

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

Financial Report
June 30, 2012

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Independent Auditor's Report

Tower Foundation of
San José State University
San Jose, CA

We have audited the accompanying statements of net assets of the Tower Foundation of San José State University (a California State University auxiliary organization) (the Foundation) as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tower Foundation of San José State University (a California State University auxiliary organization) as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey LLP

Tacoma, Washington
September 12, 2012

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

**Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011**

Management's Discussion and Analysis

This section of the Tower Foundation of San José State University (the Foundation) annual financial report includes management's discussion and analysis of the financial performance of the Foundation for fiscal years ended June 30, 2012 and 2011. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Tower Foundation

The Foundation, formed in April 2004, provides a means, through membership on the board of directors, to engage prominent alumni and citizens in the life of San José State University (SJSU or the University). Board members play a critical role in shaping the philanthropic strategy and work closely with the University president to reach out to graduates and businesses to build commitment to the University.

The Foundation receives donations in the form of cash, stock, pledges or through planned giving vehicles. These gifts support a vast array of student scholarships, as well as vibrant programs throughout the University. Many of these gifts are provided for investment in the Foundation's endowment, which is vital to the University's ability to sustain the highest quality of education and research.

The Foundation's board of directors is composed of up to 35 community members, most of whom are SJSU alumni. Members are appointed by the University president for three-year terms and may serve up to two consecutive terms. Six ex-officio members, including the University president and his senior cabinet, serve on the board as well. The board advises the president and Foundation management on general campus issues, investments, audit compliance, campaign development, public relations and long-range planning. It is the responsibility of each board member to take a leading philanthropic role by making annual contributions to SJSU.

Introduction to the Financial Statements

The Foundation's financial statements include the statements of net assets; the statements of revenues, expenses and changes in net assets, and the statements of cash flows. 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.

Statements of net assets: The statements of net assets include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions on the net assets of the Foundation.

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

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

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011**

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities as of and for the years ended June 30, 2012, 2011 and 2010. Included are comparative analyses of current year and prior years' activities and balances and a discussion of restrictions of Foundation net assets.

Condensed Summary of Net Assets

The Foundation's condensed summary of net assets as of June 30 is as follows:

	2012	2011	2010
Assets:			
Current assets	\$ 26,432,254	\$ 23,524,431	\$ 18,480,279
Other noncurrent assets	88,368,518	89,800,218	73,771,417
Total assets	<u>\$ 114,800,772</u>	<u>\$ 113,324,649</u>	<u>\$ 92,251,696</u>
Liabilities:			
Current liabilities	\$ 627,424	\$ 501,996	\$ 447,969
Noncurrent liabilities	730,416	761,371	840,176
Total liabilities	<u>\$ 1,357,840</u>	<u>\$ 1,263,367</u>	<u>\$ 1,288,145</u>
Net assets:			
Restricted, nonexpendable endowments	\$ 63,274,018	\$ 61,713,396	\$ 49,902,054
Expendable:			
Endowments	6,369,471	4,041,083	2,298,673
Other	39,133,943	41,875,682	34,133,772
Unrestricted:			
Board designated	312,965	262,965	237,965
Other	4,352,535	4,168,156	4,391,087
Total net assets	<u>\$ 113,442,932</u>	<u>\$ 112,061,282</u>	<u>\$ 90,963,551</u>

Assets: Total assets increased \$1.5 million from FY 2011 to FY 2012 due to an increase in cash and cash equivalents of \$2.2 million. Total assets increased \$21.1 million from FY 2010 to FY 2011 due to gains in the investment portfolio of \$12.2 million and contributions to endowments of \$8.4 million.

Current assets increased \$2.9 million from FY 2011 to FY 2012 due primarily to an increase in cash and cash equivalents and an increase in pledges receivable. Current assets increased \$5.0 million from FY 2010 to FY 2011 due primarily to an increase in gifts and increase in pledges receivable.

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**Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011**

Other noncurrent assets decreased \$1.4 million from FY 2011 to FY 2012 due primarily to a decrease in noncurrent pledges receivable. Other noncurrent assets increased \$16.0 million from FY 2010 to FY 2011 due to a \$17.9 million increase in the value of the investment portfolio, partly offset by a \$2.4 million decrease in noncurrent pledges receivable.

Liabilities: Current liabilities increased \$0.1 million from FY 2011 to FY 2012 and increased \$0.1 million from FY 2010 to FY 2011 due to changes in accounts payable and accrued liabilities.

Net assets: Total net assets increased by \$1.4 million from FY 2011 to FY 2012 due to an increase in restricted nonexpendable endowments of \$1.6 and an increase in expendable endowments totaling \$2.3 million. These increases were offset primarily by decreases in expendable other totaling \$2.7 million. Total net assets increased by \$21.1 million from FY 2010 to FY 2011 due to \$11.8 million in gains on permanently restricted endowment net assets, \$1.8 million in expendable endowment net assets and \$7.7 million in other expendable gifts and pledge payments.

Restricted resources: Net assets of the Foundation include funds that are restricted by the donor. The following table summarizes which funds are restricted, the type of restriction and the amount as of June 30:

Restricted net assets:

	2012	2011	2010
Nonexpendable	\$ 63,274,018	\$ 61,713,396	\$ 49,902,054
Expendable:			
Endowment	\$ 6,369,471	\$ 4,041,083	\$ 2,298,673
Other	39,133,943	41,875,682	34,133,772
	\$ 45,503,414	\$ 45,916,765	\$ 36,432,445

Nonexpendable net assets increased \$1.6 million in FY 2012 primarily due to new gifts to the endowment and increased \$11.8 million in FY 2011 due to gains in the investment portfolio, partially offset by a decrease in pledge receivables.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011**

The Foundation's condensed summary of revenues, expenses and changes in net assets for the years ended June 30 is as follows:

Condensed summary of revenues, expenses and changes in net assets:

	2012	2011	2010
Operating revenues:			
Gifts and pledges	\$ 11,565,212	\$ 15,013,983	\$ 3,765,872
Bequests	173,446	224,143	180,154
Nonmonetary gifts	220,609	592,030	4,392,189
Administration fee income	1,803,087	1,743,779	1,314,812
Other operating revenues	281,195	240,545	404,282
Total operating revenues	<u>14,043,549</u>	<u>17,814,480</u>	<u>10,057,309</u>
Operating expenses:			
Support activities of SJSU	12,089,801	10,667,376	6,696,505
General and administrative	1,176,803	908,030	799,641
Total operating expenses	<u>13,266,604</u>	<u>11,575,406</u>	<u>7,496,146</u>
Total operating income	<u>776,945</u>	<u>6,239,074</u>	<u>2,561,163</u>
Nonoperating (expenses) revenues:			
Interest income	908,941	631,662	659,508
Net (decrease) increase in fair value of investments	(1,562,650)	12,239,024	5,628,791
Total nonoperating (expenses) revenues	<u>(653,709)</u>	<u>12,870,686</u>	<u>6,288,299</u>
Other changes in net assets, including transfers of assets from SJSURF	<u>1,258,414</u>	<u>1,987,971</u>	<u>426,470</u>
Change in net assets	<u>1,381,650</u>	<u>21,097,731</u>	<u>9,275,932</u>
Net assets:			
Beginning of year	112,061,282	90,963,551	81,687,619
End of year	<u>\$ 113,442,932</u>	<u>\$ 112,061,282</u>	<u>\$ 90,963,551</u>

Operating revenues: Gifts and pledges decreased by \$3.4 million from FY 2011 to FY 2012 and increased by \$11.3 million from FY 2010 to FY 2011.

Administration fee income increased \$59,308 from FY 2011 to FY 2012 due to an increase in expenditures for campus programs. Administrative fee income increased \$428,967 from FY 2010 to FY 2011 due to an increase in expenditures for campus programs and an increase in the endowment investment portfolio.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011**

Other operating revenue increased \$40,650 from FY 2011 to FY 2012 due to a \$123,000 increase in flex benefits revenue offset by a \$79,000 decrease in other income. Other operating revenue decreased \$163,737 from FY 2010 to FY 2011 due to a decrease in transfer of funds to Foundation control from off campus.

Operating expenses: Expenses for support activities of SJSU are principally the use of gift funds for programs, scholarships and other academic activities of the University. These expenses increased by \$1.4 million from FY 2011 to FY 2012 due to program growth and increased by \$4.1 million from FY 2010 to FY 2011 due to program growth.

General and administrative expenses increased by \$268,773 from FY 2011 to FY 2012 and increased by \$108,389 from FY 2010 to FY 2011. General and administrative expenses represent 8.4 percent, 5.1 percent and 8.0 percent of operating revenue in 2012, 2011 and 2010, respectively.

Nonoperating (expenses) revenues: Nonoperating revenues come from sources that are not part of the Foundation's primary business functions. Included in this classification are interest expense, investment income, realized gains and losses on investment sales and changes in the fair value of investments.

Investment income decreased by \$13.8 million from FY 2011 to FY 2012 due to a decrease in investment returns and increased by \$6.6 million from FY 2010 to FY 2011 due to recovery in investment performance.

Transfer of assets from affiliated organizations: From FY 2011 to 2012, transfers of assets from affiliated organizations decreased \$729,557. From FY 2010 to 2011, transfers of assets from affiliated organizations increased \$1.6 million.

**Tower Foundation of San José State University
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**Statements of Net Assets
June 30, 2012 and 2011**

Assets	2012	2011
Current Assets		
Cash and cash equivalents	\$ 20,492,308	\$ 18,301,326
Pledges receivable, current portion, net of allowance for uncollectible pledges of \$59,088 and \$51,701 in 2012 and 2011, respectively (Note 2)	5,849,664	5,118,424
Due from affiliated auxiliary organizations (Note 6)	87,956	102,321
Prepaid expenses and other	2,326	2,360
Total current assets	26,432,254	23,524,431
Noncurrent Assets		
Pledges receivable, less current portion, net of allowance for uncollectible pledges of \$81,181 and \$98,521 in 2012 and 2011, respectively (Note 2)	7,526,621	9,127,244
Bequests receivable (Note 2)	5,425,918	5,232,414
Charitable gift annuity receivable	336,736	460,660
Funds held in trust	1,095,841	1,329,579
Restricted cash and investments (Note 3)	73,000,242	73,099,988
Other investments (Note 4)	983,160	550,333
Total noncurrent assets	88,368,518	89,800,218
Total assets	\$ 114,800,772	\$ 113,324,649
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 330,850	\$ 299,716
Due to affiliated auxiliary organizations (Note 6)	182,375	87,536
Funds held in trust liability	114,199	114,744
Total current liabilities	627,424	501,996
Noncurrent Liabilities, funds held in trust liability, net of current	730,416	761,371
Total liabilities	1,357,840	1,263,367
Commitments and Contingencies (Notes 8, 9 and 10)	-	-
Net Assets		
Restricted for:		
Nonexpendable endowments	63,274,018	61,713,396
Expendable:		
Endowments	6,369,471	4,041,083
Other	39,133,943	41,875,682
Unrestricted:		
Board designated	312,965	262,965
Other	4,352,535	4,168,156
Total net assets	\$ 113,442,932	\$ 112,061,282

See Notes to Financial Statements.

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

**Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011**

	2012	2011
Operating revenues:		
Gifts and pledges	\$ 11,565,212	\$ 15,013,983
Bequests	173,446	224,143
Nonmonetary gifts	220,609	592,030
Administration fee income (Note 5)	1,803,087	1,743,779
Other	281,195	240,545
Total operating revenues	14,043,549	17,814,480
Operating expenses (Notes 9 and 10):		
Support activities of San José State University	12,089,801	10,667,376
General and administrative	1,176,803	908,030
Total operating expenses	13,266,604	11,575,406
Operating income	776,945	6,239,074
Nonoperating revenues:		
Interest income	908,941	631,662
Net (decrease) increase in fair value of investments	(1,562,650)	12,239,024
Increase in net assets before transfers	123,236	19,109,760
Transfers from San José State University affiliated organizations (Note 7)	1,258,414	1,987,971
Change in net assets	1,381,650	21,097,731
Net assets, beginning of year	112,061,282	90,963,551
Net assets, end of year	\$ 113,442,932	\$ 112,061,282

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30, 2012 and 2011**

	2012	2011
Cash Flows From Operating Activities		
Gifts and pledges received	\$ 12,024,838	\$ 16,535,106
Other receipts	2,084,282	1,984,324
Payments for support activities of San José State University	(11,660,051)	(10,530,013)
Payments for general and administrative	(1,090,847)	(861,698)
Net cash provided by operating activities	1,358,222	7,127,719
Cash Flows From Noncapital Financing Activities		
Transfer from San José State University affiliated organizations	1,258,414	1,987,971
Cash Flows From Investing Activities		
Increase in restricted endowments	1,560,622	11,791,765
Interest and dividends on investments	2,202,985	1,693,194
Increase in other investments	(432,827)	(100,000)
Decrease (increase) in funds held in trust	31,500	(62,564)
Proceeds from sales and maturities of investments	64,909,450	42,328,339
Purchases of investments	(68,697,384)	(60,527,307)
Net cash (used in) investing activities	(425,654)	(4,876,573)
Net increase in cash and cash equivalents	2,190,982	4,239,117
Cash and Cash Equivalents, beginning of year	18,301,326	14,062,209
Cash and Cash Equivalents, end of year	\$ 20,492,308	\$ 18,301,326
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 776,945	\$ 6,239,074
Adjustment to reconcile operating income to net cash provided by operating activities:		
Noncash gifts	(220,609)	(592,030)
Changes in assets and liabilities:		
Decrease in pledges and bequests receivable	675,879	1,536,165
Decrease (increase) in prepaid expenses and other	34	(71,801)
Increase in accounts payable and accrued liabilities	31,134	153,674
Increase (decrease) in due to affiliated auxiliary organizations	94,839	(137,363)
Net cash provided by operating activities	\$ 1,358,222	\$ 7,127,719

See Notes to Financial Statements.

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Organization: The Tower Foundation of San José State University (the Foundation), a nonprofit organization incorporated under Internal Revenue Code (IRC) 501(c)(3), is an auxiliary organization 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 and also manages the use of such funding for the benefit of the University. The Foundation utilizes endowment management and administrative fees to cover the cost of operations and administration of the Foundation's activities, including personnel and administration.

The Foundation was incorporated in the state of California in August 2004 and was granted its 501(c)(3) tax-exempt status in October 2005.

Affiliated organizations: The Foundation is related to the University and its other auxiliaries. The auxiliaries and the University provide various services for one another and collaborate on projects. The Foundation is a Component Unit of San José State University.

Summary of significant accounting policies is as follows:

Basis of presentation: The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis in conformity with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The GASB requires the Foundation to comply with all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Classification of current and noncurrent assets and liabilities: The Foundation considers those assets to be current which can be reasonably expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statements of net assets date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statements of net assets date are considered current. All other assets and liabilities are considered to be noncurrent.

Cash and cash equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less and certificates of deposit that are deemed readily convertible to cash to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. At June 30, 2012, the Foundation had \$2,434,695 held in bank deposits in excess of federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges receivable: Unconditional promises of private gifts to the Foundation are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional promises and intentions to give are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirements are met. There were no conditional promises to give at June 30, 2012 and 2011.

**Tower Foundation of San José State University
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Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Funds held in trust: The Foundation has been named the irrevocable beneficiary for several charitable remainder trusts and pooled income funds for which the Foundation is not the trustee. Upon maturity of each trust and fund, the remainder of the trust corpus will be transferred to the Foundation.

Consistent with the Foundation's recognition policy, pledges receivable and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The Foundation recognizes contribution revenue when all eligibility requirements have been met (that is, when all the resources are actually distributed to the Foundation).

Gifts-in-kind: Gifts-in-kind consist of donations of securities and other nonmonetary items and are recorded at their fair market value at the date of the gift.

Investments: Investments are reported at fair value based on quoted market prices, with realized and unrealized gains and losses included in the statements of revenue, expenses and changes in net assets. Dividend and interest income are accrued when earned.

Endowments: Endowments are classified by donor restriction. Investment appreciation and depreciation are presented as temporarily restricted unless donor restrictions require preservation of investment returns.

Other investments: The Foundation's other investments consist of a 50 percent equity investment in Hilo Project LLC (Hilo), which is accounted for by the equity method of accounting. This investment did not produce income or pay dividends during the years ended June 30, 2012 and 2011. Other investments also include cash contributions received from donors to further support the Hilo project (see Note 4).

Compensated absences: The Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are not paid for unused sick leave at the end of employment. At June 30, 2012, the Foundation had a balance of \$29,058 of compensated absences. In 2012 \$47,457 of compensated absences was earned and \$36,007 was used. At June 30, 2011, the Foundation had a balance of \$17,608 of compensated absences. During the year, \$37,945 of compensated absences was earned and \$24,672 was used.

Foundation employees: Two of the employees of the Foundation are employees of the University, and their salaries are reimbursed by the Foundation.

Net assets: The Foundation's net assets are classified into the following categories:

Restricted nonexpendable net assets: All net assets for which donor-imposed restrictions require that the donated assets be invested in perpetuity to provide a permanent source of income are reported as restricted nonexpendable net assets. Net assets in this category consist of endowments held by the Foundation.

Restricted expendable net assets: All net assets received subject to donor-imposed restrictions which require that the resources be used in a specified future period or for a specified purpose, or both, are reported as restricted expendable net assets.

Unrestricted net assets: All net assets that are not subject to donor-imposed restrictions are reported as unrestricted net assets. In addition, unrestricted net assets may be designated by the Board of Directors of the Foundation. Revenues are generated through unrestricted gifts and pledges, investment income and transfers from other campus programs.

**Tower Foundation of San José State University
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Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue: Revenue from gifts is recorded as revenue when it is verifiable, measurable and all applicable requirements have been met. Gifts subject to donor restriction are reflected as restricted expendable or restricted nonexpendable revenue, depending upon the nature of the donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted expendable net assets are reclassified to unrestricted net assets.

Income, realized and unrealized gains and losses from investments, and all other revenue are recorded when earned.

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC as a nonprofit organization whereby only unrelated business income, as defined by Section (a)(1) of the IRC, is subject to federal income tax. Accordingly, no provision for income taxes has been recorded.

Use of estimates: The preparation of financial statements 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 periods. Actual results could differ from those estimates.

Pronouncement issues: In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections – 2012 (an amendment of GASB Statements No. 10 and No. 62)*, effective for periods beginning after December 15, 2012. Management has not currently determined what, if any, impact the implementation of this GASB pronouncement may have on the financial statements of the Foundation.

Note 2. Pledges and Bequests Receivable

Outstanding pledges receivable at June 30 are as follows:

	2012	2011
Less than one year	\$ 5,908,752	\$ 5,170,125
One to five years	7,217,288	9,415,810
More than five years	900,785	436,250
	<u>14,026,825</u>	<u>15,022,185</u>
Less discount to present value	(510,271)	(626,295)
Less allowance for uncollectable pledges	(140,269)	(150,222)
	<u>\$ 13,376,285</u>	<u>\$ 14,245,668</u>

**Tower Foundation of San José State University
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Notes to Financial Statements

Note 2. Pledges and Bequests Receivable (Continued)

Pledges due beyond one year have been discounted at an annual rate in a range between 0.19 percent and 5.25 percent. The Foundation has not experienced significant losses on pledges and, therefore, the allowance for uncollectible pledges has been estimated at approximately 1 percent of pledges.

At June 30, bequests receivable are as follows:

	2012	2011
Total bequests	\$ 11,500,000	\$ 11,500,000
Less discount to present value	(6,074,082)	(6,267,586)
	<u>\$ 5,425,918</u>	<u>\$ 5,232,414</u>

Irrevocable planned gifts are recorded when received and are discounted to their present value based on the life expectancy of the donor. The planned gifts are generally distributed out of the estate of the donor upon his or her death. Bequests have been discounted at an annual rate ranging from 4.73 percent to 5.19 percent.

Note 3. Restricted Cash and Investments

Restricted cash and investments as of June 30 consist of the following:

	2012	2011
Cash restricted for endowments	\$ 960,102	\$ 10,904,830
Fixed income intermediate term investments	14,076,079	9,769,012
Equity funds	51,272,304	45,790,211
Real estate	2,879,140	2,467,141
Commodities fund	3,812,617	4,168,794
	<u>\$ 73,000,242</u>	<u>\$ 73,099,988</u>

Investment policy: The Foundation's investment policy (the Policy) sets forth the guidelines for the investment of all endowment funds of the Foundation. As a general rule, the Policy conforms to the Prudent Investor guidelines widely used in the investment management industry, the guidelines of Uniform Management of Association for CFA Institute (formerly AIMR), the professional standards established by the Uniform Prudent Management of Institutional Funds Act and the general fiduciary standards described in the Uniform Prudent Investment Act.

**Tower Foundation of San José State University
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Notes to Financial Statements

Note 3. Restricted Cash and Investments (Continued)

The long-term investment objective of the Policy is to preserve the endowment funds' capital, protect the purchasing power of the endowment funds and provide cash flows to assist in the funding of the Foundation's spending goals. With this in mind, the portfolio shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents and other investments, all of which may reflect varying rates of return. The return objective will be to outperform a custom benchmark made up of 75 percent of the S&P 500 and 25 percent of Barclay's Capital Aggregate Bond Index over a complete market cycle of three to five years. The total portfolio should also experience less risk, as measured by the standard deviation, than that of a custom benchmark made up of 75 percent of the S&P 500 and 25 percent of Barclay's Capital Aggregate Bond Index over a complete market cycle of three to five years.

As a result of market declines, the fair value of certain donor-restricted endowments is less than historical cost value. The unrealized losses have been included in unrestricted net assets.

Interest rate risk: Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair value of an investment. In accordance with the Policy, the Foundation manages the risk of market value fluctuations due to overall changes in general levels of interest rates by limiting its average maturity of investments within the portfolios.

The Foundation invests in bond funds, some of which utilize forward contracts to cover the fund manager's exposure to interest rate risk. The effectiveness of the fund manager's risk strategy determines whether the fund is adequately protected from exposure to interest rate fluctuations. Fund positions which are not fully protected may be expressed as a negative number.

Maturities of the Foundation's debt securities (intermediate term investments) as of June 30, 2012, are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate term investments	\$ 14,076,079	\$ 9,998,912	\$ -	\$ (13,187)	\$ -	\$ (882,927)	\$ 4,973,281

Maturities of the Foundation's debt securities (intermediate term investments) as of June 30, 2011, are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate term investments	\$ 9,769,012	\$ 2,615,846	\$ -	\$ 4,243,440	\$ -	\$ (253,673)	\$ 3,163,399

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

Notes to Financial Statements

Note 3. Restricted Cash and Investments (Continued)

Credit risk: Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard & Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher the yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have risk.

The credit risk profile for fixed income securities at June 30 is as follows:

Fixed Income, Intermediate Term Investments	2012	2011	S&P Credit Rating
U.S. intermediate term bonds	\$ -	\$ 419,506	A1/P1
U.S. intermediate term bonds	5,610,858	701,344	AAA
U.S. intermediate term bonds	600,852	343,439	AA
U.S. intermediate term bonds	1,553,845	574,088	A
U.S. intermediate term bonds	733,917	257,540	BBB
U.S. intermediate term bonds	395,027	161,000	BB
U.S. intermediate term bonds	(81,768)	9,240	B
U.S. intermediate term bonds	371,330	41,139	Below B
U.S. intermediate term bonds	10,887	1,121	Not rated
	9,194,948	2,508,417	
Non-U.S. intermediate term bond	-	1,214,256	A1/P1
Non-U.S. intermediate term bond	2,978,520	2,030,036	AAA
Non-U.S. intermediate term bond	318,962	994,081	AA
Non-U.S. intermediate term bond	824,858	1,661,694	A
Non-U.S. intermediate term bond	389,599	745,447	BBB
Non-U.S. intermediate term bond	209,700	466,013	BB
Non-U.S. intermediate term bond	(43,407)	26,746	B
Non-U.S. intermediate term bond	197,120	119,077	Below B
Non-U.S. intermediate term bond	5,779	3,245	Not rated
	4,881,131	7,260,595	
Total fixed income securities	\$ 14,076,079	\$ 9,769,012	

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

Notes to Financial Statements

Note 3. Restricted Cash and Investments (Continued)

Concentration of credit risk: The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer and is listed in the table above. The Foundation did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represents 5 percent or more of the Foundation's total investments as of the years ended June 30, 2012 and 2011.

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

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, the Foundation would not be able to recover its investment. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. U.S. Treasury issues and Federally Sponsored Enterprise issues are held by Securities Investor Protection Corporation insured brokers and are not registered with the issuer in the Foundation's name.

Note 4. Other Investments

The Foundation's other investments are composed of an investment in Hilo Property LLC (Hilo) and cash contributions received to support the Hilo project. Since 2009, the Foundation received donations for the purpose of investing in Hilo; these monies were invested in the Foundation's cash and cash equivalents prior to being transferred to the Hilo other investment account. The project calls for building a home which, after a one-year holding period, will be gifted to the Foundation to be sold. The value of the Foundation's ownership interest in assets of its investment in Hilo is principally based upon unaudited Hilo statements. The value of the equity investment totaled \$543,160 and \$550,333 at June 30, 2012 and 2011, respectively, and cash contributions totaled approximately \$440,000 at June 30, 2012.

Other investments as of June 30 consist of the following:

	2012	2011
Hilo Property LLC	\$ 978,160	\$ 545,333
Miscellaneous	5,000	5,000
	<u>\$ 983,160</u>	<u>\$ 550,333</u>

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

Notes to Financial Statements

Note 5. Administration Fees

The Foundation charges an administrative fee of 5 percent to various colleges and departments within the University on all disbursements out of any expendable fund, with the exception of the scholarship fund. Administrative fees of \$462,042 and \$415,245 were charged by the Foundation during the years ended June 30, 2012 and 2011, respectively.

In addition, the Foundation charges an annual 2 percent administration fee to the endowment funds. The fee is pro rated on a monthly basis and is calculated as 1/12 of 2 percent of the monthly market value of the portfolio. The Foundation charged the endowment funds \$1,341,045 and \$1,328,534 for the years ended June 30, 2012 and 2011, respectively.

Note 6. Related-Party Transactions

The Foundation is an auxiliary organization of the University dedicated solely to philanthropy. Accordingly, related parties of the Foundation include the University and other auxiliaries of the University, including San José State University Research Foundation (SJSURF), which managed the endowment portfolio until the portfolio was transferred to the Foundation.

As of June 30, the Foundation had (payables) receivables (due to) due from related parties as follows:

	2012	2011
Receivable from Auxiliary Student Union	\$ -	\$ 5,501
Receivable from SJSU	87,956	96,820
	<u>\$ 87,956</u>	<u>\$ 102,321</u>
Accrued expense payable to SJSU	\$ (158,260)	\$ (61,289)
Payable to Research Foundation - program costs	-	(7,500)
Payable to other affiliated organizations	(24,115)	(18,747)
	<u>\$ (182,375)</u>	<u>\$ (87,536)</u>

Note 7. Transfer of Assets

In accordance with a 2006 directive from the president of the University, all new donations received by the University are to be directed to the Foundation for deposit, stewardship and disbursement. Prior to January 1, 2007, all such donations were maintained by San José State University Research Foundation. San José State University affiliated organizations transferred \$1,258,414 and \$1,987,971 in 2012 and 2011, respectively. These transfers represent various scholarships and endowment. The transfer of assets mandated by the president's directive was completed in a prior year.

Note 8. Commitments and Contingencies

As part of investments with two private equity funds, the Foundation has committed to fund future capital calls for the funds in the amount of \$336,130 and \$349,628 at June 30, 2012 and 2011, respectively.

The Foundation has various commitments and is contingently liable in connection with claims and contracts arising in the normal course of its activities. Foundation 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 has been reflected in the financial statements as of June 30, 2012 and 2011.

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

Notes to Financial Statements

Note 9. Pension Plan and Postretirement Benefits

The Foundation offers pension and postretirement medical benefits to eligible employees.

Retirement plan: The Foundation participates in the Teachers Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). TIAA-CREF provides annuities and other products for educational institutions.

TIAA-CREF provides employees with a 403B Plan. Foundation employees are eligible to participate in the plan immediately after hire, and the Foundation contributes 7 percent of the employee's base salary after one year of service.

The Foundation contributed \$30,154 and \$16,699 for the years ended June 30, 2012 and 2011, respectively.

Postretirement benefits plan:

Plan description: The Foundation provides lifetime retiree medical coverage to eligible employees and their dependents. Active employees who retire at age 60 or older with 10 or more years of continuous employment with the Foundation in the previous 20 years are eligible. The medical plan benefits are contracted with the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Funding policy: The Foundation adopted entry age normal cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan supports the use of a 4.25 percent interest rate and amortizes unfunded actuarial accrued liability over 30 years on a level dollar basis, with projected salary increases of 3.25 percent per year.

The Foundation has selected the equal contribution method, where it is obligated to contribute the same amount for retirees as contributed toward the active employees' medical plan coverage. The Foundation currently pays the employees' medical plan premiums for employees and their dependents at a rate approved by the board of directors.

During the year ended June 30, 2012, the Foundation entered into a benefit plan as a vehicle for operating its Other Postretirement Benefit Obligations (OPEB). When the agreement was signed to enter this plan the Foundation fully funded its previous actuarial accrued liability that was outstanding at June 30, 2011. The assets of this new plan are held in a separate VEBA trust with a registered investment company. A copy of the plan's tax return can be requested from the Foundation.

The Foundation has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution; therefore, there was no net OPEB liability at June 30, 2012. The actuarially determined contribution amount for the year ended June 30, 2012, totaled \$18,373.

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

Notes to Financial Statements

Note 9. Pension Plan and Postretirement Benefits (Continued)

The information shown below is related to OPEB activity for the prior year when the VEBA trust did not exist.

Annual cost and funding progress: Based on the latest actuarial valuation report (dated August 2011 and available from the Foundation upon request), the funded status of the OPEB program as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 25,846
Actual value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 25,846</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	309,400
UAAL as a percentage of annual covered payroll	8%

The net OPEB obligation (NOO) as of June 30, 2011, was as follows:

Annual required contribution (ARC)	\$ 16,784
Contributions during the year	-
Increase in NOO	<u>16,784</u>
NOO, beginning of year	-
NOO, end of year	<u>\$ 16,784</u>

Note 10. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 12, 2012, the date of the auditor's report.

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

**Schedule of Net Assets
June 30, 2012
(For inclusion in the California State University)**

Assets	
Current assets:	
Cash and cash equivalents	\$ 20,492,308
Short-term investments	-
Accounts receivable, net	-
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	5,849,664
Prepaid expenses and other assets	90,282
Total current assets	<u>26,432,254</u>
Noncurrent assets:	
Restricted cash and cash equivalents	960,102
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	7,526,621
Endowment investments	72,040,140
Other long-term investments	-
Capital assets, net	-
Other assets	7,841,655
Total noncurrent assets	<u>88,368,518</u>
Total assets	<u>\$ 114,800,772</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 241,532
Accrued salaries and benefits payable	60,260
Accrued compensated absences, current portion	29,058
Deferred revenue	-
Capitalized lease obligations, current portion	-
Long-term debt obligations, current portion	-
Self-insurance claims liability, current portion	-
Depository accounts	-
Other liabilities	296,574
Total current liabilities	<u>627,424</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Deferred revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Self-insurance claims liabilities, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	18,373
Other liabilities	712,043
Total noncurrent liabilities	<u>730,416</u>
Total liabilities	<u>\$ 1,357,840</u>

(Continued)

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

**Schedule of Net Assets (Continued)
June 30, 2012
(For inclusion in the California State University)**

Net Assets	
Invested in capital assets, net of related debt	
Restricted for:	
Non-expendable, endowments	63,274,018
Expendable:	
Scholarships and fellowships	956,039
Research	
Loans	
Capital projects	
Debt service	
Other	44,547,375
Unrestricted	4,665,500
Total net assets	\$ 113,442,932

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

**Schedule of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
(For inclusion in the California State University)**

Revenues:	
Operating revenues:	
Student tuition and fees, net of scholarship allowances of \$ _____	\$ -
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, net of scholarship allowances of \$ _____	-
Other operating revenues	2,084,282
Total operating revenues	<u>2,084,282</u>
Expenses:	
Operating expenses:	
Instruction	1,484,638
Research	
Public service	
Academic support	5,653,150
Student services	2,585,028
Institutional support	1,160,006
Operations and maintenance of plant	
Student grants and scholarships	1,206,979
Auxiliary enterprise expenses	1,176,803
Depreciation and amortization	
Total operating expenses	<u>13,266,604</u>
Operating (loss)	<u>(11,182,322)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	
Federal financial aid grants, noncapital	
State financial aid grants, noncapital	
Local financial aid grants, noncapital	
Nongovernmental and other financial aid grants, noncapital	
Other federal nonoperating grants, noncapital	
Gifts, noncapital	8,282,081
Investment income, net	908,941
Endowment (loss), net	(1,562,650)
Interest expenses	
Other nonoperating revenues (expenses)	1,258,414
Net nonoperating revenues (expenses)	<u>8,886,786</u>
Income (loss) before other additions	<u>(2,295,536)</u>
State appropriations, capital	
Grants and gifts, capital	
Additions (reductions) to permanent endowments	3,677,186
Increase (decrease) in net assets	<u>1,381,650</u>
Net assets:	
Net assets at beginning of year, as previously reported	112,061,282
Restatements	
Net assets at beginning of year, as restated	<u>112,061,282</u>
Net assets at end of year	<u>\$ 113,442,932</u>

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

Other Information

Year Ended June 30, 2012

(For inclusion in the California State University)

1. Restricted cash and cash equivalents at June 30, 2012:

Portion of restricted cash and cash equivalents related to endowments	\$	960,102
All other restricted cash and cash equivalents		-
Total restricted cash and cash equivalents	\$	960,102

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

2.1 Composition of investments at June 30, 2012:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)			\$ -			\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)			-			-	-
Wachovia Short-term Fund			-			-	-
Wachovia Medium-term Fund			-			-	-
Wachovia Equity Fund			-			-	-
US Bank SWIFT pool			-			-	-
Common Fund — Short Term Fund			-			-	-
Common Fund — Others			-			-	-
Debt securities			-		14,076,079	14,076,079	14,076,079
Equity securities			-		51,272,304	51,272,304	51,272,304
Fixed income securities (Treasury notes, GNMA's)			-		2,879,140	2,879,140	2,879,140
Land and other real estate			-			-	-
Certificates of deposit			-			-	-
Notes receivable			-			-	-
Mutual funds			-			-	-
Money market funds			-			-	-
Collateralized mortgage obligations:			-			-	-
Inverse floaters			-			-	-
Interest-only strip			-			-	-
Agency pass-through			-			-	-
Private pass-through			-			-	-
Other major investments:			-			-	-
Commodities investment fund			-		3,812,617	3,812,617	3,812,617
Add description			-			-	-
Add description			-			-	-
Add description			-			-	-
Add description			-			-	-
Add description			-			-	-
Total investments	-	-	-	-	72,040,140	72,040,140	72,040,140
Less endowment investments	-	-	-	-	(72,040,140)	(72,040,140)	(72,040,140)
Total investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

2.2 Investments held by the University under contractual agreements at June 30, 2012:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
Portion of investments in Note 2.1 held by the University under contractual agreements at June 30, 2012							

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

2.3 Restricted current investments at June 30, 2012 related to:

	<u>Amount</u>
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Total restricted current investments at June 30, 2012	<u><u>\$ -</u></u>

2.4 Restricted noncurrent investments at June 30, 2012, related to:

	<u>Amount</u>
Endowment investments	\$ 72,040,140
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Total restricted noncurrent investments at June 30, 2012	<u><u>\$ 72,040,140</u></u>

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

3.1 Composition of capital assets at June 30, 2012:

	Balance June 30, 2011	Prior Period Adjustments	Reclassifications	Balance June 30, 2011	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
Nondepreciable capital assets:								
Land and land improvements								\$ -
Works of art and historical treasures								-
Construction work in progress (CWIP)								-
Intangible assets:								
Rights and easements								-
Patents, copyrights and trademarks								-
Internally generated intangible assets in progress								-
Licenses and permits								-
Other intangible assets:								-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable capital assets:								
Buildings amortizable and building improvements		-	-	-	-	-	-	-
Improvements, other than buildings		-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-
Leasehold improvements		-	-	-	-	-	-	-
Personal property:								
Equipment		-	-	-	-	-	-	-
Library books and materials		-	-	-	-	-	-	-
Intangible assets:								
Software and Web sites								-
Rights and easements								-
Patents, copyright and trademarks								-
Licenses and permits								-
Total intangible assets	-	-	-	-	-	-	-	-
Other intangible assets:								
Depreciation and amortization expense related to capital assets								-
Amortization expense related to other assets								-
Total depreciable/amortizable capital assets	-	-	-	-	-	-	-	-
Total capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

4. Long-term liabilities activity schedule:

	Balance June 30, 2011	Prior Period Adjustments	Reclassifications	Balance June 30, 2011 (Restated)	Additions	Reductions	Balance June 30, 2011	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 17,608			\$ 17,608	\$ 47,457	\$ (36,007)	\$ 29,058	\$29,058	\$ -
Capitalized lease obligations:									
Gross balance				-			-		-
Unamortized premium (discount) on capitalized lease obligations				-			-		-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Revenue bonds				-			-		-
Other bonds (nonrevenue bonds)				-			-		-
Commercial paper				-			-		-
Other				-			-		-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium (discount)				-			-		-
Unamortized loss on refunding				-			-		-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 17,608	\$ -	\$ -	\$ 17,608	\$ 47,457	\$ (36,007)	\$ 29,058	\$29,058	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

5. Future minimum lease payments—capital lease obligations:

Years Ending June 30,	Principal	Interest	Principal and Interest
2013			\$ -
2014			-
2015			-
2016			-
2017-2021			-
2022-2026			-
2027-2031			-
2032-2036			-
2037-2041			-
2042-2046			-
2047-2051			-
2052-2056			-
2057-2061			-
2062-2066			-
Total minimum lease payments			-
Less amounts representing interest			-
Present value of future minimum lease payments			-
Less current portion			-
Capitalized lease obligations, net of current portion			<u><u>\$ -</u></u>

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

6. Long-term debt obligation schedule:

Years Ending June 30,	Revenue Bonds			All Other Long-Term Debt Obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2013			\$ -			\$ -	\$ -	\$ -	\$ -
2014			-			-	-	-	-
2015			-			-	-	-	-
2016			-			-	-	-	-
2017-2021			-			-	-	-	-
2022-2026			-			-	-	-	-
2027-2031			-			-	-	-	-
2032-2036			-			-	-	-	-
2037-2041			-			-	-	-	-
2042-2046			-			-	-	-	-
2047-2051			-			-	-	-	-
2052-2056			-			-	-	-	-
2057-2061			-			-	-	-	-
2062-2066			-			-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

7.1 Calculation of net assets—invested in capital assets, net of related debt:

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
Capital assets, net of accumulated depreciation			\$ -
Capitalized lease obligations, current portion			-
Capitalized lease obligations, net of current portion			-
Long-term debt obligations, current portion			-
Long-term debt obligations, net of current portion			-
Portion of outstanding debt that is unspent at year-end			-
Other adjustments			-
Net assets, invested in capital assets, net of related debt	\$ -	\$ -	\$ -

7.2 Calculation of net assets—restricted for nonexpendable endowments:

Portion of restricted cash and cash equivalents related to endowments	\$ 960,102		\$ 960,102
Endowment investments	72,040,140		72,040,140
Other adjustments (please list):			
Adjustment for expendable endowments	(7,133,040)		(7,133,040)
Net accumulated change in market value	(2,593,179)		(2,593,179)
Net assets — restricted for nonexpendable endowments per SNA	\$ 63,274,023	\$ -	\$ 63,274,023

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

8. Transactions with related entities:

Description	Amount
Payments to University for salaries of University personnel working on contracts, grants and other programs	\$ 819,363
Payments to University for other than salaries of University personnel	837,224
Payments received from University for services, space and programs	1,283,781
Gifts-in-kind to University from Auxiliary Organizations	
Gifts (cash or assets) to University from recognized Auxiliary Organizations	1,313,302
Accounts (payable to) University	(158,260)
Other amounts (payable to) University	-
Accounts receivable from University	87,956
Other amounts receivable from University	-

9. Other Postemployment Benefits Obligation (OPEB):

Annual required contribution (ARC)	\$ 18,373
Contributions during the year	16,784
Increase in net OPEB obligation (NOO)	<u>1,589</u>
NOO—beginning of year	16,784
NOO—end of year	<u><u>\$ 18,373</u></u>

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

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

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

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

	Net Asset Class	Amount
Net assets as of June 30, 2011, as previously reported		
Prior period adjustments:		
1. (list description of each adjustment)		
2. (list description of each adjustment)		
3. (list description of each adjustment)		
4. (list description of each adjustment)		
5. (list description of each adjustment)		
6. (list description of each adjustment)		
Net assets as of June 30, 2011, as restated		<u><u>\$ -</u></u>

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

**Other Information (Continued)
Year Ended June 30, 2012
(For inclusion in the California State University)**

11. (Continued)

Provide a detailed breakdown of the journal entries booked to record each prior period adjustment:

	<u>Debit</u>	<u>Credit</u>
Net asset class: _____		
1. (breakdown of adjusting journal entry)		
Net asset class: _____		
2. (breakdown of adjusting journal entry)		
Net asset class: _____		
3. (breakdown of adjusting journal entry)		
Net asset class: _____		
4. (breakdown of adjusting journal entry)		
Net asset class: _____		
5. (breakdown of adjusting journal entry)		
Net asset class: _____		
6. (breakdown of adjusting journal entry)		
Net asset class: _____		
7. (breakdown of adjusting journal entry)		
Net asset class: _____		
8. (breakdown of adjusting journal entry)		
Net asset class: _____		
9. (breakdown of adjusting journal entry)		
Net asset class: _____		
10. (breakdown of adjusting journal entry)		