

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

Financial and Compliance Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the San José State University Research Foundation (the Foundation), an auxiliary organization and component unit of the California State University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San José State University Research Foundation as of June 30, 2020, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-7 and Other Postemployment Benefits schedules on pages 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

RSM US LLP

San José, California
September 23, 2020

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2020

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, 2020. 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 (MLML). The Foundation has additional off-site projects throughout the United States and in some foreign countries.

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

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

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

Introduction to the Financial Statements

The Foundation financial statements include the following:

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

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

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

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

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2020

Significant Events - Year Ended June 30, 2020

Change in San José State University management: In July 2019, Vincent Del Casino was appointed as SJSU Provost and Senior Vice President for Academic Affairs. Also In July 2019, Mohamed Abousalem was appointed as SJSU Vice President of Research and Innovation (a newly created position).

The Foundation amended its bylaws to change its ex-Officio Board President from SJSU Provost and Senior Vice President for Academic Affairs to SJSU Vice President of Research and Innovation. This change was to enhance SJSU and the Foundation's focus on promoting Research, Scholarship, and Creative Activities. The Provost remains as a Foundation Board member.

The Foundation's Executive Director, Rajnesh Prasad, left the organization in May 2020, and was replaced by interim Executive Director Eugene Kunde.

Discontinued operation of a federal government-owned research vessel (sponsored program): For 30 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 MLML, a satellite campus of SJSU and the Foundation. The operating agreement was a recurrent agreement, renewable approximately every five years. In June 2013, NSF notified the Foundation that NSF had 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, and University-National Oceanographic Laboratory System. Five other vessels in the nation were also facing early retirement.

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

During the current year, \$79,378 was spent and was reported to the NSF and also shown in the schedule of expenditures of federal awards. After the reporting requirement ended on March 31, 2020, the remaining proceeds in the amount of \$825,223 became unrestricted funds for the Foundation to use. Proceeds of the sale will be used to support marine science by paying for research cruises, research vessel(s), and/or to support student training in marine science academic research.

Impact of COVID-19: The Foundation has responded to and has been impacted by the COVID-19 pandemic in a variety of ways. It has been operating virtually as a result of the shelter in place regulations of Santa Clara County since early March 2020. Some staff positions were eliminated and a COVID-19 Recovery Plan was developed to address the virus related issues when it becomes possible for employees to gradually return to work at the Central Office.

Revenues of Self Support programs, especially I-House and International Gateways were drastically reduced as a result of international students no longer being able to be on campus. The Timpany Center wellness operation was forced to suspend operations. Other programs such as summer camps and workshops were reduced or cancelled.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2020

Financial overview: The following discussion highlights management's understanding on the key financial aspects of the Foundation's financial activities as of and for the year ended June 30, 2020. Included are analysis of current year's activities and balances in the Foundation's net position.

A comparison of fiscal year 2020 to 2019 statements of net position is shown below:

Comparison of assets, liabilities and net position

	FY 2020	FY 2019	Increase/ (Decrease)
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,429,981	\$ 973,041	\$ 456,940
Short-term investments	22,866,519	22,039,242	827,277
Accounts receivable, net	7,320,820	8,739,251	(1,418,431)
Prepaid expenses and other assets	261,136	158,174	102,962
Total current assets	<u>31,878,456</u>	<u>31,909,708</u>	<u>(31,252)</u>
Noncurrent assets:			
Restricted cash and cash equivalents	45,953	12,783	33,170
Other long-term investments	1,271,752	2,078,586	(806,834)
Capital assets, net	11,301,753	11,439,181	(137,428)
Other assets	63,570	63,570	-
Total noncurrent assets	<u>12,683,028</u>	<u>13,594,120</u>	<u>(911,092)</u>
Total assets	<u>44,561,484</u>	<u>45,503,828</u>	<u>(942,344)</u>
Deferred outflows of resources:			
Net OPEB liability	4,128,922	136,353	3,992,569
Total deferred outflows of resources	<u>\$ 4,128,922</u>	<u>\$ 136,353</u>	<u>\$ 3,992,569</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,459,313	\$ 2,848,413	\$ (389,100)
Accrued salaries and benefits payable	1,826,369	1,447,100	379,269
Accrued compensated absences—current portion	1,493,201	1,395,687	97,514
Unearned revenue	3,241,468	5,106,880	(1,865,412)
Other liabilities	18,180	22,522	(4,342)
Total current liabilities	<u>9,038,531</u>	<u>10,820,602</u>	<u>(1,782,071)</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	138,482	100,325	38,157
Depository accounts	260,279	290,787	(30,508)
OPEB obligation	22,275,875	17,299,411	4,976,464
Other liabilities	182,436	174,778	7,658
Total noncurrent liabilities	<u>22,857,072</u>	<u>17,865,301</u>	<u>4,991,771</u>
Total liabilities	<u>31,895,603</u>	<u>28,685,903</u>	<u>3,209,700</u>
Net position:			
Net investment in capital assets	11,296,084	11,428,035	(131,951)
Restricted for:			
Expendable:			
Research	28,657	28,657	-
Unrestricted	<u>5,470,062</u>	<u>5,497,586</u>	<u>(27,524)</u>
Total net position	<u>\$ 16,794,803</u>	<u>\$ 16,954,278</u>	<u>\$ (159,475)</u>

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2020

Assets: Total assets decreased \$942,344 from June 30, 2019, to June 30, 2020.

Current assets decreased \$31,252 primarily due to a decrease in accounts receivable of \$1,418,431, offset by an \$827,277 increase in short-term investments. Accounts receivable at June 30, 2019, was unusually high due to an early NASA cut off reimbursement date. Current year accounts receivable is in line with years prior to 2019. The increase in short-term investments is primarily due to the reclassification of the Pt. Sur proceed from long-term to short-term investments as explained earlier.

Noncurrent assets decreased \$911,092 primarily due to a decrease in long-term investments of \$806,834, of which \$825,223 was from the Pt. Sur proceed reclassification.

Liabilities: Total liabilities increased \$3,209,700 from June 30, 2019, to June 30, 2020.

Current liabilities decreased \$1,782,071 primarily due to a decrease in unearned revenue of \$1,865,412, of which \$825,223 of Pt. Sur proceed was no longer deferred, and was recognized as revenue during this year. The rest of the decrease was mostly related to invoices being submitted later than in prior years due to COVID-19, offset by an increase in accounts payable and accrued expenses of \$87,683.

Noncurrent liabilities increased \$4,991,771 primarily due to a \$4,976,464 increase in post-retirement benefit obligation.

Net position: The total net position decreased \$159,475 to \$16,794,803 as of June 30, 2020. See explanation of decrease in revenues, expenses and changes in net position in the next page.

A comparison of fiscal year 2020 to fiscal year 2019 statements of revenues, expenses and changes in net position is shown below:

Comparison of revenues and expenses by functional area

	FY2020	FY2019	Increase/ (Decrease)
Revenues			
Sponsored programs	\$ 42,922,330	\$ 41,989,379	\$ 932,951
Campus self-support programs	4,671,479	6,756,246	(2,084,767)
Cost recovery			
Indirect cost recovery from sponsored programs	8,408,250	8,290,378	117,872
Administrative and program fees	407,981	533,243	(125,262)
Investment income	338,170	1,039,416	(701,246)
Contributions from the University	1,000,000	500,000	500,000
Other	312,743	83,358	229,385
Total revenue	<u>58,060,953</u>	<u>59,192,020</u>	<u>(1,131,067)</u>
Expenses			
Sponsored programs	41,751,641	40,433,651	1,317,990
Campus self-supported programs	5,574,648	8,016,523	(2,441,875)
Board designated programs	1,297,857	1,623,247	(325,390)
Management and general	8,596,282	8,396,592	199,690
Contributions to the University	1,000,000	-	1,000,000
Total expenses	<u>58,220,428</u>	<u>58,470,013</u>	<u>(249,585)</u>
(Decrease) increase in net position	<u>(159,475)</u>	<u>722,007</u>	<u>(881,482)</u>
Net Position			
Beginning balance	16,954,278	16,232,271	722,007
Ending balance	<u>\$ 16,794,803</u>	<u>\$ 16,954,278</u>	<u>\$ (159,475)</u>

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2020

Revenues: Total revenues decreased by \$1,131,067 from fiscal year 2019 to fiscal year 2020. This is primarily due to a decrease in campus self-support programs revenue of \$2,084,767 along with an increase in sponsored programs revenue of \$932,951 (Pt. Sur release of \$825,223). Also, there is a decrease in investment income of \$701,246 related to the market turndown and an increase of \$729,385 in other revenue, which includes an additional \$500,000 of pre-award funding from SJSU campus which is more than what was received in the prior year. See Note 5 for more detail.

Expenses: Total expenses decreased \$249,585 overall from fiscal year 2019 to fiscal year 2020. The change was primarily due to an increase of \$1,317,990 in federal grant and contracts activity, with an offset of \$2,441,875 in self-support programs expenditures, including shrinking/ending some workshop series, and an increase in other expenses of \$1,000,000, which was for the Foundation's contribution to the Science Building. The Foundation committed to provide \$500,000 contribution each year for 30 years. See related Note 5 for more detail.

Changes in net position: The result of current-year's revenues and expenses is a deficit of \$159,475, compared to prior-year's surplus of \$722,007, a difference of approximately \$881,000. Management has identified three main reasons for the difference: (1) an increase from the recognition of \$825,223 from Pt. Sur proceed, (2) decrease in investment income of \$701,246 due to poor performance of the investment market, and (3) a decrease of \$500,000 from the net effect of pre-award support from SJSU and contribution to SJSU Science Building.

San José State University Research Foundation

**Statement of Net Position
June 30, 2020**

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,429,981
Short-term investments	22,866,519
Accounts receivable	7,320,820
Prepaid expenses and other assets	261,136
Total current assets	<u>31,878,456</u>
Noncurrent assets:	
Restricted cash and cash equivalents	45,953
Other long-term investments	1,271,752
Capital assets, net	11,301,753
Other assets	63,570
Total noncurrent assets	<u>12,683,028</u>
Total assets	<u><u>\$ 44,561,484</u></u>
Deferred outflows of resources:	
Net OPEB liability	<u><u>\$ 4,128,922</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 2,459,313
Accrued salaries and benefits payable	1,826,369
Accrued compensated absences—current portion	1,493,201
Unearned revenue	3,241,468
Other liabilities	18,180
Total current liabilities	<u>9,038,531</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	138,482
Payable to external agencies	260,279
Other postemployment benefits obligation	22,275,875
Other liabilities	182,436
Total noncurrent liabilities	<u>22,857,072</u>
Total liabilities	<u>31,895,603</u>
Net position:	
Net investment in capital assets	11,296,084
Restricted for:	
Expendable:	
Research	28,657
Unrestricted	5,470,062
Total net position	<u><u>\$ 16,794,803</u></u>

See notes to financial statements.

San José State University Research Foundation

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020**

Revenues:	
Operating revenues:	
Student tuition and fees	\$ 2,125,062
Grants and contracts:	
Federal	24,291,135
State	8,466,190
Local	2,216,008
Nongovernmental	4,923,420
Indirect cost recovery from sponsored programs	8,408,250
Administrative and program fees	407,981
Other operating revenues	2,551,695
Total operating revenues	<u>53,389,741</u>
Expenses:	
Operating expenses:	
Instruction	7,052,950
Research	35,886,481
Public service	32,895
Academic support	375,530
Student services	939,272
Institutional support	8,517,983
Operation and maintenance of plant	626,980
Student grants and scholarships	2,399,618
Depreciation and amortization	1,325,175
Total operating expenses	<u>57,156,884</u>
Operating loss	<u>(3,767,143)</u>
Nonoperating revenues (expenses):	
Federal financial aid grants	833,230
State financial aid grants	1,339,160
Local financial aid grants	115,042
Nongovernmental and other financial aid grants, noncapital	67,899
Gifts in-kind	670,482
Investment income, net	342,242
Interest expense	(387)
Other nonoperating revenue	240,000
Net nonoperating revenues	<u>3,607,668</u>
Decrease in net position	(159,475)
Net position at beginning of year	<u>16,954,278</u>
Net position at end of year	<u>\$ 16,794,803</u>

See notes to financial statements.

San José State University Research Foundation

**Statement of Cash Flows
Year Ended June 30, 2020**

Cash flows from operating activities:	
Tuition and fees	\$ 2,125,062
Federal grants and contracts	24,846,877
State grants and contracts	8,181,723
Local grants and contracts	1,950,584
Nongovernmental grants and contracts	5,362,169
Payments to suppliers	(16,785,701)
Payments to employees	(35,714,060)
Payments to students	(2,399,618)
Indirect cost recovery from sponsored programs	8,408,250
Administrative and program fees	407,981
Other receipts	1,717,513
Net cash used in operating activities	<u>(1,899,220)</u>
Cash flows from noncapital financing activities:	
Federal financial aid grants	833,230
State financial aid grants	1,339,160
Local financial aid grants	115,042
Nongovernmental and other financial aid grants	67,899
Gifts and grants received for other than capital purposes	670,482
Deferred rent and other liabilities	25,837
Other noncapital financing activities	209,492
Net cash provided by noncapital financing activities	<u>3,261,142</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,187,747)
Principal paid on capital lease	(5,477)
Interest paid on capital lease	(387)
Net cash used in capital and related financing activities	<u>(1,193,611)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	18,292,195
Purchase of investments	(18,391,531)
Investment income	421,135
Net cash provided by investing activities	<u>321,799</u>
Net increase in cash and cash equivalents	490,110
Cash and cash equivalents - beginning of year	<u>985,824</u>
Cash and cash equivalents - end of year	<u>\$ 1,475,934</u>
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	1,429,981
Restricted cash and cash equivalents	45,953
Total cash and cash equivalents at end of year	<u>\$ 1,475,934</u>

(Continued)

San José State University Research Foundation

Statement of Cash Flows (Continued)
Year Ended June 30, 2020

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,767,143)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	1,325,175
Change in assets and liabilities:	
Accounts receivables	1,418,431
Prepaid expenses and other assets	(102,962)
Deferred outflows of resources	(3,992,569)
Accounts payable	(389,100)
Accrued salaries and benefits	379,269
Accrued compensated absences	135,671
Deferred revenue	(1,865,412)
Other postemployment benefits obligation	4,976,464
Other liabilities	(17,044)
Net cash used in operating activities	<u><u>\$ (1,899,220)</u></u>
Supplemental disclosure of noncash investing activity:	
Decrease in fair value of investments	<u><u>\$ (78,893)</u></u>

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Organization

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

Note 2. Summary of Significant Accounting Policies

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

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

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

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

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

Accounts receivable: Receivables are stated at net realizable value. The Foundation uses the specific write-off method of accounting for bad debts, which recognizes bad debt expenses at the time the account is deemed worthless by analyzing the collectability of the receivables. Historically, this method approximates the allowance method. Management has determined that no allowance is necessary at June 30, 2020.

Capital assets: Purchased assets are recorded at cost. Assets acquired through grants in which title vests with the Foundation during the grant period are capitalized. Donated assets are recorded at acquisition value at the date of acquisition. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or to the carrying value is warranted. Asset impairment is recorded whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No asset impairments were recognized during the year ended June 30, 2020.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

Depreciation expense was \$1,325,175 for the year ended June 30, 2020, of which \$15,784 was for leasehold improvement.

The total cost of assets was \$19,631,104, with related accumulated depreciation of \$8,329,351 with a net book value of \$11,301,753 as of June 30, 2020.

Accrued vacation: The Foundation accrues vacation benefits for eligible employees at various rates depending on length of service. Employees are paid for unused vacation time but are not paid for unused sick leave at the end of employment. During fiscal year 2020, \$1,705,464 accrued vacation was earned and \$1,569,793 was used. At June 30, 2020, the Foundation had balances of \$1,631,683 in accrued vacation liabilities of which \$1,493,201 was current.

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

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

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

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

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

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

Recent accounting pronouncements issued: The following GASB Statement has been issued and has an effective date that may impact future financial presentations:

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the Foundation beginning with the year ending December 31, 2020. This statement establishes criteria for identifying fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists.

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

Note 3. Investments

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

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, 2020, are as follows:

Investment Type	Carrying Value	Historical Cost	Cumulative Unrealized Gain (Loss)
Equity investments	\$ 8,758,933	\$ 7,487,603	\$ 1,271,330
Debt securities - corporate	1,162,724	1,207,574	(44,850)
U.S. Treasury securities	1,999,654	1,974,854	24,800
Certificates of deposit	312,221	300,000	12,221
Mutual funds:			
Fixed income	5,052,287	5,097,109	(44,822)
Alternatives	1,693,034	1,736,214	(43,180)
Real estate investment trust (REIT) funds and real estate	402,779	408,000	(5,221)
Private equity	580,037	596,136	(16,099)
Money market funds	539,944	539,901	43
State of California Local Agency Investment Fund (LAIF)	3,636,658	3,636,658	-
Portfolio total	\$ 24,138,271	\$ 22,984,049	\$ 1,154,222

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Notes to Financial Statements

Note 3. Investments (Continued)

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

Investment Type	Total Fair Value	Less Than 6 Months	6 Months to Under 1 Year	1-5 Years
Money market	\$ 512,935	\$ 512,935	\$ -	\$ -
Certificates of deposit	312,221	-	-	312,221
U.S. government securities	27,009	26,175	-	834
U.S. treasuries	1,999,654	1,250,358	749,296	-
Corporate bonds	1,162,724	646,428	469,137	47,159
Total	<u>\$ 4,014,543</u>	<u>\$ 2,435,896</u>	<u>\$ 1,218,433</u>	<u>\$ 360,214</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 or of a counterparty to an investment transaction in a way that the Foundation would not be able to recover its investment. Financial instruments that potentially subject the Foundation to custodial credit risk generally applies only to funds on deposit and direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. The U.S. Treasury issue, Federally Sponsored Enterprise Issues, and corporate bonds are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in the Foundation's name. The Foundation's investments have been placed with RBC Wealth Management and UBS Financial Services, both major financial institutions; each holding over \$200 million in SIPC insurance.

Custodial credit risk for banking deposits is the risk that the Foundation will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of the Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. In accordance with the policy, all certificates of deposit are FDIC-insured and limited to \$250,000 at any one institution. As of June 30, 2020, \$915,965 of the Foundation's bank balance of \$1,165,965 was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

Concentration of investment credit risk: Concentration of investment credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Foundation's investment policy contains limitations as to how much can be invested with any one issuer. The Foundation's investment policy permits an unlimited portion of the portfolio to be invested in U.S. Government Treasury bonds and Government National Mortgage Association 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.

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

Note 3. Investments (Continued)

The table below summarizes the ratings of relevant fixed income investments of the Foundation as of June 30, 2020:

Investment Type	Credit Risk (Moody's/S&P)				Not Investment	
	Aaa/AAA	Aa/AA	A/A	Baa/BBB	Grade	Not Rated
Debt securities - corporate	\$ -	\$ -	\$ -	\$ 516,296	\$ -	\$ 646,428
U.S. Treasury securities	122,249	-	-	-	-	1,877,405
Agency pass-through	-	-	-	-	-	27,009
Certificates of deposit	-	-	-	-	-	312,221
Portfolio total	<u>\$ 122,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 516,296</u>	<u>\$ -</u>	<u>\$ 2,863,063</u>

Investment-related commitments: The Foundation is obligated under several alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table represents significant terms of such agreements for all related alternative investments at June 30, 2020:

Assets	Fair Value	Total Commitments	Unfunded Commitments	Remaining Life (Years)	Redemption Terms and Conditions
Rialto Real Estate Fund III Debt, LP	\$ 196,601	\$ 250,000	\$ 23,548	0 to 7	Not eligible for redemption
Blackstone Real Estate Income Trust, Inc	402,779	400,000	-	Perpetual life	Initial 1-year lock-up period expired; can be redeemed monthly
Portfolio Advisor Fund 2017	383,436	635,000	211,793	0 to 14	Not eligible for redemption

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

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Notes to Financial Statements

Note 3. Investments (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; and

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 Foundation's 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, 2020. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Foundation management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

Note 3. Investments (Continued)

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

The Foundation's Level 2 investments primarily consist of investments in U.S. government and agency obligations, and corporate debt securities that did not trade on the Foundation's fiscal year-end date. Inputs are prices or yields of similar securities or the same security but as of a date other than June 30, 2020.

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

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

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

Alternative investments the Foundation holds are described below:

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

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

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

Note 3. Investments (Continued)

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

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	NAV	Total
Equity investments	\$ 8,758,933	\$ -	\$ -	\$ -	\$ 8,758,933
Debt securities - corporate	1,162,724	-	-	-	1,162,724
U.S. Agency securities	-	27,009	-	-	27,009
U.S. Treasury securities	-	1,999,654	-	-	1,999,654
Certificates of deposit	-	312,221	-	-	312,221
Mutual funds:					
Fixed income	5,052,287	-	-	-	5,052,287
Alternatives	1,693,034	-	-	-	1,693,034
REIT funds and real estate	-	-	-	402,779	402,779
Private equity	-	-	-	580,037	580,037
Money market funds	-	-	-	512,935	512,935
	<u>\$ 16,666,978</u>	<u>\$ 2,338,884</u>	<u>\$ -</u>	<u>\$ 1,495,751</u>	<u>20,501,613</u>
State of California Local Agency Investment Fund (LAIF)					<u>3,636,658</u>
					<u>\$ 24,138,271</u>

Note 4. Accounts Receivable

The Foundation's accounts receivables are primarily from its sponsored programs. As of June 30, 2020, the Foundation has the following receivables:

Accounts receivable - sponsored programs	\$ 7,178,012
Other receivables	142,808
Total accounts receivable	<u>\$ 7,320,820</u>

Note 5. Related Parties

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

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as receivables and accounts payable. As of June 30, 2020, receivables due from and payables due to related parties are as follows:

Payables	Amount
Payable to the University	\$ 898,109
Payable to Associated Students	56,814

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

Note 5. Related Parties (Continued)

Transactions with the University and related organizations are recorded on the statement of revenues, expenses and changes in net position as institutional support. During the year ended June 30, 2020, amounts paid to the University and related organizations for services were as follows:

Total Paid	Amount
The University	\$ 5,542,841
Spartan Shops, Inc.	247,123
Associated Students	260,090
Tower Foundation	2,256
Student Union	8,384

In the fall of 2018, the University formally launched its strategic support of research, scholarly and creative activities by SJSU faculty. As a part of that initiative, the University agreed to provide \$1,000,000 and \$500,000 in pre-award funding support to the Foundation during the years ended June 30, 2020 and 2019, respectively, which is recorded on the statement of revenues, expenses and changes in net position as other nonoperating revenue. Each year, the University will evaluate its ability to provide additional funding, which could be as much as \$1,000,000 per year.

Additionally, the Foundation has agreed to contribute \$15.0 million toward the new Interdisciplinary Science Building that the University is constructing. These contributions are considered a voluntary nonexchange transaction that is contingent on the University's ability to provide the additional funding as described above. If that funding is not received, the Foundation will not be obligated to execute this contribution. If this contingency is met, the Foundation committed to the payment schedule of \$1,500,000 by June 2022, and has contributed \$1,000,000 as of June 30, 2020. The remaining \$13,500,000 is to be paid annually in an amount of \$500,000 over the remaining 27 years, from July 2022 through June 2049.

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

Note 6. Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land and land improvements	\$ 5,176,529	\$ -	\$ -	\$ -	\$ 5,176,529
Construction work in progress (CWIP)	894,428	513,078	(1,277,307)	-	130,198
Total capital assets not being depreciated	6,070,957	513,078	(1,277,307)	-	5,306,727
Capital assets being depreciated:					
Buildings and building improvements	5,788,905	-	-	-	5,788,905
Leasehold improvements	812,626	-	-	-	812,626
Equipment	5,770,869	674,669	1,277,307	-	7,722,845
Total capital assets being depreciated	12,372,400	674,669	1,277,307	-	14,324,376
Total capital assets	18,443,357	1,187,747	-	-	19,631,104
Less accumulated depreciation:					
Buildings and building improvements	(3,038,003)	(208,462)	-	-	(3,246,465)
Leasehold improvements	(713,824)	(15,784)	-	-	(729,608)
Equipment	(3,252,349)	(1,100,929)	-	-	(4,353,278)
Total accumulated depreciation	(7,004,176)	(1,325,175)	-	-	(8,329,351)
Net capital assets being depreciated	5,368,224	(650,506)	1,277,307	-	5,995,026
Net capital assets	\$ 11,439,181	\$ (137,428)	\$ -	\$ -	\$ 11,301,753

Note 7. Commitments

Line of credit: In April 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, 2020, no funds were drawn for operational use and there were no amounts outstanding under the LOC as of June 30, 2020. This line of credit currently has no expiration date.

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

Beginning of Year	Increase	Decrease	End of Year
\$ 116,839	\$ 580,818	\$ (656,062)	\$ 41,595

Lease arrangements:

Operating lease obligations: Future minimum lease payments on any noncancelable 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.

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

Note 7. Commitments (Continued)

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

The Foundation subleases space to SJSU under a sublease agreement. This sublease has been amended six times and expired at June 30, 2020. A new lease to extend through June 30, 2021, is currently being negotiated.

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

Years Ending June 30	Operating Leases	Sublease Income from the University	Net Operating Lease Commitment
2021	\$ 541,927	\$ (69,367)	\$ 472,560
2022	558,340	-	558,340
2023	575,245	-	575,245
2024	592,657	-	592,657
2025	300,746	-	300,746
Total future minimum lease payments	<u>\$ 2,568,915</u>	<u>\$ (69,367)</u>	<u>\$ 2,499,548</u>

For the year ended June 30, 2020, the total rent expense on this lease was \$533,418 and the sublease income was \$67,327.

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, 2019, to November 29, 2020, for \$8,000 per month. The cost of land and building was \$2,470,945, with a net book value of \$1,987,435 as of June 30, 2020. Depreciation expense for the year ended June 30, 2020, was \$35,595. Future lease revenue is listed in the table below:

Year ending June 30:	
2021	\$ 40,000

Note 8. Employee Benefits and Compensation Plans

Defined contribution plan: The Foundation contributes to the SJSU Research Foundation Defined Contribution Plan (the Plan) for its eligible fully benefited employees. The Plan is administered by the Board of Directors of the Foundation and the Teachers Insurance and Annuity Association - College Retirement Equities Fund 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.

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

Note 8. Employee Benefits and Compensation Plans (Continued)

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

For the year ended June 30, 2020, the Foundation recognized contribution expense of \$1,088,723 and recorded a liability of \$67,786 at June 30, 2020.

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

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

Annual OPEB cost and net OPEB obligation (OPEB Plan): The Foundation's annual OPEB cost (expense) is calculated based on the actuarially determined contribution (ADC) of the employer. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a given period of time. The Actuarial Report is performed with a measurement date of December 31, 2018, to fulfill GASB Statement No. 74 for the financial report of the RORMT. The values displayed on the next few pages represent values dated December 31, 2018, from that report unless otherwise labeled. As required by GASB Statement No. 75, transactions recorded in the benefit of the OPEB Plan subsequent to the actuarial measurement date are OPEB Plan changes that are reflected in deferred outflows and deferred inflows where the effect to total OPEB liability is deferred to the next reporting period. As of June 30, 2020, transactions recorded in the benefit of the OPEB Plan consist of payments from the Foundation to the RORMT on behalf of retiree medical health insurance coverage that occurred between January 1, 2019, and June 30, 2020. Those employer contribution payments amounted to \$423,445 and were recorded as deferred outflows on the Foundation's statement of net position.

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

Note 8. Employee Benefits and Compensation Plans (Continued)

The components of the net OPEB liability of the Plan as of June 30, 2020, are as follows:

Total OPEB liability	\$ 28,522,508
Plan fiduciary net position	6,246,633
Net OPEB liability	<u>\$ 22,275,875</u>
Deferred outflow of resources	\$ 4,128,922
Deferred inflow of resources	-
Plan fiduciary net position as a percentage of the total OPEB liability	21.90%

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

<u>Deferred Outflows/Inflows of Resources</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expect and actual experience in the measurement of total OPEB liability	\$ (6,229,142)	\$ -
Change in assumptions	10,189,724	-
Net difference between projected and actual earnings of OPEB plan investments	(255,105)	-
Contribution to OPEB plan after measurement date	423,445	-
Totals	<u>\$ 4,128,922</u>	<u>\$ -</u>

Assumptions and other inputs used to measure OPEB liability:

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

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

Notes to Financial Statements

Note 8. Employee Benefits and Compensation Plans (Continued)

Valuation and measurement dates	Actuarial valuation as of December 31, 2018; Measurement date as of December 31, 2019
Actuarial cost method	Entry age normal
Asset valuation method	Market value of asset as of measurement date
Actuarial assumptions:	
Inflation	2.75% in 2018; 2.50% in 2019
Projected PY increase	3.25%
Discount rate	4.90% in 2018; 3.25% in 2019
Administrative expense	\$72,470
Health care cost trend	6.5% to 5% in 2024, step of 0.5% annually
Mortality	MacLeod Watts Scale 2018 applied generationally
Funding policy	The Foundation has elected to contribute annually to the Trust (a) current cost, (b) annual additional amount determined annually.

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

At December 31, 2019, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Asset Class	Target Allocation	Long-Term Rate of Return
Global Equities	53%	5.50%
Global Bonds	40%	1.00%
REITs	7%	4.00%

The discount rate used to measure the total OPEB liability is 3.25% as of December 31, 2019. The projection of cash flows used to determine the discount rate is based on the Foundation's funding policy that the Foundation has elected to contribute annually to the Plan (a) current benefit costs for retirees, and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the OPEB Plan.

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

Note 8. Employee Benefits and Compensation Plans (Continued)

The following presents the net OPEB liability, calculated using the discount rate of 3.25%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 2.25%		Current Discount 3.25%		1% Increase 4.25%
\$	27,530,900	\$	22,275,875	\$	18,112,864

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

	1% Decrease		Base		1% Increase
\$	18,033,118	\$	22,275,875	\$	28,336,388

Note 9. 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, 2020.

The spread of COVID-19, a novel strain of the coronavirus, is altering the behavior of businesses and people in a manner that may adversely impact local, regional, and global economies. Further, financial markets in the United States and globally have recently experienced a significant decline attributed to coronavirus concerns. The extent to which the coronavirus impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors management is not currently able to predict. Accordingly, management cannot presently estimate the overall operational and financial impact to the Foundation, but such an impact could have a material adverse effect on the financial condition of the Foundation.

Note 10. Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2020, through September 23, 2020, the date these financial statements were available to be issued, and nothing has occurred outside the normal course of business operations that would require disclosure in these financial statements.

**San José State University Research Foundation
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Schedule of Changes in the Net OPEB Liability

The schedule of changes in the net OPEB liability as of June 30, 2020, is as follows:

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 1,123,991	\$ 812,945	\$ 812,945
Interest	1,097,418	1,499,946	1,393,018
Change of assumptions	6,405,304	5,709,233	-
Differences between expected and actual experience	(977,897)	(6,819,270)	(14,523)
Benefit payments	(797,221)	(664,106)	(546,152)
Benefit payments made outside of the Trust - Foundation's retiree implicit rate subsidy	-	-	(80,712)
Net change in total OPEB liability	<u>6,851,595</u>	<u>538,748</u>	<u>1,564,576</u>
Total OPEB liability - beginning	<u>21,670,913</u>	<u>21,132,165</u>	<u>19,567,589</u>
Total OPEB liability - ending (a)	<u>\$ 28,522,508</u>	<u>\$ 21,670,913</u>	<u>\$ 21,132,165</u>
Plan fiduciary net position:			
Employer contributions	\$ 1,779,721	\$ 712,123	\$ 1,081,965
Net investment income	965,101	(234,184)	482,106
Benefit payments	(797,221)	(664,106)	(626,864)
Administrative expenses	(72,470)	(60,625)	(63,674)
Net change in plan net position	<u>1,875,131</u>	<u>(246,792)</u>	<u>873,533</u>
Plan fiduciary net position - beginning	<u>4,371,502</u>	<u>4,618,294</u>	<u>3,744,761</u>
Plan fiduciary net position - ending (b)	<u>6,246,633</u>	<u>4,371,502</u>	<u>4,618,294</u>
Net OPEB liability (a) - (b)	<u>\$ 22,275,875</u>	<u>\$ 17,299,411</u>	<u>\$ 16,513,871</u>
Plan fiduciary net position as a percentage of total OPEB liability			
Net OPEB liability as a percentage of covered employee payroll	21.90%	20.17%	21.85%
Covered employee payroll	119.12%	94.75%	88.31%
	\$ 18,699,654	\$ 18,257,949	\$ 18,699,084

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

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

Schedule of Employer Contributions

Years Ended December 31	Actuarial Determined Contributions	Contributions in Relation to Actuarial Determined Contributions	Contributions Deficiency	Covered Payroll	Contribution as a Percentage of Covered Payroll
2019	\$ 1,942,989	\$ 1,779,721	\$ 163,268	\$ 18,699,654	10%
2018	1,930,541	712,123	1,218,418	18,257,949	4%
2017	2,111,304	1,081,965	1,029,339	18,699,084	6%

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

**San José State University Research Foundation
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Notes to Required Supplementary Information

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

Valuation and measurement dates	Actuarial valuation as of December 31, 2018; Measurement date as of December 31, 2019
Actuarial cost method	Entry age normal
Asset valuation method	Market value of asset as of measurement date
Actuarial assumptions:	
Inflation	2.50%
Projected payroll increases	3.25%
Discount rate	3.25%
Administrative expense	\$75,764
Health care cost trend rate	6.5% to 5% in 2024, step of 0.5% annually
Mortality	MacLeod Watts 2018 applied generationally
Funding policy	The Foundation has elected to contribute annually to the Trust (a) current benefit costs for retirees, and (b) an additional dollar amount determined annually

The total OPEB liability and contributions in relation to actuarially determined contribution take into consideration of the implicit rate subsidy, which is actuarially determined and represents a subsidy toward pre-Medicare retiree medical costs paid via active employee premiums, since the claims from both active and retired employees are combined to calculate a blended premium. The implicit rate subsidy toward the Foundation's eligible retirees was \$150,741 in 2019, which was recognized both as employer contribution and benefit payments in the statement of changes in fiduciary net position for the year ended December 31, 2019.

Employer lump-sum contributions	\$ 927,500
Employer contributions toward blended rate premium	701,480
Implicit rate subsidy	150,741
Total employer contributions	<u>\$ 1,779,721</u>

San José State University Research Foundation

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Department of Agriculture:				
Direct				
U.S. Forest Service	10.707		\$ -	\$ 26,725
Plume Dynamics and Meteorology Support for the Fishlake National Forest FASMEE Campaign				
Pass-through				
Resource Con Dist of Monterey Cnty	10.912	SC-2017-01	96,521	261,934
Environmental Quality Incentive Programs				
Total Department of Agriculture			96,521	288,659
Department of Commerce:				
Direct				
Department of Commerce	11.427		-	15,596
Forecasting the Effects of Ocean Acidification and Hypoxia on Reproduction of West Coast Groundfish				
Department of Commerce	11.427		-	41,074
Using Spatial Variation in Demography and Life History to Improve Stock Assessments of West Coast Groundfish				
Department of Commerce	11.427		-	31,484
Improving Information for Stock Assessments: Comparison of NMFS Trawl Surveys and Visual Surveys of Adjacent Untrawlable				
Department of Commerce	11.439		-	20,467
Large Whale Readiness and Response in Central and Northern California				
Department of Commerce	11.454		-	23,183
White Abalone Restoration Research and Production				
Department of Commerce	11.455		-	11,354
Using Habitat-Specific, Spatial Demographic Information to Improve Stock Assessments of Ground fishes				
Total Direct			-	143,158
Pass-through				
Monterey Bay Aquarium Res Institute	11.012	1611119	-	57,671
CeNCOOS: Long-Term Monitoring of Environmental Conditions in Support of Marine Area Management in Central & Northern CA				
Howard University	11.481	0008971-1000066103	-	73,598
The NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology				
UC, San Diego	11.417	92600154-R/AQ-138	-	1,429
Solving Impediments to the Co-Culture of Seaweeds and Shellfish				
UC, Santa Cruz	11.439	A18-0040-S001-P06545	-	10,413
Enhanced Stranding Response and a Continued Response Partnership Between the Long Marine Lab and Moss Landing Stranding				
UC, Santa Cruz	11.439	A19-0055-S001-P06998	-	762
Enhanced Stranding Response and Training for the Future on the Central California Coast				
UC, San Diego	11.417	102318494-SEA6970	-	770
Development of Techniques for the Cultivation of Monkeyface Pricklebacks as a Sustainable Alternative to Unagi				
UC, San Diego	11.417	102318494-SEA6980	-	8,667
CA Sea Grant Fellowship (Katherine Neylan): Eat Your Greens: Evaluating Microalgae Supplemented Feeds for Sablefish Nutrition and Growth				
UC, San Diego	11.417	R/HCE-04A	-	39,480
Minimizing Disturbance Impacts by California Vessel Mooring Systems on Living Rhodolith Benthos in Catalina MPAs: an Experimental Assessment				
UC, San Diego	11.417	R/HCE-05A	-	35,759
A Novel Approach to Identify Sources, Transfer and Impact of Domoic Acid in Marine Food Webs				
UC, San Diego	11.417	R/SFA-02	-	1,607
Applications of Life History and Fisheries Data for Improved Management of Skates				
UC, San Diego	11.417	R/RCE-01	-	72,444
Characterizing Shallow Groundwater Nutrient Sources in Central Coast Sloughs				
Univ of Maryland Cntr for Envir Sci	11.012	SA7525796A	-	93,310
The Alliance for Coastal Technologies (ACT): National-Scale Efforts Toward Verification and Validation of Observing				
University of Miami	11.432	SPC-000483 / 669160	-	2,448,717
Marine Optical Buoy (MOBY) Operations and Technology Refresh.				
Pacific States Marine Fish Comm	11.472	20-29G	-	15,090
Development of Rock Scallop Hatchery for California's Aquaculture Industry				
Total Pass-through			-	2,859,717
Total Department of Commerce			-	3,002,875
Department of Defense:				
Direct				
Department of Defense	12.300		-	18,992
Radiation Hardness Projection and Optimization of sub-10nm Technology Node SRAM through Design-Technology-Co-Optimization (DTCO)				
Naval Postgraduate School	12.300		-	14,908
Soundscape Characterization in the National Marine Sanctuaries Using Passive Acoustic Monitoring				
Naval Postgraduate School	12.300		-	75,781
Soundscape Characterization in the National Marine Sanctuaries Using Passive Acoustic Monitoring				
Office of Naval Research	12.300		-	38,660
Heart Rate Logging in Deep Diving Toothed Whales; a New Tool for Assessing Responses to Disturbance				
Office of Naval Research	12.300		-	41,619
Long Term Observations of Inertial Waves and Turbulent Diffusivity in the Upper Pycnocline of the Beaufort and Chukchi Seas				
Office of Naval Research	12.300		-	6,897
Coastal Land-Air-Sea Interaction- Thornton Portion				
Office of Naval Research	12.300		-	64,966
Long Term Observation of Upper Ocean Fluxes and Pycnocline Diffusivity the Canada Basin				
Department of Defense	12.630		-	238,945
Acquisition of SeaHorse XFe96 Instrumentation for Metabolomics Research Efforts at SJSU				
Department of Defense	12.630		-	210,827
Fundamental Surface Science of Nanoscale Diamond and their Interaction with Biological Surfaces				
Office of Naval Research	12.N00014-17-C-4002		-	174,797
Auxiliary General Purpose Oceanographic Research (AGOR) Support Services				
Total Direct			-	886,391
Pass-through				
Stevens Institute of Technology	12.000	2102796-21	-	2,363
Small Unmanned Aerial Systems Spoofing				
West Chester University	12.300	17-010	-	15,037
Investigating Sea Lion Locomotion				
University of Notre Dame	12.300	203349SJSURF	-	122,930
Toward Improving Coastal Fog Prediction (C-FOG)				
CSU, Monterey Bay	12.300	20191016-5054601A-C-	-	12,069
Subaward from CSUMB - James Lindholm Contract with Navy				
Ahtna Environmental Inc.	12.558	PO#0501103	-	1,909
Sharpe Army Depot - Ahtna EI PO-0501103				
Ahtna Environmental Inc.	12.558	PO#0501104	-	3,563
Military Ocean Terminal Concord - Ahtna EI PO-0501104				
Total Pass-through			-	157,872
Total Department of Defense			-	1,044,263

(Continued)

San José State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Interior:				
Direct				
U.S. Forest Service Department of Interior	Monitoring Plume Structures and Boundary Layer Characteristics during Wildfires in the Western US Determining the Distribution of Slip Across the Northern San Andreas Fault System through Long-term Fault Slip Rates on the Rodgers Creek Fault, Northern California	15.232	\$ -	\$ 40,217
Department of Interior	Identifying Faults and Earthquakes, and their Potential Association with Mass Wasting Along the Seal Cove Strand of the San Gregorio Fault in San Mateo County	15.807	-	45,940
Department of Interior	Quantifying the Geologic and Geodetic Distribution and Transfer of Slip Rate on the Southern San Andreas Fault	15.807	-	14,035
Department of Interior	Estuarine Wetland and Nearshore Ecology Studies along the Pacific Flyway	15.808	-	23,870
Total Department of Interior			-	76,421
Department of Justice:				
Direct				
Department of Justice	San Jose Neighborhood Crime Survey: An Examination of the Relationship between Immigration and Victimization	16.560	18,210	56,467
Total Department of Justice			18,210	56,467
Department of Transportation:				
Direct				
Department of Transportation	Mineta Consortium for Transportation Mobility (MCTM)	20.701	431,297	1,239,508
Pass-through				
CA State, Dept of Transportation	National Summer Transportation Institute Program FY2019	20.215	-	64,540
Univ of Maryland Cntr for Envir Sci	Great Ships Initiative	20.818	-	-
Total Pass-through			-	64,540
Total Department of Transportation			431,297	1,304,048
National Aeronautics and Space Administration:				
Direct				
NASA	Understanding Regional Dust Storms on Mars	43.001	-	73,524
NASA	Using the Astronomical Infrared Bands as Calibrated Probes of Astrophysical Conditions with the NASA Ames PAH IR	43.001	-	258,473
NASA	Implementing Macroergonomics for Increasing the Safe, Effective, and Efficient Operation of the Entry Systems and Technology Division's High Enthalpy Facilities	43.001	-	239,914
NASA	ROSES-2015/Health and Air Quality Applied Sciences Team	43.001	54,863	108,540
NASA	Human Systems Integration: Collaborative Human Factors Research to Improve Safety, Efficiency, and Reliability of NASA's	43.002	472,658	16,584,696
NASA	Center for Applied Atmospheric Research and Education (CAARE)	43.008	238,979	1,060,652
NASA	Advanced Rotorcraft Research: Adaptive Autonomy, Future Lift Systems, and Human-Centered Display Design	43.009	19,675	1,551,358
NASA	Future Vertical Lift: Collaborative Research on Flight Control, Autonomous Rotorcraft, and Human-Systems Interface Design	43.009	-	773,796
NASA	Chip Design for Self-Healing Electronics	43.012	-	48,875
Total Direct			786,175	20,699,628
Pass-through				
Jet Propulsion Laboratory	Investigation of Saturn's Rings By Cassini Radio Occultation: Cassini Equinox Mission to Saturn	43.001	1414961	-
Jet Propulsion Laboratory	Testing for Extreme Stellar Populations in an Ultra-Diffuse Galaxy	43.001	1597310	-
Jet Propulsion Laboratory	Dark Matter and Stellar Populations in a Benchmark Ultra-diffuse Galaxy	43.001	1621078	-
Jet Propulsion Laboratory	ECCO-Darwin Model Exploration of Physical and Biogeochemical Interactions in the Land-Sea Continuum	43.001	1623362	-
Jet Propulsion Laboratory	Ice Shelf Ocean Cavity Instrumentation	43.001	1633136	-
Skidmore College	Linking Sinking Particle Chemistry & Biology w/ Changes in the Magnitude & Efficiency of Carbon Export into Deep Ocean	43.001	32175-3	-
Space Telescope Sci Institute	A Robust Method for Modeling 3-D HST/STIS Data Cubes Using Time-Dependent 3-D Simulations	43.001	HST-AR-14301.005-A	-
Space Telescope Sci Institute	A Close-Up View of the Star Formation History of a Young Ultracompact Dwarf	43.001	HST-GO-14748.001-A	-
Space Telescope Sci Institute	Ultra-diffuse Galaxies in Clusters and the Field: Masses and Stellar Populations 3-1507-5734	43.001	HST-GO-14846.001-A	-
Space Telescope Sci Institute	The Perseus Cluster: Bnding the Extremes of Stellar Systems	43.001	HST-GO-15235.002-A	-
Metis Flight Research Associates	Systems Engineering Subject Matter Expertise/Research	43.001	MFRA2019-S0326	-
Univ Space Research Assoc.	A GREAT Map in M20: [O II] and [C II] Emission From a Young Star Forming Region	43.001	SOF-06-0041-KAUFMAN	17,727
University of Iowa	Technologies for Indicating System Status and Dependencies during Complex Non-Normal Situations	43.NNL	-	23,363
Total Pass-through			17,727	769,628
Total National Aeronautics and Space Administration			803,902	21,469,456
Institute of Museum and Library Services:				
Direct				
Inst of Museum & Library Serv	Native American Community Anchors: TV Whitespaces for Tribal Connectivity, Equity, and Inclusion	45.312	-	22,244
Pass-through				
CSU, Sacramento	National Forum on the Assessment of Scholarly Communication	45.313	533991A	-
University of Texas at Austin	Reaching Those Who Served: Recruiting and Preparing Military Veterans for Careers in Librarianship	45.313	UTA17-000633	-
University of Texas at Austin	Reaching Those Who Served: Recruiting and Preparing Military	45.313	UTA17-000633	-
Total Pass-through			-	34,640
Total Institute of Museum and Library Services			-	56,884

(Continued)

San José State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Science Foundation:				
Direct				
National Science Foundation		Collaborative Research: Improving Interdisciplinary Design Teamwork and Communication Using Boundary Negotiating Artifacts		
	47.041		\$ -	\$ 94,621
National Science Foundation		CAREER: Characterizing Gendered Socialization of Newcomer Engineers to Promote Inclusive Practices and Retention of a Diverse Workforce		
	47.041		-	58,789
National Science Foundation		Collaborative Research: Research: Advancing Engineering Education Through Peer Review Analysis		
	47.041		-	38,027
National Science Foundation		Collaborative Research: Research: Characterizing Engineering Student Mental Wellness and Its Role in Predicting Attrition		
	47.041		-	15,661
National Science Foundation		MRI: Acquisition of a High-Speed Particle Image Velocimetry		
	47.041		-	3,705
National Science Foundation		Acquisition of a Metal Additive Manufacturing System for Multi-Disciplinary Research and Education at a Minority-Serving Institution		
	47.041		-	326,416
National Science Foundation		Collaborative Research: Intermittency in Multi-Phase Flows in 2D and 3D Porous Media: Coordinated Experiments and Simulations		
	47.041		-	2,797
National Science Foundation		Modeling, Identification, and Estimation of Distributed Parameter Systems Using Mobile Sensor Networks		
	47.041		-	77,647
National Science Foundation		Collaborative Research: Improving Design for Additive Manufacturing through Physically ¹ Integrated Design Concepts Generated from Computationally Efficient Graph Coloring Techniques		
	47.041		-	53,533
National Science Foundation		RUI: Light-Driven Selective Chemoenzymatic C-H Functionalization		
	47.049		-	113,661
National Science Foundation		RUI: Switchable Molecules and Materials Through Coordination of Verdazyl Radicals		
	47.049		-	35,379
National Science Foundation		MRI: Acquisition of Gel Permeation Chromatograph with Multiple Detectors to Expand Capabilities for Macromolecular Characterization		
	47.049		-	116,295
National Science Foundation		Undergraduate Research Groups in the CSU Alliance for PUMP: Preparing Undergraduates through Mentoring toward PhDs		
	47.049		-	18,155
National Science Foundation		Collaborative Research: Dark Matter in Galaxy Halos		
	47.049		-	21,661
National Science Foundation		RUI: Disorder in Strongly-Correlated Electrons on a Lattice		
	47.049		-	49,225
National Science Foundation		RUI: Exact Dynamical Properties of Strongly Correlated Materials at Finite Temperatures		
	47.049		-	19,362
National Science Foundation		Collaborative Research: Incorporation of Metasedimentary Rocks into the Deep Levels of Continental Arcs		
	47.050		-	4,296
National Science Foundation		CAREER: Re-Evaluating the Evolution of the Southern San Andreas Fault along its Restraining Bend from Holocene to Mid-Quaternary Timescales via 36Cl/10Be Burial and Cosmogenic Exposure Dating		
	47.050		-	38,629
National Science Foundation		Collaborative Research: Particle-Specific DNA Sequencing to Directly Observe Ecological Mechanisms of Biological Pump		
	47.050		-	17,706
National Science Foundation		Collaborative Research: Thermodynamic and Dynamic Drivers of the Arctic Sea-Ice Mass Budget at MOSAIC		
	47.050		-	156,000
National Science Foundation		Collaborative Research: Fingerprinting Source-to-Sink Associations for Deep-Marine Vitriolite Deposits & Their Associa		
	47.050		-	25,391
National Science Foundation		Collaborative Research: Mass Extinction Ecological Response and Recovery in the Cretaceous/Paleogene Gulf Coastal Plain		
	47.050		-	4,204
National Science Foundation		Collaborative Research: Cirrus Cloud Formation and Microphysical Properties from in-situ Observed Characteristics to Global Climate Impacts		
	47.050		-	80,724
National Science Foundation		MRI: Acquisition of a Multi-Purpose Cloud Radar		
	47.050		-	65,480
National Science Foundation		RAPID: The Diablo Wind and Extreme Fire Behavior during the 2017 Wine Country Fires		
	47.050		-	40,410
National Science Foundation		Collaborative Research: Ice Supersaturation over the Southern Ocean and Antarctica, and its Role in Climate		
	47.050		-	70,941
National Science Foundation		Collaborative Proposal: Sandstone Windex Experiment in Santa Barbara, CA (SWEIX)		
	47.050		-	63,369
National Science Foundation		Acquisition of X-Ray Diffraction Instrumentation for Mineralogical Research		
	47.050		-	2,556
National Science Foundation		Collaborative Research: Automated Nutrient and Trace Metal Determinations based on Programmable Flow Injection		
	47.050		-	50,369
National Science Foundation		R/V Point Sur Sale Proceeds		
	47.050		-	79,378
National Science Foundation		NETS: Small: Collaborative Research: Design and Provisioning for Inter-Datacenter Multigranular Flexible Optical Networks		
	47.070		-	13,217
National Science Foundation		CRF: III: RUI: Effective Protein Characterization via Fast Exact Open Modification Searching		
	47.070		-	4,143
National Science Foundation		RUI: Neurobehavioral Analysis of the Regulation of Courtship Initiation in Drosophila Melanogaster		
	47.070		-	58,508
National Science Foundation		MRI Acquisition of Hybrid CPU/GPU High Performance Computing and Storage for STEM Research and Education at SJSU		
	47.070		-	29,767
National Science Foundation		CAREER: Understanding the Cognitive Processes of Computer Network Defense		
	47.070		-	82,547
National Science Foundation		Cyber Training: CIU: SJSU Data Science for All Seminar		
	47.070		-	74,868
National Science Foundation		NSF Student Travel Support for the 5th Career Workshop for Women and Minorities in Computer Architecture		
	47.070		-	14,006
National Science Foundation		Coll. Res.: At-Sea Experimental Disturbances to Characterize Physiological Plasticity in Diving Northern Elephant Seals		
	47.074		6,404	27,137
National Science Foundation		High-Resolution Sensing of Nitrate in Monterey Bay and Surrounding Waters		
	47.074		-	5,935
National Science Foundation		REU Site: Research by Undergraduate using Molecular Biology Applications (RUMBA)		
	47.074		-	65,765
National Science Foundation		Digitization TCN: Collaborative: Capturing California's Flowers: using Digital Images to Investigate Phenological Change in a Biodiversity Hotspot		
	47.074		-	15,441
National Science Foundation		Documenting Domaaki (dmk), a Severely Endangered Indo-Aryan		
	47.075		20,083	23,347
National Science Foundation		Researching How You Teach Holistic Modeling (RHYTHM)		
	47.076		-	28,291
National Science Foundation		Collaborative Research: Changing Homework Achievement with Mechanic Pedagogy (CHAMP)		
	47.076		-	26,572
National Science Foundation		SA+TC: EDU: Collab: Enhancing Security Education through Transiting Research Integration on Security in Emerging Network		
	47.076		-	55,433
National Science Foundation		Collaborative Research: Developing a Visualization Framework for Chemical Reactions		
	47.076		-	10,655
National Science Foundation		The Youth Digital Storytelling STEM Academy		
	47.076		-	33,240
National Science Foundation		Collaborative Research: A Bridge to Physics & Astronomy Doctorates for Students with Financial Need		
	47.076		-	43,912
National Science Foundation		Collaborative Research: A Technology Pathway Program in Data Technology and Applications		
	47.076		17,437	136,713
National Science Foundation		Engineering Leadership Pathway Scholars 2 Program		
	47.076		-	15,000
National Science Foundation		Silicon Valley Innovation & Entrepreneurship Scholarships (SVIES) Program		
	47.076		-	12,577
National Science Foundation		Research and Teaching Scholars		
	47.076		-	(6,472)
Total Direct				
			43,924	2,514,886
Pass-through				
University of Colorado, Boulder		Collaborative Research: Expanding Access: Furthering a Network of Diversity-Focused Programs in the Physical Sciences		
	47.049	1557971	-	13,921
Colorado School of Mines		QLCI-CG: The Open Quantum Frontier Institute		
	47.049	401630-5801	-	5,230
Columbia University		Participation of Scientists Based at U.S. Institutions in the JODP on Expedition 385		
	47.050	44(GG009393)	-	43,995
Northwestern University		EFRU-ODSSEI: Origami and Assembly Techniques for Human Tissue Engineering (OATH)		
	47.041	502076-78051	-	806
San Diego State University Fdn		Pire: Understanding Marine Biodiversity Along Geographic and Anthropogenic Stress Gradients.		
	47.079	57387AP30137803211	-	22,786
UC, Davis		Planning Grant: Engineering Research Center for Cognitive Neuro-Engineering		
	47.041	A19-1873-5001	-	17,384
UC, Santa Barbara		PREVENTS: Track 2: Understanding Extreme Fire Weather Hazards and Improving Resilience in Coastal Santa Barbara, CA		
	47.050	KK1819	-	87,541
UC, Berkeley		Transforming College Teaching: Statewide Implementation of the Faculty Learning Program to Improve STEM Undergraduates		
	47.076	0006399	-	24,428
CSU, Sacramento		CSU SJSU LSAMP Program 2018-2019		
	47.076	533012	-	20,000
Total Pass-through				
			-	236,090
Total National Science Foundation			43,924	2,751,076

(Continued)

San José State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Environmental Protection Agency:				
Pass-through				
CA St. Water Resrces Cntrl Bd	SWRCB Agreement Number: 17-023-270	66.419	17-023-270	\$ - \$ 919,602
CA St. Water Resrces Cntrl Bd	SWRCB Agreement Number: 17-045-270	66.419	17-045-270	- 250,585
So CA Coastal Water Res Project	Agreement Number 15446 - Developing and Validating Assessment Tools for Ephemeral Streams	66.461	15446	- 44,071
San Jose State University	Developing Riparian Management Goals through Validation of Assessment Tools	66.461	CD-99T92901-0	- 103,476
San Francisco Estuary Institute	SFEI/ASC PURCHASE ORDER NO. 2072	66.461	PO # 2072	- 5,353
Great Lakes Environmental Center	National Coastal Condition Assessment (NCCA) 2020	66.461	PO 16256	- 75,316
Total Environmental Protection Agency				- 1,398,403
Department of Energy:				
Pass-through				
N Carolina State University	Development of Low-Cost Graduate Course with Virtual Fab and Hands-on Circuit Lab Experience	81.086	2014-0654-78	- 43,364
Michigan State University	Electronic Transport in High Energy-Density Matter	81.049	RC109063 - SJSU	- 11,948
Lawrence Livermore Natl Lab	Continuum Modeling of Cellular Membranes and Oncogenic Proteins	81.123	B631080	- 64,998
Lawrence Livermore Natl Lab	Isolation of DNA from Single Cells in Microdroplets	81.DE-AC52-07NA27344	B626835	- 15,720
Lawrence Berkeley Natl Laboratories	Hybrid Models and Algorithms	81.DE-AC02-05	7485533	- 94,012
Total Department of Energy				- 230,042
Department of Education:				
Direct				
Department of Education	Promoting Active Learning Strategies Through the Flipped Class Model in STEM Courses at SJSU, CSULA and Cal Poly Pomona	84.116F		- 552,453
Pass-through				
Regents of The Univ of California	San Jose Area Writing Project 2019-2020 - CSMP/ESSA Federal Funds	84.367A	CN190137	- 25,730
Regents of The Univ of California	Santa Clara Valley Mathematics Project 18-19	84.367A	ESSA19-CMP-SAN JOSE	- 13
Regents of The Univ of California	Santa Clara Valley Mathematics Project 19-20 (ESSA federal funds)	84.367A	ESSA19-CMP-SAN JOSE	- 24,223
Regents of The Univ of California	San Jose Area Writing Project 2018-2019 - CSMP/ESSA Federal	84.367A	ESSA18-CWP-SAN JOSE	- (181)
Total Pass-through				- 49,785
Total Department of Education				- 602,238
Department of Health and Human Services:				
Direct				
Dept of Health & Human Services	Development of a Low-Cost Therapy for Biological Toxins for Rural India	93.286		- 10,551
Dept of Health & Human Services	Molecular Mechanisms that Regulate Neural Circuit Formation	93.853		- 137,517
Dept of Health & Human Services	"Novel Antivirulence Peptides from Functional Metagenomics using Nano-Culture Microarrays"	93.855		22,152 123,427
Dept of Health & Human Services	Control of Muscle Proprioceptor Sensitivity	93.859		- 97,472
Dept of Health & Human Services	MARC U*STAR at San Jose State University	93.859		- 5,778
Dept of Health & Human Services	MARC U*STAR at San Jose State University	93.859		- 218,976
Dept of Health & Human Services	Roles for Intracellular pH Dynamics in Cancer Cell Behaviors	93.859		- 51,773
Dept of Health & Human Services	MARC U*STAR at San Jose State University 2020-2021	93.859		- 30,810
Dept of Health & Human Services	Chiroptical Induced CPL-Based Tool as a Probe of Biological Substrates	93.859		- 148,739
Dept of Health & Human Services	RU(II) Diimine Labeled P450 Mutants for Selective Hydroxylation of Substrate C-H Bond Using Innovative Photo-Oxidative	93.859		- 111,360
Dept of Health & Human Services	Vector Control Strategy Through Inhibition of Aedes aegypti Midgut Proteases	93.859		- 30,812
Dept of Health & Human Services	Blocking Cationic Antimicrobial Peptide-Resistance in Pseudomonas Aeruginosa	93.859		- 43,014
Dept of Health & Human Services	San Jose State University Rise Program	93.859		- 380,856
Dept of Health & Human Services	Fluorescent Enhancement of the Nitrogen Vacancy Center in Nanoscale Diamond for Bioimaging Applications	93.859		- 93,115
Dept of Health & Human Services	Intramolecular Allosteric Regulation of SIRT1 Deacetylase Activity by the N-terminal Domain	93.859		- 105,740
Dept of Health & Human Services	Biomedical Research and Research Training	93.859		- -
Total Direct				22,152 1,589,940
Pass-through				
Public Health Institute	Effects of Marriage Recognition on Substance Abuse and Health for Women	93.307	00735	- 28,411
Public Health Institute	Sexual Orientation Differences: Prevalence & Correlates of Substance Use & Abuse	93.279	1020446	- 74,031
UserWise	UserWise Training Decay Grant	93.103	1530355	- 28,443
UC, San Francisco	Olfactory Memory Acquisition Consolidation and Recall	93.173	10803SC	- 139,391
UC, San Francisco	The Effect of Sleep on Neural Circuit Connections	93.853	11578SC	- 188,435
Total Pass-through				- 458,711
Total Department of Health and Human Services				22,152 2,048,651
Total Research and Development Cluster				1,416,006 34,453,545

(Continued)

San José State University Research Foundation

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Other programs				
Department of Agriculture:				
Pass-through				
CA State, Dept of Education	State Administrative Expenses for Child Nutrition	10.560	CN190050	\$ - \$ (18,205)
Total Department of Agriculture				(18,205)
Department of Housing & Urban Development				
Pass-through				
City of San Jose	Economic Development Initiative-Special Project, Neighborhood Initiative And Miscellaneous Grants	14.251	CPS-16-014C	- 49,999
Total Department of Housing & Urban Development				49,999
Department of Transportation:				
Pass-through				
The National Academy of Sciences	ICS Training for Field Level TTT Workshops	20.200	HR20-56(030)A	- 2,411
National Aeronautics and Space Administration:				
Pass-through				
Jacobs, Inc.	Business Office Intern [Kimmy Dinh]	43.001	PO # ATOM1-000000540	- 6,928
Jacobs, Inc.	Scan Drawings from Unitary Wing Tunnels	43.001	PO# ATOM1-0000004008	- 35,879
Jacobs, Inc.	Business Office Intern	43.001	PO# ATOM1-0000005346	- 11,085
Stinger Ghaffarian Technologies	NASA Ames ISRDS-2 Internships	43.001	SC18-00027	- 9,660
Stinger Ghaffarian Technologies	Intelligent Systems Research and Development Support-3 (ISRDS-3)	43.001	SMS0001602	- 2,016
ASRC Federal	Test Subject Recruitment Office	43.NNA		-
		13AB88C	ART860 TASK ORDER NO.5	- 50,552
ASRC Federal	Test Subject Recruitment Office Task 7	43.NNA		-
		13AB88C	ART860 TASK ORDER NO.6	- 139,084
Total National Aeronautics and Space Administration				255,205
Institute of Museum and Library Services:				
Direct				
Ntl Endowmnt for the Humanities	Arguing the Humanities: A Course for STEM Students	45.162		- 33,170
Ntl Endowmnt for the Humanities	John Steinbeck: Social Critic and Ecologist	45.163		- 2,507
Ntl Endowmnt for the Humanities	The Immigrant Experience in California through Literature and History	45.163		- 8,156
Total Direct				43,833
Pass-through				
Md All Arts Fdn	Promotion of the Arts Grant to Organizations and Individuals	45.024	31778	- 4,000
Total Institute of Museum and Library Services				47,833
Department of Energy:				
Direct				
Sandia National Laboratories	Duncan Hall NS Security Project	81.18149		- 3,849
Pass-through				
University of Missouri	Undergraduate Summer School in Nuclear and Radiochemistry	81.049	C00035549-1	- 137,378
Total Department of Energy				141,227
Department of Education:				
Direct				
Department of Education	Project Succeed: 2013 Title III Strengthening Institutions Program	84.031A		- 218,064
Department of Education	ASPIRE (Student Support Services) - San Jose State University	84.042A		- 523,159
Department of Education	The Ronald E. McNair Postbaccalaureate Achievement Program	84.217A		- 258,693
Department of Education	Project AACES (AAC in Educational Settings) - Preparing Speech-Language Pathologists in AAC Service Delivery	84.325K		- 81,937
Department of Education	Project Tapestry: Preparing Culturally Competent Speech-Language Pathologists to Deliver High Quality Services to Child	84.325K		- 164,946
Department of Education	Project EPICS - Educating Pacific Island Clinicians in Speech	84.325K	29,511	255,578
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		-
Department of Education	CCAMPIS - Child Care Access Means Parents in School	84.335A		- 249,453
Total Direct				29,511 1,751,829
Pass-through				
California Department of Education	Bay Area California Arts Project (BayCAP) 2018-19	84.367A	ESSA18-TCAP-SAN JOSE	- 5,993
Regents of The Univ of California	Bay Area California Arts Project (BayCAP) 2019/2020 & CSMP/ESSA Federal Funds	84.367A	ESSA19-TCAP-SAN JOSE	- 6,108
National Writing Project	San Jose Area Writing Project NWP 2019-2020 C3WP Grant	84.367D	92-CA12-SEED2019-C3W	- 13,845
Total Pass-through				25,946
Total Department of Education				29,511 1,777,775
Department of Health and Human Services:				
Direct				
Dept of Health & Human Services	Outcome Study of the Garrett Lee Smith (GLS) Campus Suicide Prevention Grant.	93.243		- 49,074
Pass-through				
UC, Berkeley	BHWET Integrated Behavioral Health MSW Stipend Program	93.732	00009669	- 72,636
UC, Berkeley	Title IV-E Child Welfare Training 2018-2019	93.658	00009899	- 11,167
UC, Berkeley	Title IV-E Child Welfare Training 2019-2020	93.658	00009899-01	- 1,331,162
Superior Court of CA, County of SC	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	C2201661	-
Total Pass-through				1,414,966
Total Department of Health and Human Services				1,464,040
Corporation for National and Community Service				
Pass-through				
CaliforniaVolunteers	AmeriCorps Civic Engagement (ACE) Fellows at San Jose State University	94.006	6173	- 2,187
Total Corporation for National and Community Service				2,187
Department of Homeland Security:				
Direct				
U. S. Dept of Homeland Security	MTI Database on Terrorist and Serious Criminal Attacks agai	97.HSTS02-17-C-OIA173		- 179,204
Total expenditures of federal awards				\$ 1,445,517 \$ 38,355,220

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

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the San José State University Research Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

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

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

Note 3. Indirect Cost Rate

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

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

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San José State University Research Foundation (the Foundation) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Foundation's basic financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

San José, California
September 23, 2020

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

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on Compliance for Each Major Federal Program

We have audited the San José State University Research Foundation (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2020. The Foundation's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the San José State University Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

San José, California
September 23, 2020

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various 93.658	Research and Development Cluster Title IV-E Child Welfare Training

Dollar threshold used to distinguish between type A and type B programs: \$1,150,657

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

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

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

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020**

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

San José State University Research Foundation
Schedule of Net Position
June 30, 2020
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	1,429,981
Short-term investments	22,866,519
Accounts receivable, net	7,320,820
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	261,136
Total current assets	31,878,456
Noncurrent assets:	
Restricted cash and cash equivalents	45,953
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	1,271,752
Capital assets, net	11,301,753
Other assets	63,570
Total noncurrent assets	12,683,028
Total assets	44,561,484
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	4,128,922
Others	-
Total deferred outflows of resources	4,128,922
Liabilities:	
Current liabilities:	
Accounts payable	2,459,313
Accrued salaries and benefits	1,826,369
Accrued compensated absences, current portion	1,493,201
Unearned revenues	3,241,468
Capital lease obligations, current portion	5,669
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	12,511
Total current liabilities	9,038,531
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	138,482
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	260,279
Net other postemployment benefits liability	22,275,875
Net pension liability	-
Other liabilities	182,436
Total noncurrent liabilities	22,857,072
Total liabilities	31,895,603
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	-
Net position:	
Net investment in capital assets	11,296,084
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	28,657
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	5,470,062
Total net position	16,794,803

San José State University Research Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2020
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	2,125,062
Scholarship allowances (enter as negative)	-

Grants and contracts, noncapital:

Federal	29,906,547
State	9,627,617
Local	2,647,566
Nongovernmental	6,123,273
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	2,959,676

Total operating revenues	53,389,741
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Expenses:

Operating expenses:

Instruction	7,052,950
Research	35,886,481
Public service	32,895
Academic support	375,530
Student services	939,272
Institutional support	8,517,983
Operation and maintenance of plant	626,980
Student grants and scholarships	2,399,618
Auxiliary enterprise expenses	-
Depreciation and amortization	1,325,175

Total operating expenses	57,156,884
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Operating income (loss)	(3,767,143)
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Nonoperating revenues (expenses):

State appropriations, noncapital	-
Federal financial aid grants, noncapital	833,230
State financial aid grants, noncapital	1,339,160
Local financial aid grants, noncapital	115,042
Nongovernmental and other financial aid grants, noncapital	67,899
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	670,482
Investment income (loss), net	342,242
Endowment income (loss), net	-
Interest expense	(387)
Other nonoperating revenues (expenses) - excl. interagency transfers	240,000

Net nonoperating revenues (expenses)	3,607,668
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Income (loss) before other revenues (expenses)	(159,475)
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State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-

Increase (decrease) in net position	(159,475)
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Net position:

Net position at beginning of year, as previously reported	16,954,278
Restatements	-

Net position at beginning of year, as restated	16,954,278
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Net position at end of year	16,794,803
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**San José State University Research Foundation
(A California State University Auxiliary Organization)**

Other Information

3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
Non-depreciable/Non-amortizable capital assets:								
Land and land improvements	\$ 5,176,528.00			\$ 5,176,528				\$ 5,176,528
Works of art and historical treasures				-				-
Construction work in progress (CWIP)	894,428		Prior Period Retirements	894,428	513,078		(1,277,307)	130,199
Intangible assets:								
Rights and easements				-				-
Patents, copyrights and trademarks				-				-
Intangible assets in progress (PWIP)				-				-
Licenses and permits				-				-
Other intangible assets:				-				-
				-				-
				-				-
				-				-
				-				-
Total Other intangible assets								
Total intangible assets								
Total non-depreciable/non-amortizable capital assets	\$ 6,070,956			\$ 6,070,956	513,078		(1,277,307)	\$ 5,306,727
Depreciable/Amortizable capital assets:								
Buildings and building improvements	5,788,905			5,788,905				5,788,905
Improvements, other than buildings				-				-
Infrastructure				-				-
Leasehold improvements	812,626			812,626				812,626
Personal property:								
Equipment	5,770,870			5,770,870	674,669		1,277,307	7,722,846
Library books and materials				-				-
Intangible assets:								
Software and websites				-				-
Rights and easements				-				-
Patents, copyrights and trademarks				-				-
Licenses and permits				-				-
Other intangible assets:				-				-
				-				-
				-				-
				-				-
				-				-
Total Other intangible assets:								
Total intangible assets								
Total depreciable/amortizable capital assets	12,372,401			12,372,401	674,669		1,277,307	14,324,377
Total capital assets	\$ 18,443,357			\$ 18,443,357	1,187,747.0			\$ 19,631,104
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)								
Buildings and building improvements	(3,038,002)			(3,038,002)	(208,461)			(3,246,463)
Improvements, other than buildings				-				-
Infrastructure				-				-
Leasehold improvements	(713,824)			(713,824)	(15,784)			(729,608)
Personal property:								
Equipment	(3,252,350)			(3,252,350)	(1,100,930)			(4,353,280)
Library books and materials				-				-
Intangible assets:								
Software and websites				-				-
Rights and easements				-				-
Patents, copyrights and trademarks				-				-
Licenses and permits				-				-
Other intangible assets:				-				-
				-				-
				-				-
				-				-
Total Other intangible assets:								
Total intangible assets								
Total accumulated depreciation/amortization	(7,004,176)			(7,004,176)	(1,325,175)			(8,329,351)
Total capital assets, net	\$ 11,439,181			\$ 11,439,181	(137,428)			11,301,753

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3.2 Detail of depreciation and amortization expense:
 Depreciation and amortization expense related to capital assets \$ 1,325,175
 Amortization expense related to other assets
Total depreciation and amortization \$ 1,325,175

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,496,012		1,496,012	1,705,464	(1,569,793)	\$ 1,631,683	\$ 1,493,201	\$ 138,482.0
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	11,146		11,146		(5,477)	5,669	5,669	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	<u>\$ 11,146</u>	<u>-</u>	<u>11,146</u>	<u>-</u>	<u>(5,477)</u>	<u>5,669</u>	<u>5,669</u>	<u>-</u>
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-		\$ -	-	-	-
4.2 Commercial paper	-		-		-	-	-	-
4.3 Notes payable (SRB related)	-		-		-	-	-	-
4.4 Others:								
	-		-		-	-	-	-
	-		-		-	-	-	-
	-		-		-	-	-	-
	-		-		-	-	-	-
Total others	-		-		-	-	-	-
Sub-total long-term debt	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
4.5 Unamortized net bond premium/(discount)	-		-		-	-	-	-
Total long-term debt obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,507,158</u>	<u>-</u>	<u>1,507,158</u>	<u>1,705,464</u>	<u>(1,575,270)</u>	<u>\$ 1,637,352</u>	<u>1,498,870</u>	<u>\$ 138,482</u>

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021			-	5,669	196	5,865	5,669	196	5,865
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025			-			-	-	-	-
2026 - 2030			-			-	-	-	-
2031 - 2035			-			-	-	-	-
2036 - 2040			-			-	-	-	-
2041 - 2045			-			-	-	-	-
2046 - 2050			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum lease payments	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>5,669</u>	<u>196</u>	<u>5,865</u>	<u>5,669</u>	<u>196</u>	<u>5,865</u>
Less: amounts representing interest									(196)
Present value of future minimum lease payments									<u>5,669</u>
Unamortized net premium/(discount)									-
Total capital lease obligations									<u>5,669</u>
Less: current portion									(5,669)
Capital lease obligations, net of current portion									<u>\$ -</u>

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⁶ Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			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:									
2021			-			-			-
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026 - 2030			-			-			-
2031 - 2035			-			-			-
2036 - 2040			-			-			-
2041 - 2045			-			-			-
2046 - 2050			-			-			-
Thereafter			-			-			-
Total minimum payments			\$ -			\$ -			\$ -
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									-

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7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	1,296,228
Payments to University for other than salaries of University personnel	1,407,759
Payments received from University for services, space, and programs	1,604,461
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	2,838,854
Accounts (payable to) University (enter as negative number)	(898,109)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	-
Other amounts receivable from University (enter as positive number)	-

8 Restatements

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

		Debit/(Credit)
Restatement #1	Enter transaction description	-
Restatement #2	Enter transaction description	-

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⁹ Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	3,870,758	724,557	134,918	136,206		2,186,511		7,052,950
Research	19,846,765	4,177,041	777,793	785,218		10,299,664		35,886,481
Public service	21,910	928	173	175		9,709		32,895
Academic support	139,001	26,375	4,911	4,958		200,285		375,530
Student services	232,276	42,374	7,890	7,966		648,766		939,272
Institutional support	4,035,472	642,684	302,880	1,289,666		2,247,281		8,517,983
Operation and maintenance of plant	-	-	-	-		626,980		626,980
Student grants and scholarships					2,399,618			2,399,618
Auxiliary enterprise expenses	-	-	-	-		-		-
Depreciation and amortization							1,325,175	1,325,175
Total operating expenses	\$ 28,146,182	5,613,959	1,228,565	2,224,189	2,399,618	16,219,196	1,325,175	57,156,884

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10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)		
Deferred outflows - net pension liability		
Deferred outflows - net OPEB liability	\$	4,128,922
Deferred outflows - others:		
Sales/intra-entity transfers of future revenues		
Gain/loss on sale leaseback		
Loan origination fees and costs		
Change in fair value of hedging derivative instrument		
Irrevocable split-interest agreements		
Total deferred outflows - others		-
Total deferred outflows of resources	\$	4,128,922

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$	-
Deferred inflows - net pension liability		
Deferred inflows - net OPEB liability		
Deferred inflows - unamortized gain on debt refunding(s)		
Deferred inflows - nonexchange transactions		
Deferred inflows - others:		
Sales/intra-entity transfers of future revenues		
Gain/loss on sale leaseback		
Loan origination fees and costs		
Change in fair value of hedging derivative instrument		
Irrevocable split-interest agreements		
Total deferred inflows - others		-
Total deferred inflows of resources	\$	-