)	5,176,529
Depreciable/amortizable capital assets:								
Buildings and building improvements	4,700,171	-	-	4,700,171	2,543	-	1,067,600	5,770,314
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	680,902	-	-	680,902	-	-	-	680,902
Personal property:								
Equipment	1,600,429	-	-	1,600,429	166,533	-	-	1,766,962
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	772,658	-	-	772,658	-	-	-	772,658
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	772,658	-	-	772,658	-	-	-	772,658
Total depreciable/amortizable capital assets	7,754,160	-	-	7,754,160	169,076	-	1,067,600	8,990,836
Total capital assets	13,947,109	-	-	13,947,109	256,734	(36,478)	-	14,167,365

See accompanying independent auditors report.

Schedule of Other Information (continued)

(as required by the California State University)

3.1 Composition of capital assets at June 30, 2015 (continued):

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	June 30, 2014 (restated)	Additions	Reductions	Completed CWIP	Balance June 30, 2015
Less accumulated depreciation/amortization:								
Buildings and building improvements	(2,000,732)	-	-	(2,000,732)	(203,782)	-	-	(2,204,514)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(680,902)	-	-	(680,902)	-	-	-	(680,902)
Personal property:								
Equipment	(1,533,759)	-	-	(1,533,759)	(26,157)	-	-	(1,559,916)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	(772,658)	-	-	(772,658)	-	-	-	(772,658)
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	(772,658)	-	-	(772,658)	-	-	-	(772,658)
Total accumulated depreciation/amortization	(4,988,051)	-	-	(4,988,051)	(229,939)	-	-	(5,217,990)
Total capital assets, net	\$ 8,959,058	-	-	8,959,058	26,795	(36,478)	-	8,949,375

See accompanying independent auditors report

Schedule of Other Information (continued)

(as required by the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:

Depreciation and amortization expense related to capital assets	\$ 229,939
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 229,939</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	\$ 1,566,801	—	—	1,566,801	1,916,788	(1,914,264)	1,569,325	1,418,027	151,298
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	<u>\$ 1,566,801</u>	<u>—</u>	<u>—</u>	<u>1,566,801</u>	<u>1,916,788</u>	<u>(1,914,264)</u>	<u>1,569,325</u>	<u>1,418,027</u>	<u>151,298</u>

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020	-	-	—
2021 - 2025	-	-	—
2026 - 2030	-	-	—
2031 - 2035	-	-	—
2036 - 2040	-	-	—
2041 - 2045	-	-	—
2046 - 2050	-	-	—
2051 - 2055	-	-	—
2056 - 2060	-	-	—
2061 - 2065	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

See accompanying independent auditor's report.

Schedule of Other Information (continued) (as required by the California State University)

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2016	\$ -	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ 8,949,375	—	8,949,375
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ 8,949,375	—	8,949,375
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —	—	—

See accompanying independent auditor's report.

Schedule of Other Information (continued)
 (as required by the California State University)

8 Transactions with Related Entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,128,133
Payments to University for other than salaries of University personnel	1,182,740
Payments received from University for services, space, and programs	690,936
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	2,329,759
Accounts (payable to) University (enter as negative number)	(1,349,561)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	44,906
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 1,490,152
Contributions during the year	<u>(914,084)</u>
Increase (decrease) in net OPEB obligation (NOO)	576,068
NOO - beginning of year	<u>15,279,565</u>
NOO - end of year	<u>\$ 15,855,633</u>

10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	<u>\$ —</u>
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u>—</u>

See accompanying independent auditor's report.

Schedule of Other Information (continued) (as required by the California State University)

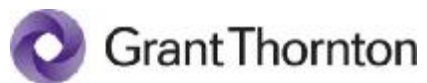
11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2014, as previously reported	\$	12,403,561
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2014, as restated	\$	12,403,561

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period ad

	Debit	Credit
Net position class: _____ 1 (breakdown of adjusting journal entry)	\$	—
Net position class: _____ 2 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 3 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 4 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 5 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 6 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 7 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 8 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 9 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 10 (breakdown of adjusting journal entry)	—	—

See accompanying independent auditor's report.



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