

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

Financial Report
June 30, 2013

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Independent Auditor's Report

The Board of Directors
Tower Foundation of San José State University
San Jose, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Tower Foundation of San José State University (a California State University auxiliary organization) (the Foundation), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tower Foundation of San José State University as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(continued)

Independent Auditor's Report

(concluded)

Other Matters

The management's discussion and analysis on pages 3 through 7 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 audit 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 20, 2013

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

**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

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, 2013 and 2012. 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 and 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 position; the statements of revenues, expenses and changes in net position, 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 position: The statements of net position include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. The statements also identify major categories of restrictions on the net position of the Foundation.

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

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
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

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, 2013, 2012 and 2011. Included are comparative analyses of current year and prior years' activities and balances and a discussion of restrictions of Foundation net position.

Condensed Summary of Net Position

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

	2013	2012	2011
Assets:			
Current assets	\$ 29,655,543	\$ 26,432,254	\$ 23,524,431
Other noncurrent assets	119,494,501	88,368,518	89,800,218
Total assets	<u>\$ 149,150,044</u>	<u>\$ 114,800,772</u>	<u>\$ 113,324,649</u>
Liabilities:			
Current liabilities	\$ 851,602	\$ 627,424	\$ 501,996
Noncurrent liabilities	692,032	730,416	761,371
Total liabilities	<u>\$ 1,543,634</u>	<u>\$ 1,357,840</u>	<u>\$ 1,263,367</u>
Net position:			
Restricted, nonexpendable endowments	\$ 83,615,427	\$ 63,274,018	\$ 61,713,396
Expendable:			
Endowments	7,394,148	6,369,471	4,041,083
Other	51,165,750	39,133,943	41,875,682
Unrestricted:			
Board designated	402,965	312,965	262,965
Other	5,028,120	4,352,535	4,168,156
Total net position	<u>\$ 147,606,410</u>	<u>\$ 113,442,932</u>	<u>\$ 112,061,282</u>

Assets: Total assets increased \$34.3 million from FY 2012 to FY 2013 due to a \$25.3 million increase in restricted cash and investments, a \$5.1 million increase in notes receivable and an increase in cash and cash equivalents of \$5.7 million, offset by a \$2.2 million decrease in bequests receivable. 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.

Current assets increased \$3.2 million from FY 2012 to FY 2013 due primarily to an increase of \$5.7 million in cash and cash equivalents, offset by a \$3.0 million decrease in pledges receivable. 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.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

Other noncurrent assets increased \$31.1 million from FY 2012 to FY 2013 due primarily to a \$25.3 million increase in restricted cash and investments, a \$4.5 million increase in noncurrent notes receivable, a \$3.2 million increase in noncurrent pledges receivable, partially offset by a \$2.2 million reduction in bequests receivable. Other noncurrent assets decreased \$1.4 million from FY 2011 to FY 2012 due primarily to a decrease in noncurrent pledges receivable.

Liabilities: Current liabilities increased \$0.2 million from FY 2012 to FY 2013 and increased \$0.1 million from FY 2011 to FY 2012 due to changes in accounts payable and accrued liabilities.

Net position: Total net position increased by \$34.2 million from FY 2012 to FY 2013 primarily due to an increase in restricted nonexpendable endowments of \$20.3, an increase in expendable other totaling \$12.0 million and an increase in expendable endowments of \$1.0 million. Total net position 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.

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

Restricted net position:

	2013	2012	2011
Nonexpendable	<u>\$ 83,615,427</u>	<u>\$ 63,274,018</u>	<u>\$ 61,713,396</u>
Expendable:			
Endowment	\$ 7,394,148	\$ 6,369,471	\$ 4,041,083
Other	51,165,750	39,133,943	41,875,682
	<u>\$ 58,559,898</u>	<u>\$ 45,503,414</u>	<u>\$ 45,916,765</u>

Nonexpendable net position increased \$20.3 million in FY 2013 primarily due to new gifts to the endowment and investment returns, and increased \$1.6 million in FY 2012 primarily due to new gifts to the endowment.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

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

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

	2013	2012	2011
Operating revenues:			
Gifts, pledges and bequests	\$ 22,564,272	\$ 11,738,658	\$ 15,238,126
Nonmonetary gifts	14,448,354	220,609	592,030
Administration fee income	2,282,027	1,803,087	1,743,779
Other operating revenues	262,366	281,195	240,545
Total operating revenues	<u>39,557,019</u>	<u>14,043,549</u>	<u>17,814,480</u>
Operating expenses:			
Support activities of SJSU	15,321,697	12,089,801	10,667,376
General and administrative	1,293,950	1,176,803	908,030
Total operating expenses	<u>16,615,647</u>	<u>13,266,604</u>	<u>11,575,406</u>
Total operating income	<u>22,941,372</u>	<u>776,945</u>	<u>6,239,074</u>
Nonoperating (expenses) revenues:			
Interest income	940,790	908,941	631,662
Net increase (decrease) in fair value of investments	8,616,998	(1,562,650)	12,239,024
Total nonoperating (expenses) revenues	<u>9,557,788</u>	<u>(653,709)</u>	<u>12,870,686</u>
Other changes in net position, including transfers of assets from related organizations	<u>1,664,318</u>	<u>1,258,414</u>	<u>1,987,971</u>
Changes in net position	<u>34,163,478</u>	<u>1,381,650</u>	<u>21,097,731</u>
Net position:			
Beginning of year	113,442,932	112,061,282	90,963,551
End of year	<u>\$ 147,606,410</u>	<u>\$ 113,442,932</u>	<u>\$ 112,061,282</u>

Operating revenues: Gifts, pledges and bequests increased by \$10.8 million from FY 2012 to FY 2013 and decreased by \$3.3 million from FY 2011 to FY 2012.

Nonmonetary gifts increased by \$14.2 million from FY 2012 to FY 2013 due to the receipt of nonmonetary gifts received in payment of bequest expectancies and pledges receivable. Nonmonetary gifts decreased a nominal amount from FY 2011 to FY 2012.

Administration fee income increased \$478,940 from FY 2012 to FY 2013 due to an increase in expenditures for campus programs. Administration fee income increased \$59,308 from FY 2011 to FY 2012 due to an increase in expenditures for campus programs.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012**

Other operating revenues decreased \$18,829 from FY 2012 to FY 2013 due to a decrease in flex benefits revenue. Other operating revenues 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.

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 \$3.2 million from FY 2012 to FY 2013 and by \$1.4 million from FY 2011 to FY 2012 due to program growth.

General and administrative expenses increased by \$117,147 from FY 2012 to FY 2013 and increased by \$268,773 from FY 2011 to FY 2012. General and administrative expenses represent 3.9 percent, 8.4 percent and 5.1 percent of operating revenue in 2013, 2012 and 2011, 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 increased by \$10.2 million from FY 2012 to FY 2013 due to an increase in investment returns and decreased by \$13.8 million from FY 2011 to FY 2012 due to a decrease in investment returns.

Transfer of assets from affiliated organizations: From FY 2012 to 2013, transfers of assets from affiliated organizations increased \$405,904. From FY 2011 to 2012, transfers of assets from affiliated organizations decreased \$729,557.

**Tower Foundation of San José State University
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**Statements of Net Position
June 30, 2013 and 2012**

Assets	2013	2012
Current Assets		
Cash and cash equivalents	\$ 26,173,217	\$ 20,492,308
Pledges receivable, current portion, net of allowance for uncollectible pledges of \$57,292 and \$59,088 in 2013 and 2012, respectively (Note 2)	2,807,284	5,849,664
Note receivable, current portion (Note 3)	530,277	-
Due from affiliated auxiliary organizations (Note 7)	171	87,956
Prepaid expenses and other	144,594	2,326
Total current assets	29,655,543	26,432,254
Noncurrent Assets		
Pledges receivable, less current portion, net of allowance for uncollectible pledges of \$233,907 and \$81,181 in 2013 and 2012, respectively (Note 2)	10,751,869	7,526,621
Bequests receivable (Note 2)	3,187,161	5,425,918
Note receivable, less current portion (Note 3)	4,530,794	-
Charitable gift annuity receivable	467,003	336,736
Funds held in trust	1,068,203	1,095,841
Restricted cash and investments (Note 4)	98,282,638	73,000,242
Other investments (Note 5)	1,206,833	983,160
Total noncurrent assets	119,494,501	88,368,518
Total assets	\$ 149,150,044	\$ 114,800,772
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 650,558	\$ 330,850
Due to affiliated auxiliary organizations (Note 7)	87,298	182,375
Funds held in trust liability	113,746	114,199
Total current liabilities	851,602	627,424
Noncurrent Liabilities, funds held in trust liability, net of current	692,032	730,416
Total liabilities	1,543,634	1,357,840
Commitments and Contingencies (Notes 9, 10 and 11)	-	-
Net Position		
Restricted for:		
Nonexpendable endowments	83,615,427	63,274,018
Expendable:		
Endowments	7,394,148	6,369,471
Other	51,165,750	39,133,943
Unrestricted:		
Board designated	402,965	312,965
Other	5,028,120	4,352,535
Total net position	\$ 147,606,410	\$ 113,442,932

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 Position
Years Ended June 30, 2013 and 2012**

	2013	2012
Operating Revenues		
Gifts, pledges, and bequests	\$ 22,564,272	\$ 11,738,658
Nonmonetary gifts	14,448,354	220,609
Administration fee income (Note 6)	2,282,027	1,803,087
Other	262,366	281,195
Total operating revenues	39,557,019	14,043,549
Operating Expenses (Notes 10 and 11)		
Support activities of San José State University	15,321,697	12,089,801
General and administrative	1,293,950	1,176,803
Total operating expenses	16,615,647	13,266,604
Operating income	22,941,372	776,945
Nonoperating Revenues		
Interest income	940,790	908,941
Net increase (decrease) in fair value of investments	8,616,998	(1,562,650)
Increase in net position before transfers	32,499,160	123,236
Transfers from San José State University affiliated organizations (Note 8)	1,664,318	1,258,414
Change in net position	34,163,478	1,381,650
Net position, beginning of year	113,442,932	112,061,282
Net position, end of year	\$ 147,606,410	\$ 113,442,932

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, 2013 and 2012**

	2013	2012
Cash Flows From Operating Activities		
Gifts, pledges and bequests received	\$ 24,620,161	\$ 12,024,838
Other receipts	2,544,393	2,084,282
Payments for support activities of San José State University	(15,151,549)	(11,660,051)
Payments for general and administrative	(1,293,950)	(1,090,847)
Net cash provided by operating activities	10,719,055	1,358,222
Cash Flows From Noncapital Financing Activities		
Transfer from San José State University affiliated organizations	1,664,318	1,258,414
Cash Flows From Investing Activities		
Increase in restricted endowments	19,405,785	1,560,622
Interest and dividends on investments	2,473,535	2,202,985
Increase in other investments	(223,673)	(432,827)
(Decrease) increase in funds held in trust	(38,837)	31,500
Proceeds from sales and maturities of investments	61,344,466	64,909,450
Purchases of investments	(89,663,740)	(68,697,384)
Net cash used in investing activities	(6,702,464)	(425,654)
Net increase in cash and cash equivalents	5,680,909	2,190,982
Cash and Cash Equivalents, beginning of year	20,492,308	18,301,326
Cash and Cash Equivalents, end of year	\$ 26,173,217	\$ 20,492,308
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 22,941,372	\$ 776,945
Adjustment to reconcile operating income to net cash provided by operating activities:		
Noncash gifts	(14,448,354)	(220,609)
Changes in assets and liabilities:		
Decrease in pledges and bequests receivable	2,055,889	675,879
Decrease in due from affiliate	87,785	-
(Increase) decrease in prepaid expenses and other	(142,268)	34
Increase in accounts payable and accrued liabilities	319,708	31,134
(Decrease) increase in due to affiliated auxiliary organizations	(95,077)	94,839
Net cash provided by operating activities	\$ 10,719,055	\$ 1,358,222
Non-Cash Investing Activities		
Sale of investments in exchange for a note receivable	\$ 5,061,071	\$ -
Increase (decrease) in fair value of investments	4,565,012	(3,404,165)

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 financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Foundation has chosen to continue to follow accounting standards applicable to private sector entities, issued 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 position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statements of net position 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, 2013, the Foundation had \$3,536,084 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, 2013 and 2012.

**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).

Investments: Investments are reported at fair value based on quoted market prices, with realized and unrealized gains and losses included on the statements of revenues, expenses and changes in net position. 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 67.9 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, 2013 and 2012. Other investments also include cash contributions received from donors to further support the Hilo project (see Note 5).

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, 2013, the Foundation had a balance of \$44,238 of compensated absences. In 2013, \$54,568 of compensated absences was earned and \$39,388 was used. 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.

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

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

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

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

Unrestricted net position: All net position that is not subject to donor-imposed restrictions is reported as unrestricted net position. In addition, unrestricted net position 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 position are reclassified to unrestricted net position.

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 June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The Foundation adopted this standard during the current year, with minimal impact to its financial position and results of operations.

Note 2. Pledges and Bequests Receivable

Outstanding pledges receivable at June 30 are as follows:

	2013	2012
Less than one year	\$ 2,864,576	\$ 5,908,752
One to five years	8,691,326	7,217,288
More than five years	3,004,040	900,785
	<u>14,559,942</u>	<u>14,026,825</u>
Less discount to present value	(709,590)	(510,271)
Less allowance for uncollectible pledges	(291,199)	(140,269)
	<u>\$ 13,559,153</u>	<u>\$ 13,376,285</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 0.14 percent and 4.56 percent. The Foundation has not experienced significant losses on pledges and, therefore, the allowance for uncollectible pledges has been estimated at approximately 2 percent of pledges.

At June 30, bequests receivable are as follows:

	2013	2012
Total bequests	\$ 7,500,000	\$ 11,500,000
Less discount to present value	(4,312,839)	(6,074,082)
	<u>\$ 3,187,161</u>	<u>\$ 5,425,918</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 4.93 percent to 5.19 percent.

Note 3. Notes Receivable

During the year ended June 30, 2013, the Foundation received a bequest in the form of an interest in a real estate company. Subsequently, the Foundation sold this interest to the other investors and received a promissory note in exchange. The promissory note bears interest at 4 percent and is payable in annual installments through July 1, 2020, and is secured by an equity interest in the real estate company. The balance of the note due beyond one year has been discounted at an annual rate of 1.25 percent.

At June 30, notes receivable are as follows:

	2013	2012
Total notes receivable	\$ 5,302,765	\$ -
Less discount to present value	(241,694)	-
	<u>\$ 5,061,071</u>	<u>\$ -</u>
	2013	2012
Less than one year	\$ 530,277	\$ -
One to five years	3,272,774	-
More than five years	1,499,714	-
	<u>5,302,765</u>	<u>-</u>
Less discount to present value	(241,694)	-
	<u>\$ 5,061,071</u>	<u>\$ -</u>

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

Notes to Financial Statements

Note 4. Restricted Cash and Investments

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

	<u>2013</u>	<u>2012</u>
Cash restricted for endowments	\$ 5,614,799	\$ 960,102
Fixed income intermediate term investments	11,257,560	14,076,079
Equity funds	70,935,850	51,272,304
Real estate	4,867,382	2,879,140
Commodities fund	5,607,047	3,812,617
	<u>\$ 98,282,638</u>	<u>\$ 73,000,242</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.

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 60 percent Russell 3000, 20 percent MSCI ACWI (excluding U.S.) and 20 percent Barclays 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 60 percent Russell 3000, 20 percent MSCI ACWI (excluding U.S.) and 20 percent Barclays 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, if any, have been included in unrestricted net position.

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.

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

Note 4. Restricted Cash and Investments (Continued)

Maturities of the Foundation's debt securities (intermediate term investments) as of June 30, 2013, are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate term investments	\$ 11,257,560	\$ 3,618,681	\$ -	\$ 1,662,922	\$ -	\$ 545,110	\$ 5,430,847

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

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.

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

Note 4. Restricted Cash and Investments (Continued)

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

Fixed Income, Intermediate Term Investments	2013	2012	S&P Credit Rating
U.S. intermediate term bonds	\$ 3,583,821	\$ 5,610,858	AAA
U.S. intermediate term bonds	556,002	600,852	AA
U.S. intermediate term bonds	569,001	1,553,845	A
U.S. intermediate term bonds	452,472	733,917	BBB
U.S. intermediate term bonds	235,225	395,027	BB
U.S. intermediate term bonds	90,680	(81,768)	B
U.S. intermediate term bonds	189,234	371,330	Below B
U.S. intermediate term bonds	-	10,887	Not rated
	5,676,435	9,194,948	
Non-U.S. intermediate term bond	3,523,647	2,978,520	AAA
Non-U.S. intermediate term bond	546,666	318,962	AA
Non-U.S. intermediate term bond	559,447	824,858	A
Non-U.S. intermediate term bond	444,875	389,599	BBB
Non-U.S. intermediate term bond	231,276	209,700	BB
Non-U.S. intermediate term bond	89,158	(43,407)	B
Non-U.S. intermediate term bond	186,056	197,120	Below B
Non-U.S. intermediate term bond	-	5,779	Not rated
	5,581,125	4,881,131	
Total fixed income securities	\$ 11,257,560	\$ 14,076,079	

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 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 for the years ended June 30, 2013 and 2012.

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.

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

Notes to Financial Statements

Note 5. Other Investments

The Foundation's other investments are composed of an investment in Hilo Project 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 on unaudited Hilo statements. The value of the equity investment totaled \$1,201,833 and \$978,160 at June 30, 2013 and 2012, respectively, and cash contributions totaled approximately \$224,000 and \$440,000 at June 30, 2013 and 2012, respectively.

Other investments as of June 30 consist of the following:

	<u>2013</u>	<u>2012</u>
Hilo Project LLC	\$ 1,201,833	\$ 978,160
Miscellaneous	5,000	5,000
	<u>\$ 1,206,833</u>	<u>\$ 983,160</u>

Note 6. 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 \$550,702 and \$462,042 were charged by the Foundation during the years ended June 30, 2013 and 2012, 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 \$1,731,325 and \$1,341,045 for the years ended June 30, 2013 and 2012, respectively.

Note 7. 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.

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

Notes to Financial Statements

Note 7. Related-Party Transactions (Continued)

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

	2013	2012
Receivable from SJSU	\$ 171	\$ 87,956
	<u>\$ 171</u>	<u>\$ 87,956</u>
Accrued expense payable to SJSU	\$ (69,966)	\$ (158,260)
Payable to other affiliated organizations	(17,150)	(24,115)
	<u>\$ (87,116)</u>	<u>\$ (182,375)</u>

Note 8. Transfer of Assets

San José State University affiliated organizations transferred \$1,664,318 and \$1,258,414 to the Foundation in 2013 and 2012, respectively. These transfers represent support to various scholarships and endowments.

Note 9. 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 at June 30, 2013 and 2012.

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 the outcome of such matters will not have a significant effect 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, 2013 and 2012.

Note 10. Pension Plan and Postemployment Benefits

The Foundation offers pension and postemployment 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 \$28,390 and \$30,154 for the years ended June 30, 2013 and 2012, respectively.

Postemployment 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).

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

Notes to Financial Statements

Note 10. Pension Plan and Postemployment Benefits (Continued)

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 Postemployment 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. The Foundation's net OPEB liability was \$16,784 at June 30, 2013, and \$0 at June 30, 2012. The actuarially determined contribution amount for the years ended June 30, 2013 and 2012, totaled \$18,373.

Note 11. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 20, 2013, the date of the auditor's report.

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

**Schedule of Net Position
June 30, 2013
(For inclusion in the California State University)**

Assets	
Current assets:	
Cash and cash equivalents	\$ 26,173,217
Short-term investments	-
Accounts receivable, net	-
Leases receivable, current portion	-
Notes receivable, current portion	530,277
Pledges receivable, net	2,807,284
Prepaid expenses and other assets	144,765
Total current assets	<u>29,655,543</u>
Noncurrent assets:	
Restricted cash and cash equivalents	5,614,799
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	4,530,794
Student loans receivable, net	-
Pledges receivable, net	10,751,869
Endowment investments	92,667,839
Other long-term investments	-
Capital assets, net	-
Other assets	5,929,200
Total noncurrent assets	<u>119,494,501</u>
Total assets	<u>\$ 149,150,044</u>
Deferred outflows of resources:	
Unamortized loss on refunding(s)	—
Total deferred outflows of resources	<u>—</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 497,314
Accrued salaries and benefits payable	110,595
Accrued compensated absences, current portion	44,238
Unearned revenue	-
Capitalized lease obligations, current portion	-
Long-term debt obligations, current portion	-
Self-insurance claims liability, current portion	-
Depository accounts	-
Other liabilities	201,044
Total current liabilities	<u>853,191</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned 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	16,784
Other liabilities	673,659
Total noncurrent liabilities	<u>690,443</u>
Total liabilities	<u>\$ 1,543,634</u>
Deferred inflows of resources:	
Deferred inflows from SCAs, grants and others	—
Total deferred inflows of resources	<u>—</u>

(Continued)

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

**Schedule of Net Position (Continued)
June 30, 2013
(For inclusion in the California State University)**

Net Position		
Net investment in capital assets	\$	-
Restricted for:		
Nonexpendable-endowments		83,615,427
Expendable:		-
Scholarships and fellowships		1,287,038
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		57,272,860
Unrestricted		5,431,085
Total net position	\$	147,606,410

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

**Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013
(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	2,544,393
Total operating revenues	<u>2,544,393</u>
Expenses:	
Operating expenses:	
Instruction	978,498
Research	-
Public service	-
Academic support	9,427,304
Student services	2,222,513
Institutional support	1,195,944
Operation and maintenance of plant	-
Student grants and scholarships	1,497,437
Auxiliary enterprise expenses	1,293,950
Depreciation and amortization	-
Total operating expenses	<u>16,615,646</u>
Operating income (loss)	<u>(14,071,253)</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	17,771,523
Investment income (loss), net	940,790
Endowment income (loss), net	8,616,998
Interest expenses	-
Other nonoperating revenues (expenses)	1,664,318
Net nonoperating revenues (expenses)	<u>28,993,629</u>
Income (loss) before other additions	<u>14,922,376</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	19,241,102
Increase (decrease) in net position	<u>34,163,478</u>
Net position:	
Net position at beginning of year, as previously reported	113,442,932
Restatements	-
Net position at beginning of year, as restated	<u>113,442,932</u>
Net position at end of year	<u>\$ 147,606,410</u>

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

Other Information

Year Ended June 30, 2013

(For inclusion in the California State University)

1. Restricted cash and cash equivalents at June 30, 2013:

Portion of restricted cash and cash equivalents related to endowments \$ 5,614,799

All other restricted cash and cash equivalents

Total restricted cash and cash equivalents

\$ 5,614,799

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

Other Information (Continued)

Year Ended June 30, 2013

(For inclusion in the California State University)

2.1 Composition of investments at June 30, 2013:

	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			-		-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)			-		-	-	-
Common Fund — Short Term Fund			-		-	-	-
Common Fund — Others			-		-	-	-
Debt securities			-		11,257,560	11,257,560	11,257,560
Equity securities			-		70,935,850	70,935,850	70,935,850
Fixed income securities (Treasury notes, GNMA's)			-		-	-	-
Land and other real estate			-		4,867,382	4,867,382	4,867,382
Certificates of deposit			-		-	-	-
Notes receivable			-		-	-	-
Mutual funds			-		-	-	-
Money market funds			-		-	-	-
Collateralized mortgage obligations:			-		-	-	-
Inverse floaters			-		-	-	-
Interest-only strip			-		-	-	-
Agency pass-through			-		-	-	-
Partnership interests (includes private pass-through)			-		-	-	-
Alternative investments			-		-	-	-
Hedge funds			-		-	-	-
Other major investments:			-		-	-	-
Commodities investment fund			-		5,607,047	5,607,047	5,607,047
Add description			-		-	-	-
Add description			-		-	-	-
Add description			-		-	-	-
Add description			-		-	-	-
Add description			-		-	-	-
Total investments	-	-	-	-	92,667,839	92,667,839	92,667,839
Less endowment investments	-	-	-	-	(92,667,839)	(92,667,839)	(92,667,839)
Total investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Other Information (Continued)

Year Ended June 30, 2013

(For inclusion in the California State University)

2.2 Investments held by the University under contractual agreements at June 30, 2013:

	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, 2013							

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

**Other Information (Continued)
Year Ended June 30, 2013
(For inclusion in the California State University)**

2.3 Restricted current investments at June 30, 2013 related to:

	<u>Amount</u>
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Total restricted current investments at June 30, 2013	<u><u>\$ -</u></u>

2.4 Restricted noncurrent investments at June 30, 2013, related to:

	<u>Amount</u>
Endowment investments	\$ 92,667,839
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Add description	
Total restricted noncurrent investments at June 30, 2013	<u><u>\$ 92,667,839</u></u>

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

Other Information (Continued)

Year Ended June 30, 2013

(For inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2013:

	Balance June 30, 2012	Prior Period Adjustments	Reclassifications	Balance June 30, 2012	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
Nondepreciable/nonamortizable 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/amortizable 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 websites								-
Rights and easements								-
Patents, copyright and trademarks								-
Licenses and permits								-
Other intangible assets:								-
Total intangible 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, 2013
(For inclusion in the California State University)**

4. Long-term liabilities activity schedule:

	Balance	Prior Period		Balance			Balance	Current	Long-Term
	June 30, 2012	Adjustments	Reclassifications	June 30, 2012 (Restated)	Additions	Reductions	June 30, 2013	Portion	Portion
Accrued compensated absences	\$ 29,058			\$ 29,058	\$ 54,568	\$ (39,388)	\$ 44,238	\$ 44,238	
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				-			-		-
Note payable related to SRB				-			-		-
Other				-			-		-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium/(discount)				-			-		-
Unamortized loss on refunding				-			-		-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 29,058	\$ -	\$ -	\$ 29,058	\$ 54,568	\$ (39,388)	\$ 44,238	\$ 44,238	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2013
(For inclusion in the California State University)**

5. Future minimum lease payments—capital lease obligations:

Years Ending June 30,	Principal	Interest	Principal and Interest
2014			\$ -
2015			-
2016			-
2017			-
2018			-
2019-2023			-
2024-2028			-
2029-2033			-
2034-2038			-
2039-2043			-
2044-2048			-
2049-2053			-
2054-2058			-
2059-2063			-
Total minimum lease payments			-
Less amounts representing interest			-
Present value of future minimum lease payments			<u>-</u>
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, 2013
(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
2014			\$ -			\$ -	\$ -	\$ -	\$ -
2015			-			-	-	-	-
2016			-			-	-	-	-
2017			-			-	-	-	-
2018-2022			-			-	-	-	-
2023-2027			-			-	-	-	-
2028-2032			-			-	-	-	-
2033-2037			-			-	-	-	-
2038-2042			-			-	-	-	-
2043-2047			-			-	-	-	-
2048-2052			-			-	-	-	-
2053-2056			-			-	-	-	-
2057-2062			-			-	-	-	-
2063-2067			-			-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Other Information (Continued)
Year Ended June 30, 2013
(For inclusion in the California State University)**

7.1 Calculation of net position—Net investment in capital assets

	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 position - net investment in capital assets			
	\$ -	\$ -	\$ -

7.2 Calculation of net position—restricted for nonexpendable - endowments:

Portion of restricted cash and cash equivalents related to endowments	\$ 5,614,799	\$ 5,614,799
Endowment investments	92,667,839	92,667,839
Other adjustments (please list):		
Adjustment for expendable endowments	(8,173,388)	(8,173,388)
Net accumulated change in market value	(6,493,823)	(6,493,823)
Net position - restricted for nonexpendable endowments per SNP	\$ 83,615,427	\$ 83,615,427

**Tower Foundation of San José State University
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**Other Information (Continued)
Year Ended June 30, 2013
(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	\$ 1,090,105
Payments to University for other than salaries of University personnel	1,385,058
Payments received from University for services, space and programs	1,308,863
Gifts-in-kind to University from Auxiliary Organizations	-
Gifts (cash or assets) to University from recognized Auxiliary Organizations	1,670,678
Accounts (payable to) University	(69,966)
Other amounts (payable to) University	-
Accounts receivable from University	171
Other amounts receivable from University	-

9. Other Postemployment Benefits Obligation (OPEB):

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

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

**Other Information (Continued)
Year Ended June 30, 2013
(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	
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 position

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2012, 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 position as of June 30, 2012, 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, 2013
(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)		