

**Basic Financial Statements with Required  
Supplementary Information and  
Supplementary Information and Reports of  
Independent Certified Accountants as  
required by OMB's 2 CFR 200 (Uniform  
Guidance)**

**San Jose State University Research  
Foundation**

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

**June 30, 2016**

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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, 2016, and the related notes of the financial statements, which collectively comprises the Foundation’s basic financial statement 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 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, 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

As described in Note 10 to the financial statements, net position at July 1, 2015 has been restated to correct the accounting for a fixed price contract.

#### 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 – 13 and the Schedule of Post-Employment Health Care Benefits Funding Progress on page 36, 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 operation, 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide 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 59-69 and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on pages 38 – 46 are presented for purposes of additional analysis and is 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 19, 2016, on our consideration of the Foundation's 2016 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 19, 2016

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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, 2016. This discussion should be read in conjunction with the financial statements and notes.

**Introduction to San José State University Research Foundation**

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

***Sponsored Programs***

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

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

***Campus Self-support Programs***

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

***Board Designated Programs***

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

***Support Activities – Management and General***

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

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**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, 2016**

***Change in San Jose State University Management***

In July 2016, Mary Papazian was appointed as president of SJSU. In June 2016, Charlie Faas was appointed as vice president for Administration and Finance.

***Process Improvements through Technology***

During this year the Foundation introduced electronic routing to efficiently route proposals from pre-award staff to Principal Investigators and to reviewers and approvers. This new process was widely accepted and appreciated by the campus community.

During this year, the Foundation also introduced electronic timesheet processing and was widely accepted and appreciated by the campus community.

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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

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

The Research Vessel Pt. Sur was sold in February 2015, by the Foundation on behalf of NSF to another educational institute. The proceeds from the sale, \$879,532; remain in Research Foundation possession per the agreement with NSF. These funds are for retrofitting other MLML vessels with equipment, or other needs for continuity of the marine operations at MLML and must be returned to NSF if not used by March 2017.

**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, 2016. 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, 2016**

**Restatement of Net Position**

As a result of the Foundation applying the percentage of completion method to recognize certain revenue this fiscal year, the Foundation's ending net position at July 1, 2015 was restated to reflect the change.

The restatement is as follows:

Net position at July 1, 2015, as previously reported	\$13,640,273
Restatement for	
Change due to percentage of completion revenue recognition	<u>1,076,539</u>
<b>Net position at July 1, 2015, as restated</b>	<b><u>\$14,716,812</u></b>

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

A comparison of fiscal year 2016 to 2015 Statements of Net Position is shown below:

**Comparison of assets, liabilities and net position**

	FY 2016	FY 2015 (as restated)	Increase / (decrease)
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 558,432	\$ 1,081,877	\$ (523,445)
Short-term investments	21,840,144	23,834,755	(1,994,611)
Accounts receivable, net	8,471,651	7,632,881	838,770
Leases receivable, current portion	1,999	31,166	(29,167)
Prepaid expenses and other assets	279,250	210,543	68,707
Total current assets	<u>31,151,476</u>	<u>32,791,222</u>	<u>(1,639,746)</u>
Noncurrent assets:			
Restricted cash and cash equivalents	46,463	34,815	11,648
Other long-term investments	1,218,027	1,223,302	(5,275)
Capital assets, net	9,816,143	8,949,375	866,768
Other assets	63,570	83,834	(20,264)
Total noncurrent assets	<u>11,144,203</u>	<u>10,291,326</u>	<u>852,877</u>
Total assets	<u>42,295,679</u>	<u>43,082,548</u>	<u>(786,869)</u>
Deferred outflows of resources:			
Unamortized loss on refunding(s)	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	2,032,447	3,532,377	(1,499,930)
Accrued salaries and benefits payable	1,606,925	1,615,385	(8,460)
Accrued compensated absences— current portion	1,293,289	1,418,027	(124,738)
Unearned revenue	4,404,897	5,461,653	(1,056,756)
Other liabilities	24,935	36,194	(11,259)
Total current liabilities	<u>9,362,493</u>	<u>12,063,636</u>	<u>(2,701,143)</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	334,087	151,298	182,789
Depository accounts	291,753	287,169	4,584
Other postemployment benefits obligation	15,927,130	15,855,633	71,497
Other liabilities	8,000	8,000	-
Total noncurrent liabilities	<u>16,560,970</u>	<u>16,302,100</u>	<u>258,870</u>
Total liabilities	<u>25,923,463</u>	<u>28,365,736</u>	<u>(2,442,273)</u>
Deferred inflows of resources:			
Deferred inflows from SCAs, grants, and others	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>			
Net investment in capital assets	9,816,143	8,949,375	866,768
Restricted for:			
Nonexpendable – endowments			
Expendable:			
Research	46,742	70,754	(24,012)
Capital projects	-	-	-
Unrestricted	6,509,331	4,620,144	1,889,187
Restatement of 6/30/2015 unrestricted net position	-	1,076,539	-
Total net position	<u>\$ 16,372,216</u>	<u>\$ 14,716,812</u>	<u>\$ 1,655,404</u>

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**Assets:** Total assets decreased \$786,869 from June 30, 2015 to June 30, 2016.

Current assets decreased \$1,639,746 primarily due to a decrease in cash of \$523,445, a decrease in short-term investment of \$1,994,611, and an increase in receivables of \$838,770.

Noncurrent assets increased \$852,877 primarily due to an increase in capital assets of \$866,768.

**Liabilities:** Total liabilities decreased by \$2,422,273 from June 30, 2015 to June 30, 2016.

Current liabilities decreased \$2,701,143 primarily due to the decrease in unearned revenue of \$1,056,756 from prepaid grants, tuition and fees and the liabilities from accounts payable decreased by \$1,499,930.

Noncurrent liabilities increased by \$258,870 primarily due to a \$71,497 increase in post-retirement benefit obligation, and an increase of \$182,789 in accrued compensated absences.

**Net Position:** The total net position increased \$1,655,404 to \$16,372,216 as of June 30, 2016.

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

A comparison of fiscal year 2016 to fiscal year 2015 Statements of Revenues, Expenses, and Changes in Net Position is shown below:

**Comparison of revenues and expenses by functional area**

	FY2016	FY2015 (as restated)	Increase / (decrease)
<b>Operating Revenues</b>			
Sponsored Programs	\$ 38,644,159	\$ 41,793,049	\$ (3,148,890)
Campus Self-support Programs	8,376,455	8,503,821	(127,366)
Enterprise Programs	-	-	-
Cost Recovery			
Indirect cost recovery from sponsored programs	7,814,318	7,907,405	(93,087)
Administrative and program fees	505,326	487,003	18,323
Total operating revenue	<u>55,340,258</u>	<u>58,691,278</u>	<u>(3,351,020)</u>
<b>Operating Expenses</b>			
Sponsored programs	41,520,565	46,105,572	(4,585,007)
Self-supported programs	7,775,065	6,884,805	890,260
Enterprise programs	-	(1,908)	1,908
Board designated programs	676,991	1,221,481	(544,490)
Management and general	7,129,676	7,755,115	(625,439)
Other expenses	35,106	164,767	(129,661)
Total Operating expenses	<u>57,137,403</u>	<u>62,129,832</u>	<u>(4,992,429)</u>
Operating Income/(loss)	<u>(1,797,145)</u>	<u>(3,438,554)</u>	<u>1,641,409</u>
<b>Non-operating revenue/(expenses)</b>			
Financial Aid	2,419,314	2,627,313	(207,999)
Investment Income	(9,289)	344,297	(353,586)
Gifts and Donations (cash and in-kind)	1,042,524	1,703,656	(661,132)
Net non-operating revenues/(expenses)	<u>3,452,549</u>	<u>4,675,266</u>	<u>(1,222,717)</u>
Increase/(decrease) in net position	<u>1,655,404</u>	<u>1,236,712</u>	<u>418,692</u>
<b>Net Position</b>			
Beginning balance	14,716,812	12,403,561	2,313,251
Ending balance as of 06/30/2015	-	13,640,273	-
Restatement of 06/30/2015 balance	-	1,076,539	-
Ending balance	<u>\$ 16,372,216</u>	<u>\$ 14,716,812</u>	<u>\$ 1,655,404</u>

**Revenue:** Total revenue decreased by \$3,351,020 from fiscal year 2015 to fiscal year 2016.

This is primarily due to a decrease in Sponsored Programs revenue of \$3,148,890. As a result, indirect cost recovery decreased by \$93,087. In order to increase Sponsored Programs revenue, SJSU is supporting faculty training programs designed to assist faculty members through the process of writing an external grant proposal to fund their Research, Scholarship, and Creative Activity ("RSCA"). The Foundation has also implemented business process improvements resulting in \$625,439 of decreased management and general operating expenses.

**San Jose State University Research Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**Operating Expenses:** Total operating expenses decreased \$4,992,429 overall from fiscal year 2015 to fiscal year 2016.

The decrease was primarily due to a \$4,585,007 drop in federal grants and contracts activity, as explained in the revenue section above. Furthermore, there was a decrease in management and general activity in the amount of \$625,439.

**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 \$1,222,717, mostly from a decrease of \$661,132 in gifts and donations which were received mainly from in-kind matching donations to Sponsored Programs activities.

# **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, 2016**

**San Jose State University Research Foundation**  
Schedule of Net Position  
June 30, 2016

**Assets:**

Current assets:	
Cash and cash equivalents	\$ 558,432
Short-term investments	21,840,144
Accounts receivable, net	8,471,651
Leases receivable	1,999
Prepaid expenses and other assets	279,250
	<u>31,151,476</u>
Total current assets	
Noncurrent assets:	
Restricted cash and cash equivalents	46,463
Other long-term investments	1,218,027
Capital assets, net	9,816,143
Other assets	63,570
	<u>11,144,203</u>
Total noncurrent assets	
Total assets	
	<u>\$ 42,295,679</u>
Deferred outflows of resources:	
Unamortized loss on refunding(s)	-
	<u>-</u>
Total deferred outflows of resources	
	<u>-</u>

**Liabilities:**

Current liabilities:	
Accounts payable	2,032,447
Accrued salaries and benefits payable	1,606,925
Accrued compensated absences— current portion	1,293,289
Unearned revenue	4,404,897
Other liabilities	24,935
	<u>9,362,493</u>
Total current liabilities	
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	334,087
Payable to external agencies	291,753
Other postemployment benefits obligation	15,927,130
Other liabilities	8,000
	<u>16,560,970</u>
Total noncurrent liabilities	
Total liabilities	
	<u>\$ 25,923,463</u>
Deferred inflows of resources:	
Deferred inflows from SCAs, grants, and others	-
	<u>-</u>
Total deferred inflows of resources	
	<u>-</u>

**Net Position:**

Net investment in capital assets	9,816,143
Restricted for:	
Nonexpendable	-
Expendable:	
Research	46,742
Unrestricted	6,509,331
	<u>16,372,216</u>
Total net position	
	<u>\$ 16,372,216</u>

See accompanying notes to financial statements.

**San Jose State University Research Foundation**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2016

**Revenues:**

Operating revenues:	
Student tuition and fees	\$ 5,938,242
Grants and contracts, noncapital:	
Federal	21,716,914
State	10,061,223
Local	3,800,615
Nongovernmental	3,065,407
Indirect cost recovery from sponsored programs	7,814,318
Sales and services of auxiliary enterprises	12,033
Administrative and program fees	505,326
Other operating revenues	2,426,180
	<hr/>
Total operating revenues	55,340,258

**Expenses:**

Operating expenses:	
Instruction	10,545,415
Research	34,047,197
Public service	674,550
Academic support	641,991
Student services	656,331
Institutional support	7,231,969
Operation and maintenance of plant	535,777
Student grants and scholarships	2,495,479
Auxiliary enterprise expenses	42
Depreciation and amortization	308,652
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Total operating expenses	57,137,403
	<hr/>
Operating loss	(1,797,145)

**Nonoperating revenues (expenses):**

Federal financial aid grants	1,221,386
State financial aid grants	908,465
Local financial aid grants	104,078
Nongovernmental and other financial aid grants, noncapital	185,385
Gifts (including in-kind donation of \$1,000,445)	1,042,524
Investment income (loss), net	(9,289)
	<hr/>
Net nonoperating revenues	3,452,549
	<hr/>
Increase in net position	1,655,404

**Net position:**

Net position at beginning of year, as previously reported	13,640,273
Restatement for revenue recognition	1,076,539
	<hr/>
Net position at beginning of year, as restated	14,716,812
	<hr/>
Net position at end of year	\$ 16,372,216

See accompanying notes to financial statements.

**San Jose State University Research Foundation**  
Statement of Cash Flows  
Year ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 5,757,562
Federal Grants and Contracts	22,379,339
State Grants and Contracts	7,354,936
Local grants and contracts	3,961,826
Nongovernmental grants and contracts	3,125,895
Payments to suppliers	(17,999,387)
Payments to employees	(37,761,169)
Payments to students	(2,495,479)
Sales and services of auxiliary enterprises	12,033
Indirect cost recovery from sponsored programs	7,814,318
Administrative and program fees	505,326
Other receipts	2,490,493
<b>Net cash (used in) operating activities</b>	<b><u>(4,854,307)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Federal financial aid grants	1,221,386
State financial aid grants	908,465
Local financial aid grants	104,078
Nongovernmental and other financial aid grants	185,385
Gifts and grants received for other than capital purposes	1,042,524
Monies disbursed on behalf of others	4,584
Other noncapital financing activities	29,167
<b>Net cash provided by noncapital financing activities</b>	<b><u>3,495,589</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital grants and gifts	31,436
Acquisition of capital assets	(1,206,856)
<b>Net cash (used in) capital and related financing activities</b>	<b><u>(1,175,420)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	23,246,164
Purchase of Investments	(21,570,642)
Investment Income	346,819
<b>Net cash provided by investing activities</b>	<b><u>2,022,341</u></b>

<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(511,797)</b>
Cash and cash equivalents - beginning of year	1,116,692
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 604,895</u></b>

See accompanying notes to financial statements.

**San Jose State University Research Foundation**  
Statement of Cash Flows  
Year ended June 30, 2016

**Summary of cash and cash equivalents at end of year:**

Cash and cash equivalent	\$ 558,432
Restricted cash and cash equivalents	46,463
<b>Total cash and cash equivalents at end of year</b>	<b><u>\$ 604,895</u></b>

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

Operating income (loss)	(1,797,145)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>	
Depreciation and amortization	308,652
<b>Change in assets and liabilities:</b>	
Accounts receivables- net	(870,514)
Prepaid expenses and other assets	(48,443)
Accounts payable	(1,499,930)
Accrued salaries and benefits	(8,460)
Accrued compensated absences	58,051
Deferred revenue	(1,056,756)
Other postemployment benefits obligation	71,497
Other liabilities	(11,259)
<b>Net cash used in operating activities</b>	<b><u>\$ (4,854,307)</u></b>

**Supplemental disclosure of non-cash investing activity**

Decrease in fair value of investments	\$ (324,365)
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See accompanying notes to financial statements.

# San Jose State University Research Foundation

## June 30, 2016

### 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, 2016:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Implementation of GASB 76 did not have a significant impact on the financial statements.

GASB Statement No. 72, *Fair Value Measurements and Application* (the "Statement") was issued and became effective for financial statements for periods beginning after June 15, 2015. Management elected to adopt this Statement early in fiscal year 2015. 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, 2016**

### **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.

#### **Capital Assets**

Purchased assets are recorded at cost. Assets acquired through grants in which title vests with the Foundation during the grant period are capitalized. Donated assets are recorded at acquisition value at the date of acquisition. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or to the carrying value is warranted. Asset impairment is recorded whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No asset impairments were recognized during the years ended June 30, 2016.

#### **Revenue Recognition and Unearned Revenue**

Revenue is recognized when earned. The percentage of completion method is used to recognize revenue for fixed fee service contracts. Unearned revenue represents funding received in advance of work performed or before revenue is earned for sponsored projects and tuition-based programs.

Revenue from sponsored programs, which is primarily from the 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.

## **San Jose State University Research Foundation June 30, 2016**

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Classification of Revenues and Expenses**

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

#### **Facilities and Administrative Cost Recovery and Administrative Fees**

The Foundation charges Facilities and Administrative cost (indirect cost recovery) to recover cost for facilities used and for performing services to projects under its Sponsored Programs. The rates used to charge projects are approved by the 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 that are greater than \$5,000 including assets acquired through grants when title vests with the Foundation during the grant period. Assets acquired through grants in which title vests with the sponsor are not capitalized. Capital assets are recorded at cost when purchased and when donated, at acquisition value at acquisition date. Real estate costs have been allocated to individual building units based on a specific-identification method. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is included on the statement of revenues, expenses and changes in net position.

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.

## **San Jose State University Research Foundation June 30, 2016**

### **Note 2 - Summary of Significant Accounting Policies (continued)**

Depreciation expense was \$308,652 for the year ended June 30, 2016. There was no leasehold improvement amortization for the year ended June 30, 2016.

The total cost of assets was \$15,336,929, with related accumulated depreciation of \$5,520,786 with a net book value of \$9,816,143 as of June 30, 2016.

#### **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, 2015, the Foundation had balances of \$1,569,325 in its accrued vacation liabilities. During the fiscal year, \$1,778,010 accrued vacation was earned and \$1,719,959 was used. At June 30, 2016, the Foundation had balances of \$1,627,376 in accrued vacation liabilities.

#### **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.

## San Jose State University Research Foundation June 30, 2016

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

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

The cost and fair market value of investments as of June 30, 2016 are as follows:

Investment Type	Fair Value	Historical Cost	Cumulative unrealized gain (loss)
Equity securities - Funds	\$ 7,791,311	\$ 7,493,690	\$ 297,621
Land and other real estate REIT Fund	336,740	335,743	997
US Fixed Income - Funds	6,958,469	7,016,203	(57,734)
Debt securities - Corporate	794,124	771,980	22,144
Fixed income securities (Treasury notes, GNMA's)	59,303	58,853	450
Agency pass-through	713,608	568,137	145,471
Certificates of deposit	318,675	300,000	18,675
Non - traditional mutual funds	1,606,330	1,654,380	(48,050)
Money market funds	64,375	64,375	-
State of California Local Agency Investment Fund (LAIF)	4,415,236	4,415,236	-
Portfolio total	<u>\$ 23,058,171</u>	<u>\$ 22,678,597</u>	<u>\$ 379,574</u>

### **Interest Rate Risk**

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

Investment Type	Average Years Duration
Debt securities - Corporate	1.03
Certificates of deposit	5.06
Fixed income securities (Treasury notes, GNMA's)	0.32
Portfolio total	<u>6.41</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.

## San Jose State University Research Foundation June 30, 2016

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

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.

#### ***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.

## San Jose State University Research Foundation June 30, 2016

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

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

Investment Type	Credit Risk (Moody's / S&P)				Investment Grade	Not Rated
	Aaa / AAA	Aa / AA	A / A	Baa / BBB		
Debt securities - Corporate	\$ -	\$ -	\$ 457,205	\$ 169,511	\$ 167,408	\$ -
Fixed income securities (Treasury notes, GNMA's)	33,462	25,841	-	-	-	-
Agency pass-through	-	-	-	-	-	713,608
Certificates of deposit	-	-	-	-	-	318,675
Portfolio total	<u>\$ 33,462</u>	<u>\$ 25,841</u>	<u>\$ 457,205</u>	<u>\$ 169,511</u>	<u>\$ 167,408</u>	<u>\$ 1,032,283</u>

### Investment-Related Commitments

The Foundation is obligated under a Private Equity Limited Partnership agreement to invest \$250,000 when management of the partnership initiates a cash call. Timeframe of the commitment is up to 10 years. Investment can never be redeemed with the partnership. Instead, the nature of the investments is that distributions are received through liquidation of underlying assets. It is expected that assets will begin to liquidate two years after the cash call.

### 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).

## San Jose State University Research Foundation June 30, 2016

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

#### Fair Value Measurements (continued)

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

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

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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, 2016. 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.

## San Jose State University Research Foundation June 30, 2016

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

#### Fair Value Measurements (continued)

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.

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Equity securities - Funds	\$ 7,738,911	\$ 49,940	\$ 2,460	\$ 7,791,311
Land and other real estate REIT Fund	336,740	-	-	336,740
US Fixed Income - Funds	6,958,469	-	-	6,958,469
Debt securities - Corporate	664,166	128,382	1,576	794,124
Fixed income securities (Treasury notes, GNMA's)	25,841	33,462	-	59,303
Collateralized mortgage obligations:				
Agency pass-through	-	713,608	-	713,608
Certificates of deposit	-	318,675	-	318,675
Non - traditional mutual funds	1,606,330	-	-	1,606,330
Leveled investment total	<u>\$ 17,330,457</u>	<u>\$ 1,244,067</u>	<u>\$ 4,036</u>	<u>\$ 18,578,560</u>
			Money market and LAIF	\$ 4,479,611
			Investment portfolio total	<u>\$ 23,058,171</u>

## San Jose State University Research Foundation June 30, 2016

### Note 4 – Accounts Receivable

The Foundation's accounts receivables are primarily from its sponsored programs. As of June 30, 2016 the Foundation has the following receivables:

	2016
Accounts receivable - sponsored programs	\$ 8,288,484
Other receivables	183,167
Subtotal accounts receivable	8,471,651
Allowance for doubtful accounts	-
Total accounts receivable, net	\$ 8,471,651
Leases receivable	\$ 1,999

### Note 5 – Related Parties

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

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as receivables and accounts payable. As of June 30, 2016, receivables due from and payables due to related parties are as follows:

Receivable from the University	\$ 39,900
Receivable from Tower Foundation	-
Payable to the University	230,579
Payable to Student Union	1,064
Payable to Associated Students	39,365
Payable to Spartan Shops, Inc.	33,398
Payable to Tower Foundation	-

During the year ended June 30, 2016, amounts paid to the University and related organizations for services were as follows:

The University	\$6,463,983
Spartan Shops, Inc.	520,832
Associated Students	86,494
Student Union	11,330
Tower Foundation	60,632

## San Jose State University Research Foundation June 30, 2016

### Note 6 - Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
<b>Capital assets not being depreciated:</b>					
Land and land improvements	\$ 5,176,529	\$ -	\$ -	\$ -	\$ 5,176,529
Construction work in progress (CWIP)	-	262,219	-	-	262,219
<b>Total capital assets not being depreciated</b>	<b>5,176,529</b>	<b>262,219</b>	<b>-</b>	<b>-</b>	<b>5,438,748</b>
<b>Capital assets being depreciated:</b>					
Buildings and building improvements	5,770,314	18,591	-	-	5,788,905
Leasehold improvements	680,902	-	-	-	680,902
Equipment	1,766,962	926,046	-	(37,292)	2,655,716
Software and websites	772,658	-	-	-	772,658
<b>Total capital assets being depreciated</b>	<b>8,990,836</b>	<b>944,637</b>	<b>-</b>	<b>(37,292)</b>	<b>9,898,181</b>
<b>Total capital assets</b>	<b>14,167,365</b>	<b>1,206,856</b>	<b>-</b>	<b>(37,292)</b>	<b>15,336,929</b>
<b>Less accumulated depreciation:</b>					
Buildings and building improvements	(2,204,514)	(207,428)	-	-	(2,411,942)
Leasehold improvements	(680,902)	-	-	-	(680,902)
Equipment	(1,559,916)	(101,224)	-	5,856	(1,655,284)
Software and websites	(772,658)	-	-	-	(772,658)
<b>Total accumulated depreciation</b>	<b>(5,217,990)</b>	<b>(308,652)</b>	<b>-</b>	<b>5,856</b>	<b>(5,520,786)</b>
<b>Net capital assets being depreciated</b>	<b>3,772,846</b>	<b>635,985</b>	<b>-</b>	<b>(31,436)</b>	<b>4,377,395</b>
<b>Net capital assets</b>	<b>\$ 8,949,375</b>	<b>\$ 898,204</b>	<b>\$ -</b>	<b>\$ (31,436)</b>	<b>\$ 9,816,143</b>

### 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, 2016 no funds were drawn for operational use and there were no amounts outstanding under the LOC as of June 30, 2016.

#### Investment-Related Commitments

The Foundation is obligated under an alternative investment agreement to invest \$250,000 into a private equity limited partnership which it entered into in February, 2016. Cash for funding the investment is called as the capital manager closes deals that contain the agreed upon criteria. The commitment period lasts three years from the close of the offering. During the year ended June 30, 2016 no funds were drawn for this commitment. This investment can never be redeemed with the Partnership. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the Partnership. Per contract the investment period is ten years from the close of the offering with two possible one-year extensions by approval of the majority in Interest of the Limited Partners.

## San Jose State University Research Foundation June 30, 2016

### Note 7 – Commitments (continued)

#### Investment-Related Commitments (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 of Year	Increases	Decrease	End of Year
\$0	\$200,908	(\$172,938)	\$27,970

#### 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 had been extended to August 31, 2016. Subsequently, in July 2016 an amendment to the lease was signed through December 31, 2024.

Years Ending June 30	Operating Leases	Sublease Income from the University	Net Operating Lease Commitment
2017	\$ 455,242	\$ (145,158)	\$ 310,084
2018	401,481	(57,354)	344,127
2019	455,613	(65,088)	390,525
2020	512,632	(73,233)	439,399
2021	528,011	(75,430)	452,581
Thereafter	1,973,740	(281,963)	1,691,777
Total future minimum lease payments	\$ 4,326,719	\$ (698,226)	\$ 3,628,493

## San Jose State University Research Foundation June 30, 2016

### Note 7 – Commitments (continued)

#### Lease Arrangements (continued)

##### *Operating Lease Revenues*

The Foundation owns a dock in Moss Landing, California, and leases half of the dock to a fishery operation. The lease period is from November 30, 2015 to November 29, 2018 for \$8,000 per month. The cost of land and building was \$2,470,945, with a net book value of \$ 2,129,817 as of June 30, 2016. Depreciation expense for the year ended June 30, 2016 was \$35,596. Future lease revenue is listed in the table below:

Years Ending June 30,	
2017	\$ 96,000
2018	96,000
2019	40,000
	\$ 232,000

### Note 8 - Employee Benefits and Compensation Plans

#### Defined Contribution Plan

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

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, 2016, the Foundation recognized pension expense of \$1,056,175 and recorded a liability of \$93,090 at June 30, 2016.

## **San Jose State University Research Foundation June 30, 2016**

### **Note 8 - Employee Benefits and Compensation Plans (continued)**

#### **Post-Retirement Health Care Benefits**

In addition to providing contributions into the defined contribution pension plan, the Foundation sponsors a single employer-defined contribution 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 \$450,000 per year to the Trust as an investment towards fully funding the obligation to the employees. At June 30, 2016, the actuarial value of Trust assets was \$2,688,391.

#### **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 22 years remaining in its 30 year amortization period.

## San Jose State University Research Foundation June 30, 2016

### Note 8 - Employee Benefits and Compensation Plans (continued)

#### Annual OPEB Cost and Net OPEB Obligation (continued)

The following shows the components of the Foundation's OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the Foundation's net OPEB obligation at June 30, 2016:

	2015 / 16
<b>Calculation of Annual OPEB Cost</b>	
Normal Cost	\$ 814,642
Administrative Expenses	50,000
Amortization of unfunded actuarial accrued liability	1,119,259
<b>Annual Required Contribution (ARC)</b>	<b>1,983,901</b>
<b>Annual Required Contribution (ARC)</b>	<b>1,983,901</b>
Interest on net OPEB Obligation	1,100,381
Adjustment to ARC	(1,426,317)
<b>Annual OPEB Cost</b>	<b>1,657,965</b>
<b>Calculation of Net OPEB Obligation</b>	
Net OPEB Obligation (Asset) at beginning of year	15,855,633
Annual OPEB Cost	1,657,965
Less annual OPEB contributions	(1,586,468)
<b>Net OPEB Obligation at end of year</b>	<b>\$ 15,927,130</b>

The following table sets forth the plan's funded status as of July 1, 2015, given that this is the date of the most recent actuarial study:

	Number of Employees	Present Value
Active Employees	249	\$ 7,940,803
Retirees and Surviving Spouses	70	7,189,822
Actuarial Accrued Liability		15,130,625
Actuarial Value of Assets		2,688,391
Unfunded Actuarial Accrued Liability		\$ 12,442,234
Funded ratio		17.8%
Covered payroll		\$ 19,214,629
UAAL as a percentage of covered payroll		64.8%

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:

		Percentage of net	
Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
6/30/2016	\$ 1,657,965	95.69%	\$ 15,927,130
6/30/2015	\$ 1,490,152	61.30%	\$ 15,855,633

## San Jose State University Research Foundation June 30, 2016

### Note 8 - Employee Benefits and Compensation Plans (continued)

#### 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 6.94% was used based on the long-term rate of return on the assets by the Trust.

**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 8.00% for beneficiaries younger than age 65 and 6.50% for beneficiaries 65 and older (medicare qualifying) for the calendar year 2017.

### Note 9 – Functional Expenses

Functional expenses for the year ended June 30, 2016 were as follows:

Operating expenses:	
Sponsored programs	\$ 41,520,565
Campus self-support programs	7,775,065
Board designated programs	676,991
Management and general	7,129,676
Other expenses	35,106
Total operating expenses	\$ 57,137,403

## San Jose State University Research Foundation June 30, 2016

### Note 10 – Net Position Restatement

#### Restatement of Net Position

The Foundation has restated net position at July 1, 2015 to correct accounting for revenue recognition on a fixed priced contract to reflect a percentage of completion methodology.

Net position at July 1, 2015, as previously reported	\$13,640,273
Restatement for	
Change due to percentage of completion revenue recognition	<u>1,076,539</u>
Net position at July 1, 2015, as restated	<u>\$14,716,812</u>

### Note 11 – 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, 2016.

### Note 12 - Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2016 through September 19, 2016, 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, 2016**

	<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>
	<b>Valuation</b>	<b>Value of Assets</b>	<b>Accrued</b>	<b>Actuarial</b>	<b>Ratio</b>
			<b>Liability (ALL)</b>	<b>ALL</b>	
July 1, 2015	\$ 2,688,391	\$ 15,130,625	\$ 12,442,234	17.77%	
July 1, 2013	\$ 1,511,217	\$ 14,259,807	\$ 12,748,590	10.60%	

The fair value of plan assets at June 30, 2016 was \$3,232,327.

## Reports and Schedules Required by the Uniform Guidance

## Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

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	Department of Agriculture		10.13-CR-11242306-073	8,723	
Specialty Crop Block Grant Program - Farm Bill	CA Dept of Food & Agriculture	SCB14031	10.170	44,525	2,424
Organic Agriculture Research and Extension Initiative	UC, Santa Cruz	S0183656	10.307	16,912	
Forestry Research	U.S. Forest Service		10.652	1,118	
Total Department of Agriculture:				<u>71,278</u>	
Department of Commerce:					
Integrated Ocean Observing System	Monterey Bay Aquarium Res Institute	1411342	11.012	4,702	
Integrated Ocean Observing System	Monterey Bay Aquarium Res Institute	PO-1411342	11.012	59,145	
Integrated Ocean Observing System	University of Maryland	CA12-1107-5-25684	11.012	(11,051)	
Integrated Ocean Observing System	University of Maryland	07525684 PO4048	11.012	147,179	
				<u>199,975</u>	
Sea Grant Support	UC, San Diego	62004235	11.417	9,982	
Sea Grant Support	UC, San Diego	NA14OAR4170075-R/HCM	11.417	21,589	
Sea Grant Support	UC, San Diego	R/HCME-25B	11.417	11,192	
				<u>42,763</u>	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	Cal Poly Corporation	2015-12-46991	11.427	10,505	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	University of Miami	666610	11.432	86,064	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	University of Miami	R120127-66910P	11.432	2,083,178	
				<u>2,169,242</u>	
Pacific Fisheries Data Program	Pacific States Marine Fisheries	16-17G	11.437	2,639	
Marine Mammal Data Program	Department of Commerce		11.439	18,725	
Marine Mammal Data Program	UC, Santa Cruz	S0184271	11.439	21,270	
				<u>39,995</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)  
For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Cooperative Science and Education Program	Department of Commerce		11.455	37,426	
Center for Sponsored Coastal Ocean Research_Coastal Ocean Program	Department of Commerce		11.478	108,396	
Measurement and Engineering Research and Standards	Department of Commerce		11.609	10,875	
Total Department of Commerce:				<u>2,621,816</u>	
Department of Defense:					
Basic and Applied Scientific Research	Naval Postgraduate School		12.300	120,849	
Basic and Applied Scientific Research	Cascadia Research Collective	CRC-N-0011-13	12.300	28,695	
				<u>149,544</u>	
Basic and Applied Scientific Research	Office of Naval Research		12.N00014-13-C-5008	162,593	
Basic and Applied Scientific Research	Naval Postgraduate School		12.N0024	13,360	
Basic and Applied Scientific Research	Department of the Navy		12.N62473-07-2-0015	15,250	
Total Department of Defense:				<u>340,747</u>	
Department of The Interior:					
Coastal Program	US Fish and Wildlife Service		15.630	4,688	
Natural Resource Damage Assessment, Restoration and Implementation	US Fish and Wildlife Service		15.658	1,935	
Earthquake Hazards Research and Monitoring Assistance	Department of Interior		15.807	26,095	
U.S. Geological Survey_ Research and Data Collection	U.S. Geological Survey		15.808	157,991	
U.S. Geological Survey_ Research and Data Collection	University of So California	62195233	15.808	18,173	
				<u>176,164</u>	
National Cooperative Geologic Mapping Program	Department of Interior		15.810	16,459	
Total Department of The Interior:				<u>225,341</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

## Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Department of Justices:					
Advancement of Forensic and Investigate Speaker Technology	West Virginia Univ Research Corp	09-097FF-SJSU	16.DJF-15-1200-A-0002870	155,461	
Advancement of Forensic and Investigate Speaker Technology	West Virginia Univ Research Corp	09-097SS-SJSURF	16.DJF-16-1200-A-0000358	40,098	
Total Department of Justices:				<u>195,559</u>	
Department of State:					
Public Diplomacy Programs for Afghanistan and Pakistan	Department of State		19.501	469,808	
Total Department of State:				<u>469,808</u>	
Department of Transportation:					
University Transportation Centers Program	Department of Transportation		20.701	548,631	211,142
Department of Transportation Maritime Administration (MARAD)	Univ of Maryland Cntr for Envir Sci	07525729PO28181	20.818	16,795	
Total Department of Transportation:				<u>565,426</u>	
National Aeronautics and Space Administration:					
Science	NASA		43.001	1,124,661	
Science	Jet Propulsion Laboratory	1414961	43.001	167,579	
Science	Smithsonian Institution	SV3-83010	43.001	27,731	
Science	Southwest Research Institute	1415GC0065	43.001	16,874	
Science	University of Miami	663678	43.001	200,611	
Science	University of Washington	UWSC6923 (748791)	43.001	26,901	
				<u>1,564,357</u>	
Aeronautics	NASA		43.002	15,595,162	658,902
Aeronautics	CSU, Long Beach Foundation	SCG178915100	43.002	25,599	
Aeronautics	Ntl Space Biomedical Research Inst	HFP02803	43.002	36,021	
Aeronautics	Ntl Space Biomedical Research Inst	NCC9-28-567	43.002	100,300	
				<u>15,757,082</u>	
National Aeronautics and Space Administration	NASA		43.003	171,610	6,315
Education	NASA		43.008	429,833	154,253
Cross Agency Support	NASA		43.009	2,380,771	49,060
Total National Aeronautics and Space Administration:				<u>20,303,653</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)  
For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Inst of Museum & Library Serv:					
Laura Bush 21st Century Librarian Program	Loyola Marymount University	13-026	45.313	39,423	
Total Inst of Museum & Library Serv:				<u>39,423</u>	
National Science Foundation:					
Engineering Grants	National Science Foundation		47.041	129,622	
Engineering Grants	Northeastern University	502076-78051	47.041	71,444	
				<u>201,066</u>	
Mathematical and Physical Sciences	National Science Foundation		47.049	25,198	
Mathematical and Physical Sciences	University of Maryland	15702-Z4339001	47.049	18,101	
				<u>43,299</u>	
Geosciences	National Science Foundation		47.050	477,617	952
Geosciences	Humboldt State University	7100439	47.050	(1,425)	
Geosciences	Univ of N. Carolina at Chapel Hill	5101574	47.050	10,180	
				<u>486,372</u>	
Computer and Information Science and Engineering	National Science Foundation		47.070	45,000	
Computer and Information Science and Engineering	UC, Berkeley			124,223	
Computer and Information Science and Engineering		SA4898-10808PG	47.070		
Computer and Information Science and Engineering	San Diego State University Fdn			7,117	
		SA0000389 AMEND 6	47.070		
				<u>176,340</u>	
Biological Sciences	National Science Foundation		47.074	389,030	
Social, Behavioral, and Economic Sciences	National Science Foundation		47.075	76,633	
Education and Human Resources	National Science Foundation		47.076	827,715	
Education and Human Resources	CSU, Sacramento	523921	47.076	29,955	
Education and Human Resources	Georgia State University	SP00010602-08	47.076	10,687	
				<u>868,357</u>	
Polar Programs	National Science Foundation		47.078	77,990	
Office of International Science and Engineering	San Diego State University Fdn	57387AP30137803211	47.079	120,044	
Total National Science Foundation:				<u>2,439,131</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

## Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Department of Veterans Affairs: VA-CASE Professional Development CPAC LEAN/Lean Six Sigma (LSS)	Veterans Administration		64.VA240C-14-D-0009	6,632	
Total Department of Veterans Affairs:				<u>6,632</u>	
Environmental Protection Agency: Water Pollution Control State, Interstate, and Tribal Program Support	CA St, Water Resrces Cntrl Bd	11-074-270	66.419	1,638,783	1,095,329
Water Pollution Control State, Interstate, and Tribal Program Support	CA St, Water Resrces Cntrl Bd	14-080-270	66.419	393,437	-
Water Pollution Control State, Interstate, and Tribal Program Support	CA St, Water Resrces Cntrl Bd	14-084-270	66.419	512,715	-
Water Pollution Control State, Interstate, and Tribal Program Support	CA St, Water Resrces Cntrl Bd	14-091-270	66.419	766,361	107,195
				<u>3,311,296</u>	
Regional Wetland Program Development Grants	San Jose State University	CD-00T83101-0	66.461	65,607	4,510
Regional Wetland Program Development Grants	San Jose State University	CD-99T05801-0	66.461	89,761	22,717
Regional Wetland Program Development Grants	San Jose State University	CD-99T18101-0	66.461	126,137	9,000
				<u>281,505</u>	
P3 Award: National Student Design Competition for Sustainability	Environmental Protection Agency		66.516	1,854	
Total Environmental Protection Agency:				<u>3,594,655</u>	
Department of Energy: Stochastic & Hybrid Models	Lawrence Berkeley Natl Laboratories	7050051	81.DE-AC02-05	60,710	
Stochastic & Hybrid Models	Lawrence Berkeley Natl Laboratories	7286083	81.DE-AC02-05	9,475	
Department of Energy:				<u>70,185</u>	
US Department of Education: Fund for the Improvement of Postsecondary Education	Department of Education		84.116F	89,249	
National Institute on Disability and Rehabilitation Research	Univ of Wisconsin, Milwaukee	143405509	84.133G	36,785	
Total US Department of Education:				<u>126,034</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

## Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Dept of Health & Human Services National Institutes of Health:					
Drug Abuse and Addiction Research Programs	Public Health Institute	1020446	93.279	69,822	
Foster Care Title IV-E	UC, Berkeley	8509	93.658	269	
Extramural Research Programs in the Neurosciences and Neurological Disorders	UC, San Francisco	8141SC	93.853	105,101	
Biomedical Research and Research Training	Dept of Health & Human Services		93.859	522,663	
Total Dept of Health & Human Services National Institutes of Health:				<u>697,855</u>	
US Dept of Homeland Security:					
Centers for Homeland Security	University of Connecticut	35552	97.061	90,796	
Development and Delivery of Prototype Technologies	US Coast Guard		97.HSCG32-14-C	36,390	
Total US Dept of Homeland Security:				<u>127,186</u>	
Total Research and Development Expenditures				<u>31,894,729</u>	<u>2,321,799</u>
OTHER PROGRAM EXPENDITURES					
Department of Agriculture:					
State Administrative Expenses for Child Nutrition	CA State, Dept of Education	CN140069	10.560	1,579	
State Administrative Expenses for Child Nutrition	CA State, Dept of Education	CN150019	10.560	182,922	14,150
Total Department of Agriculture:				<u>184,501</u>	
Department of the Interior:					
Preservation of Japanese American Confinement Sites	CSU, Dominguez Hills Fdn	500020	15.933	6,416	
Total Department of the Interior:				<u>6,416</u>	
Department of Transportation:					
Highway Training and Education	The National Academy of Sciences	HR 20-59(030)	20.215	38,877	
Total Department of Transportation:				<u>38,877</u>	
National Aeronautics and Space Administration:					
Science	Regents of The Univ of California	S0160331	43.001	190,385	
Science	ASRC Federal	ART860	43.001	76,606	
Science	Wyle Laboratories	PO# T72552	43.001	89,465	
				<u>356,456</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)  
For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Education	NASA		43.008	4,104	
Test Subject Recruitment Office	ASRC Federal	ART860	43.NNA13AB88C	224,270	
Total National Aeronautics and Space Administration:				584,830	
Ntl Endowmnt for the Humanities:					
Promotion of the Humanities_Professional Development	Ntl Endowmnt for the Humanities		45.163	26,378	
Total Ntl Endowmnt for the Humanities:				26,378	
Department of Veterans Affairs:					
VA-CASE Professional Development CPAC LEAN/Lean Six Sigma (LSS)	Veterans Administration		64.VA240C-14-D-0009	4,201	
Total Department of Veterans Affairs:				4,201	
Department of Energy:					
Office of Science Financial Assistance Program	University of Missouri	C0000160504	81.049	73,453	
Total Department of Energy:				73,453	
Department of Education:					
Higher Education_Institutional Aid	Department of Education		84.031A	279,960	
Higher Education_Institutional Aid	Gavilan Joint Comm College District	P031C110070	84.031C	211,649	
				491,609	
TRIO_Student Support Services	Department of Education		84.042A	398,378	
TRIO_McNair Post-Baccalaureate Achievement	Department of Education		84.217A	222,738	
				621,116	
Rehabilitation Services_Vocational Rehabilitation Grants to States	CA State, Dept of Rehab	28870	84.126A	152,568	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Department of Education		84.325K	792,733	39,150
Gaining Early Awareness and Readiness for Undergraduate Programs	Department of Education		84.334A	374,520	
English Language Acquisition State Grants	Department of Education		84.365Z	380,727	
English Language Acquisition State Grants	UC, Santa Cruz	S0183644	84.365Z	78,596	
				459,323	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)  
For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Regents of The Univ of California	NCLB12-CMP-SAN JOSE	84.367	27,000	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Regents of The Univ of California	NCLB11-TCAP-SAN JOSE	84.367	1,426	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Regents of The Univ of California	NCLB12-TCAP-SAN JOSE	84.367	24,730	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Regents of The Univ of California	NCLB11-CWP-SAN JOSE	84.367	344	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	Regents of The Univ of California	NCLB12-CWP-SAN JOSE	84.367	22,781	
				<u>76,281</u>	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	CA State, Dept of Education	15-15196-3065-00	84.367B	91,493	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	UC, Berkeley	92-CA12-SEED2012	84.367D	14,044	
Strengthening Minority-Serving Institutions	Department of Education		84.382B	<u>287,313</u>	
Total Department of Education:				<u>3,361,000</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	36,706	
Foster Care_Title IV-E	UC, Berkeley	8509	93.658	1,706	
Foster Care_Title IV-E	UC, Berkeley	8890	93.658	<u>1,020,151</u>	
				<u>1,021,857</u>	
Biomedical Research and Research Training	Dept of Health & Human Services		93.859	615,590	
Biomedical Research and Research Training	Stanford University	26971890-43884-A	93.859	<u>40,783</u>	
				<u>656,373</u>	
Total Dept of Health & Human Services National Institutes of Health:				<u>1,714,936</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (continued)  
 For the year ended June 30, 2016

Sponsor	Pass-through grantor	Pass-through grantor number	CFDA#	Federal Expenditures	Subrecipients
Agency for International Development: USAID Foreign Assistance for Programs Overseas	Agency for Intl Development		98.001	496,478	
Total Agency for International Development:				<u>496,478</u>	
Total Other Program Expenditures				<u>6,491,070</u>	<u>53,300</u>
Total Federal Expenditures				<u>\$ 38,385,799</u>	<u>\$ 2,375,099</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, 2016**

## **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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the 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 – Noncash Federal Awards**

During the year ended June 30, 2016, the Foundation did not receive nonmonetary assistance.

## **Note 4 – Indirect Cost Rate**

The Foundation is not utilizing the 10% de minimis indirect cost rate offered by Uniform Guidance as it already has a negotiated indirect rate.

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 and Component Unit of San Jose State University) (the "Foundation") as of and for the year ended June 30, 2016, and the related notes of the financial statements, which collectively comprises the Foundation's basic financial statement as listed in the table of contents and have issued our report thereon dated September 19, 2016. Our report emphasizes a matter with respect to the restatement of net position at July 1, 2015 for the accounting for a fixed price award as described in Note 10 to the financial statements.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies in 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. We consider the deficiency described in the accompanying schedule of findings as item 2016-001 to be a material weaknesses in the Foundation's internal control.

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. We consider the deficiency described in the accompanying schedule of findings as item 2016-002 to be significant deficiency in the Foundation's internal control.

#### 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*.

#### Foundation's Response to Findings

The Foundation's response to the findings identified in our engagement is described in the schedule of findings and in Management's Corrective Action Plan. The Foundation's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

#### 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 19, 2016

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

Board of Directors  
San Jose State University Research Foundation

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**Report on compliance for its 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 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The Foundation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings.

**Management’s responsibility**

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

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence 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 the 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, 2016.

**Report on internal control over compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Entity's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Grant Thornton LLP*

San Jose, California  
October 20, 2016

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**SECTION I — SUMMARY OF AUDITORS' RESULTS**

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**Financial statements**

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

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 2 CFR 200 Uniform Guidance? 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: \$1,151,574

- Auditee qualified as low-risk auditee? Yes

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**SECTION II — FINANCIAL STATEMENT FINDINGS**

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**Item 2016-001 – Improper surplus recognition related to SWAMP6 agreement***Criteria or specific requirement:*

Under generally accepted accounting principles (GAAP) and, in particular, GASB Statement 62, any surplus or losses related to a fixed price or fee-for-service contract should be recognized over the contract period based on certain estimates or assumptions made by management based on deliverables completed or effort incurred. Upon completion of the contract period, all surplus or loss should be recognized (i.e., there should not be an unearned revenue balance).

*Condition:*

At June 30, 2016 the accounting records for the SWAMP6 contract with the State Water Resources Control Board (the sponsor) showed an unearned revenue balance \$1,218,000 even though this contract and deliverables had been completed earlier in the fiscal year. This \$1,218,000 represented an accumulation of surplus earned on the contract which had not been recognized as revenue and should have been. Instead, this \$1,218,000 surplus was viewed, internally, as an obligation to the sponsor to fund future, unfunded costs associated with the broader SWAMP project. Because there was no such obligation to the sponsor and, therefore, no externally-imposed obligation meeting the definition of a liability (unearned revenue), the Foundation should have recognized this surplus over the contract period.

*Context:*

The Foundation's grants and contracts are typically structured as cost reimbursement contracts with no potential surplus. Fixed price or fee-for-service contracts such as the one described above are not typical for the Foundation. The accounting method used for the SWAMP6 contract followed the cost reimbursement model and, therefore, failed to recognize the surplus in the arrangement.

*Effect:*

Management performed a revised analysis of the SWAMP6 contract using a percent-of-completion methodology. This analysis resulted in correcting the accounting such that the financial statements were updated to reduce unearned revenue by \$1,218,000, increase fiscal 2016 revenue by \$142,000 and increase net position by \$1,076,000 to reflect surplus which should have been recorded in prior periods coinciding with the contract term.

*Cause:*

Management was not aware of the GAAP rules regarding surplus recognition for these types of contracts and, instead, accounted for the contract similar to its cost reimbursement contracts thereby only recognizing revenue to the extent of costs incurred on a project.

*Recommendation:*

Prospectively, we recommend the management team thoroughly review each new contract or grant entered into to clarify if there is a surplus/loss exposure which needs accounting treatment over the contract term and account for that surplus/loss over the contract term instead of deferring it to future periods beyond the contract term.

**San Jose State University Research Foundation  
Schedule of Findings  
June 30, 2016**

**Item 2016-001 – Improper surplus recognition related to SWAMP6 agreement (continued)**

*View of Responsible Officials (unaudited):*

Management is in agreement with recommendations.

**Item 2016-002 – Untimely recording capital assets into the financial statements**

*Criteria or specific requirement:*

GASB 34 outlines the requirements to record capital assets in the Foundation's financial statements. Management is responsible for maintaining and updating accounting policies to be in line with supervisory agency, California System Universities (CSU) Policies that pertain to Auxiliaries.

*Condition:*

During the fiscal year 2016, management discovered that capital assets on its active inventory with a net book value of \$371,000 at June 30, 2015 which were purchased with the proceeds of grants and contracts, were not accounted for in its financial statements as assets even though they were currently in use by the Foundation. Management had previously assumed that if these assets were to be transferred to the University they would not have to be recorded as a Research Foundation asset. This was discovered by management in fiscal year 2016.

*Context:*

In fiscal year 2016, management reviewed equipment transfer procedures and uncovered that sponsored program assets purchased by the Research Foundation during the grant period in which the Foundation held title needed to be capitalized, and to be disposed when the Foundation no longer held title. This misunderstanding of GAAP was corrected in fiscal 2016.

*Effect:*

The net book value of the capital assets which should have been recorded in the financial statements at June 30, 2015 was \$371,000. Management concluded the correction was not material to its financial statements at June 30, 2015 and, therefore, corrected the accounting in fiscal year 2016.

*Cause:*

Management's assumption that if these capital assets were to be transferred to the University and therefore did not need to be capitalized by the Research Foundation was incorrect.

*Recommendation:*

We recommend that management ensure that capital assets in use by the Foundation in which the Foundation holds title be included in the financial statements.

*View of Responsible Officials (unaudited):*

Management is in agreement with recommendations.



## MANAGEMENT'S CORRECTIVE ACTION PLAN

### **Item 2016-001 – Improper recognition related to SWAMP6 agreement**

Management will identify and note all fixed price and service contracts, at award stage for future follow up. Management will review all fixed price and service contracts periodically and at each fiscal year end for proper recording to the Statement of Revenues, Expenses and Changes in Net Position.

### **Item 2016-002 – Untimely recording of capital assets into the financial statements**

Management updated its policies and procedures to ensure capital assets will be properly recorded in the financial statements.

**San Jose State University Research Foundation**  
**Schedule of Prior Year Findings**  
**June 30, 2016**

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**SCHEDULE OF PRIOR YEAR FINDINGS**

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None reported for the year ended June 30, 2015.

# **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, 2016

**Schedule of Net Position**  
 Year ended June 30, 2016  
 (for inclusion in the California State University)

## Assets:

## Current assets:

Cash and cash equivalents	\$ 558,432
Short-term investments	21,840,144
Accounts receivable, net	8,471,651
Leases receivable, current portion	1,999
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	279,250
	<hr/>
Total current assets	31,151,476
	<hr/>

## Noncurrent assets:

Restricted cash and cash equivalents	46,463
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	1,218,027
Capital assets, net	9,816,143
Other assets	63,570
	<hr/>
Total noncurrent assets	11,144,203
	<hr/>
Total assets	42,295,679
	<hr/>

## Deferred outflows of resources:

Unamortized loss on debt refunding	—
Net pension obligation	—
Others	—
	<hr/>
Total deferred outflows of resources	—
	<hr/>

## Schedule of Net Position (continued)

Year ended June 30, 2016  
(for inclusion in the California State University)

### Liabilities:

#### Current liabilities:

Accounts payable	2,032,447
Accrued salaries and benefits payable	1,606,925
Accrued compensated absences– current portion	1,293,289
Unearned revenue	4,404,897
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	24,935

Total current liabilities	9,362,493
---------------------------	-----------

#### Noncurrent liabilities:

Accrued compensated absences, net of current portion	334,087
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	291,753
Other postemployment benefits obligation	15,927,130
Pension obligation	—
Other liabilities	8,000

Total noncurrent liabilities	16,560,970
------------------------------	------------

Total liabilities	25,923,463
-------------------	------------

#### Deferred inflows of resources:

Unamortized gain on debt refunding	—
Non-exchange transactions	—
Service concession arrangements	—
Net pension obligation	—
Others	—

Total deferred inflows of resources	—
-------------------------------------	---

### Net Position:

Net investment in capital assets	9,816,143
----------------------------------	-----------

#### Restricted for:

Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	46,742
Loans	—
Capital projects	—
Debt service	—
Other	—

Unrestricted	6,509,331
--------------	-----------

Total net position	\$ 16,372,216
--------------------	---------------

See accompanying independent auditor's report.

## Schedule of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2016  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$0)	\$ 5,938,242
Grants and contracts, noncapital:	
Federal	21,716,914
State	10,061,223
Local	3,800,615
Nongovernmental	3,065,407
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$__0____)	12,033
Other operating revenues	10,745,824
Total operating revenues	<u>55,340,258</u>
Expenses:	
Operating expenses:	
Instruction	10,545,415
Research	34,047,197
Public service	674,550
Academic support	641,991
Student services	656,331
Institutional support	7,231,969
Operation and maintenance of plant	535,777
Student grants and scholarships	2,495,479
Auxiliary enterprise expenses	42
Depreciation and amortization	308,652
Total operating expenses	<u>57,137,403</u>
Operating income (loss)	<u>(1,797,145)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	1,221,386
State financial aid grants, noncapital	908,465
Local financial aid grants, noncapital	104,078
Nongovernmental and other financial aid grants, noncapital	185,385
Other federal nonoperating grants, noncapital	1,042,524
Gifts, noncapital	—
Investment income (loss), net	(9,289)
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	<u>3,452,549</u>
Income (loss) before other additions	1,655,404
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>1,655,404</u>
Net position:	
Net position at beginning of year, as previously reported	13,640,273
Restatements	1,076,539
Net position at beginning of year, as restated	<u>14,716,812</u>
Net position at end of year	<u>\$ 16,372,216</u>

See accompanying independent auditor's report.



## Schedule of Other Information (continued)

Year ended June 30, 2016

(for inclusion in the California State University)

<b>2.4 Restricted noncurrent investments at June 30, 2016 related to:</b>	<b>Amount</b>
Endowment investment	\$ —
Grant asset sale proceed	879,532
Funds held for external agencies	291,753
Restricted for research	46,742
Add description	
Add description	
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2016</b>	<b>\$ 1,218,027</b>

**2.5 Fair value hierarchy in investments at June 30, 2016:**

	Fair Value Measurements Using				Net Asset Value (NAV)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$				
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	4,415,236	-	-	-	4,415,236
Corporate bonds	794,124	664,166	128,382	1,576	-
Certificates of deposit	318,675	-	318,675	-	-
Mutual funds	9,889,421	9,889,421	-	-	-
Money Market funds	64,375	-	-	-	64,375
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	25,841	25,841	-	-	-
U.S. agency securities	747,070	-	747,070	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	131,400	79,000	49,940	2,460	-
Exchange traded funds (ETFs)	6,672,029	6,672,029	-	-	-
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	-	-	-	-	-
<b>Total investments</b>	<b>23,058,171</b>	<b>17,330,457</b>	<b>1,244,067</b>	<b>4,036</b>	<b>4,479,611</b>

See accompanying independent auditor's report.



## Schedule of Other Information (continued)

Year ended June 30, 2016

(for inclusion in the California State University)

### 3.1 Composition of capital assets at June 30, 2016 (continued):

	Balance June 30, 2015	Prior period Adjustments	Reclassifications	June 30, 2015 (restated)	Additions	Reductions	Completed CWIP	Balance June 30, 2016
Less accumulated depreciation/amortization:								
Buildings and building improvements	(2,204,514)	-	-	(2,204,514)	(207,428)	-		(2,411,942)
Improvements, other than buildings	-	-	-	-	-	-		-
Infrastructure	-	-	-	-	-	-		-
Leasehold improvements	(680,902)	-	-	(680,902)	-	-		(680,902)
Personal property:								
Equipment	(1,559,916)	-	-	(1,559,916)	(101,224)	5,856		(1,655,284)
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	(5,217,990)	-	-	(5,217,990)	(308,652)	5,856		(5,520,786)
Total capital assets, net	<u>\$ 8,949,375</u>	<u>-</u>	<u>-</u>	<u>8,949,375</u>	<u>898,204</u>	<u>(31,436)</u>	<u>-</u>	<u>9,816,143</u>

### 3.2 Detail of depreciation and amortization expense for the year ended June 30, 2016:

Depreciation and amortization expense related to capital assets	\$ 308,652
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 308,652</u>

See accompanying independent auditor's report.

**Schedule of Other Information (continued)**  
 Year ended June 30, 2016  
 (for inclusion in the California State University)

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ 1,569,325	—	—	1,569,325	1,778,010	(1,719,959)	1,627,376	1,293,289	334,087
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
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	\$ 1,569,325	—	—	1,569,325	1,778,010	(1,719,959)	1,627,376	1,293,289	334,087

**5 Future minimum lease payments - capital lease obligations:**

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	-	-	—	-	-	—	-	-	—
2018	-	-	—	-	-	—	-	-	—
2019	-	-	—	-	-	—	-	-	—
2020	-	-	—	-	-	—	-	-	—
2021	-	-	—	-	-	—	-	-	—
2022 - 2026	-	-	—	-	-	—	-	-	—
2027 - 2031	-	-	—	-	-	—	-	-	—
2032 - 2036	-	-	—	-	-	—	-	-	—
2037 - 2041	-	-	—	-	-	—	-	-	—
2042 - 2046	-	-	—	-	-	—	-	-	—
2047 - 2051	-	-	—	-	-	—	-	-	—
2052 - 2056	-	-	—	-	-	—	-	-	—
2057 - 2061	-	-	—	-	-	—	-	-	—
2062 - 2066	-	-	—	-	-	—	-	-	—
Total minimum lease payments	-	-	-	-	-	-	-	-	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capitalized lease obligations									—
Less: current portion									—
<b>Capitalized lease obligation, net of current portion</b>									<b>\$ —</b>

See accompanying independent auditor's report.

**Schedule of Other Information (continued)**  
 Year ended June 30, 2016  
 (for inclusion in the California State University)

## 6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	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 minimum payments	\$ -	-	-	-	-	-	-	-	-
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>\$ -</b>

## 7 Calculation of net position

## 7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 9,816,143
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	<u>\$ 9,816,143</u>

## 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	<u>\$ -</u>

See accompanying independent auditor's report.

## Schedule of Other Information (continued)

Year ended June 30, 2016

(for inclusion in the California State University)

### 8 Transactions with Related Entities

	<b>Amount</b>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,595,180
Payments to University for other than salaries of University personnel	1,114,525
Payments received from University for services, space, and programs	754,291
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	2,754,279
Accounts (payable to) University (enter as negative number)	(230,579)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	39,900
Other amounts receivable from University	—

### 9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$	1,657,965	
Contributions during the year		(1,586,468)	
Increase (decrease) in net OPEB obligation (NOO)		71,497	
Other adjustments			
NOO - beginning of year		15,855,633	
NOO - end of year	\$	15,927,130	

### 10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
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	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

See accompanying independent auditor's report.

## Schedule of Other Information (continued)

Year ended June 30, 2016

(for inclusion in 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, 2015, as previously reported		\$ 13,640,273
Prior period adjustments:		
1 Recognize revenue from partially completed contract		1,076,539
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, 2015, as restated		\$ 14,716,812

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

	Debit	Credit
Net position class: Unrestricted		
1 Recognize revenue from partially completed contract		
Unearned Revenue	\$ 1,076,539	
Unrestricted Net Position		1,076,539
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.