

Tower Foundation of San José State University

**(A California State University Auxiliary
Organization)**

Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Directors
Tower Foundation of San José State University
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2015 and 2014, 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 audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tower Foundation of San José State University as of June 30, 2015 and 2014, 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.

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 Governmental 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.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Tacoma, Washington
September 16, 2015

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

**Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014**

Management's Discussion and Analysis

This section of the Tower Foundation of San José State University's (the Foundation) annual financial report includes management's discussion and analysis of the financial performance of the Foundation for fiscal years ended June 30, 2015 and 2014. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

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, and 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 31 community members, most of whom are SJSU alumni. Members are appointed by the University president for three-year 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, 2015 and 2014**

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, 2015, 2014 and 2013. Included are comparative analyses of current year and prior years' activities and balances and a discussion of restrictions of the Foundation's net position.

Condensed Summary of Net Position

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

| | 2015 | 2014 | 2013 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 33,534,330 | \$ 32,255,980 | \$ 29,655,543 |
| Other noncurrent assets | 137,536,419 | 136,859,131 | 119,494,501 |
| Total assets | <u>\$ 171,070,749</u> | <u>\$ 169,115,111</u> | <u>\$ 149,150,044</u> |
| Liabilities: | | | |
| Current liabilities | \$ 901,567 | \$ 1,813,899 | \$ 851,602 |
| Noncurrent liabilities | 586,459 | 613,936 | 692,032 |
| Total liabilities | <u>\$ 1,488,026</u> | <u>\$ 2,427,835</u> | <u>\$ 1,543,634</u> |
| Net position: | | | |
| Restricted, nonexpendable endowments | \$ 96,606,650 | \$ 89,462,566 | \$ 83,615,427 |
| Expendable: | | | |
| Endowments | 7,972,139 | 8,073,959 | 7,394,148 |
| Other | 56,162,235 | 62,595,487 | 51,165,750 |
| Unrestricted: | | | |
| Board designated | 989,238 | 585,965 | 402,965 |
| Other | 7,852,461 | 5,969,299 | 5,028,120 |
| Total net position | <u>\$ 169,582,723</u> | <u>\$ 166,687,276</u> | <u>\$ 147,606,410</u> |

Assets: Total assets increased \$2.0 million from FY 2014 to FY 2015 due primarily to a \$2.4 million increase in restricted cash and investments and an increase of \$1.6 million in cash and cash equivalents, offset by a \$1.7 million decrease in pledges receivable. Total assets increased \$20 million from FY 2013 to FY 2014 due primarily to a \$19.4 million increase in restricted cash and investments.

Current assets increased \$1.3 million from FY 2014 to FY 2015 due primarily to a \$1.6 million increase in cash and cash equivalents and an increase of \$0.6 million in note receivable, offset by a \$1.0 million decrease in pledges receivable. Current assets increased \$2.6 million from FY 2013 to FY 2014 due primarily to an increase of \$3.4 million in cash and cash equivalents, offset by a \$0.3 million decrease in pledges receivable and a \$0.5 million decrease in note receivable.

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**Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014**

Other noncurrent assets increased \$0.7 million from FY 2014 to FY 2015 due primarily to an increase of \$2.4 million in restricted cash and investments, offset by a \$0.8 million reduction in pledges receivable, \$0.6 million in notes receivable and \$0.4 million in other investments. Other noncurrent assets increased \$17.4 million from FY 2013 to FY 2014 due primarily to a \$19.4 million increase in restricted cash and investments, partially offset by a \$1.7 million reduction in pledges receivable.

Liabilities: Current liabilities decreased \$0.9 million from FY 2014 to FY 2015 and increased \$1.0 million from FY 2013 to FY 2014 due to changes in accounts payable and accrued liabilities.

Net position: Total net position increased by \$2.9 million from FY 2014 to FY 2015 due primarily to an increase in restricted nonexpendable endowments of \$7.1 million, an increase in unrestricted other for \$1.9 million, and offset by a decrease of \$6.4 million in expendable other. Total net position increased by \$19.1 million from FY 2013 to FY 2014 primarily due to an increase in restricted nonexpendable endowments of \$5.8 million, an increase in expendable other totaling \$11.4 million and an increase in expendable endowments of \$0.7 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:

| | 2015 | 2014 | 2013 |
|---------------|-----------------------------|-----------------------------|-----------------------------|
| Nonexpendable | <u><u>\$ 96,606,650</u></u> | <u><u>\$ 89,462,566</u></u> | <u><u>\$ 83,615,427</u></u> |
| Expendable: | | | |
| Endowment | \$ 7,972,139 | \$ 8,073,959 | \$ 7,394,148 |
| Other | <u>56,162,235</u> | <u>62,595,487</u> | <u>51,165,750</u> |
| | <u><u>\$ 64,134,374</u></u> | <u><u>\$ 70,669,446</u></u> | <u><u>\$ 58,559,898</u></u> |

Nonexpendable net position increased \$7.1 million in FY 2015 and \$5.8 million in FY 2014 primarily due to new gifts to the endowment and investment returns.

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

**Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014**

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:

| | 2015 | 2014 | 2013 |
|---|-----------------------|-----------------------|-----------------------|
| Operating revenues: | | | |
| Gifts, pledges and bequests | \$ 12,417,498 | \$ 14,710,571 | \$ 22,564,272 |
| Nonmonetary gifts | 800,169 | 766,481 | 14,448,354 |
| Administration fee income | 3,017,893 | 2,950,213 | 2,282,027 |
| Other | 747,183 | 236,738 | 262,366 |
| Total operating revenues | <u>16,982,743</u> | <u>18,664,003</u> | <u>39,557,019</u> |
| Operating expenses: | | | |
| Support activities of SJSU | 14,957,773 | 15,636,746 | 15,321,697 |
| General and administrative | 2,382,054 | 1,640,131 | 1,293,950 |
| Total operating expenses | <u>17,339,827</u> | <u>17,276,877</u> | <u>16,615,647</u> |
| Total operating income | <u>(357,084)</u> | <u>1,387,126</u> | <u>22,941,372</u> |
| Nonoperating (expenses) revenues: | | | |
| Interest and dividend income | 2,526,429 | 2,770,424 | 2,473,535 |
| Net increase (decrease) in fair value of investments | (1,548,864) | 14,905,120 | 7,084,253 |
| Total nonoperating (expenses) revenues | <u>977,565</u> | <u>17,675,544</u> | <u>9,557,788</u> |
| Other changes in net position, including transfers of assets from related organizations | <u>2,274,966</u> | <u>18,196</u> | <u>1,664,318</u> |
| Changes in net position | <u>2,895,447</u> | <u>19,080,866</u> | <u>34,163,478</u> |
| Net position: | | | |
| Beginning of year | 166,687,276 | 147,606,410 | 113,442,932 |
| End of year | <u>\$ 169,582,723</u> | <u>\$ 166,687,276</u> | <u>\$ 147,606,410</u> |

Operating revenues: Gifts, pledges and bequests decreased by \$2.3 million from FY 2014 to FY 2015 and decreased by \$7.9 million from FY 2013 to FY 2014 due to the culmination of the comprehensive campaign in 2013.

Nonmonetary gifts increased by \$0.03 million from FY 2014 to FY 2015 and decreased by \$13.7 million from FY 2013 to FY 2014.

Administration fee income increased \$0.07 million from FY 2014 to FY 2015 and increased \$0.7 million from FY 2013 to FY 2014 primarily due to an increase in the endowment investment portfolio.

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**Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014**

Other operating revenues increased \$0.5 million from FY 2014 to FY 2015 primarily due to the receipt of funds from a 501(c)(3) organization that is no longer in existence. Other operating revenues decreased \$0.03 million from FY 2013 to FY 2014.

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 decreased by \$0.7 million from FY 2014 to FY 2015 and increased by \$0.3 million from FY 2013 to FY 2014.

General and administrative expenses increased by \$0.7 million from FY 2014 to FY 2015 and increased by \$0.3 million from FY 2013 to FY 2014. General and administrative expenses represent 14.0 percent, 8.8 percent and 3.9 percent of operating revenue in 2015, 2014 and 2013, respectively.

Nonoperating (expenses) revenues: Nonoperating (expenses) 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 \$16.5 million from FY 2014 to FY 2015 and increased by \$7.8 million from FY 2013 to FY 2014 due to changes in the fair value of investments.

Transfer of assets from affiliated organizations: From FY 2014 to FY 2015, transfer of assets from affiliated organizations increased by \$2.3 million primarily due to transfer of endowments from the University to the Foundation. From FY 2013 to 2014, transfers of assets from affiliated organizations decreased \$1.6 million.

Tower Foundation of San José State University
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Statements of Net Position
June 30, 2015 and 2014

| Assets | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 31,164,174 | \$ 29,588,379 |
| Pledges receivable, current portion, net of allowance for uncollectible pledges of \$30,713 and \$50,123 in 2015 and 2014, respectively (Note 2) | 1,504,931 | 2,456,011 |
| Note receivable, current portion (Note 3) | 628,413 | - |
| Due from affiliated auxiliary organizations (Note 7) | 17,461 | - |
| Prepaid expenses and other | 219,351 | 211,590 |
| Total current assets | 33,534,330 | 32,255,980 |
| Noncurrent Assets | | |
| Pledges receivable, less current portion, net of allowance for uncollectible pledges of \$178,687 and \$195,931 in 2015 and 2014, respectively (Note 2) | 8,262,965 | 9,021,102 |
| Bequests receivable (Note 2) | 3,431,417 | 3,306,377 |
| Note receivable, less current portion (Note 3) | 3,405,920 | 3,983,903 |
| Charitable gift annuity receivable | 690,341 | 707,552 |
| Funds held in trust | 718,049 | 798,157 |
| Restricted cash and investments (Note 4) | 120,043,748 | 117,679,105 |
| Other investments (Note 5) | 983,979 | 1,362,935 |
| Total noncurrent assets | 137,536,419 | 136,859,131 |
| Total assets | \$ 171,070,749 | \$ 169,115,111 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 604,297 | \$ 809,908 |
| Due to affiliated auxiliary organizations (Note 7) | 199,814 | 906,251 |
| Funds held in trust liability | 97,456 | 97,740 |
| Total current liabilities | 901,567 | 1,813,899 |
| Noncurrent Liabilities, funds held in trust liability, net of current | 586,459 | 613,936 |
| Total liabilities | 1,488,026 | 2,427,835 |
| Commitments and Contingencies (Notes 9, 10 and 11) | | |
| Net Position | | |
| Restricted for: | | |
| Nonexpendable endowments | 96,606,650 | 89,462,566 |
| Expendable: | | |
| Endowments | 7,972,139 | 8,073,959 |
| Other | 56,162,235 | 62,595,487 |
| Unrestricted: | | |
| Board designated | 989,238 | 585,965 |
| Other | 7,852,461 | 5,969,299 |
| Total net position | \$ 169,582,723 | \$ 166,687,276 |

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, 2015 and 2014

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Operating Revenues | | |
| Gifts, pledges and bequests | \$ 12,417,498 | \$ 14,710,571 |
| Nonmonetary gifts | 800,169 | 766,481 |
| Administration fee income (Note 6) | 3,017,893 | 2,950,213 |
| Other | 747,183 | 236,738 |
| Total operating revenues | 16,982,743 | 18,664,003 |
| Operating Expenses (Notes 10 and 11) | | |
| Support activities of San José State University | 14,957,773 | 15,636,746 |
| General and administrative | 2,382,054 | 1,640,131 |
| Total operating expenses | 17,339,827 | 17,276,877 |
| Operating income (loss) | (357,084) | 1,387,126 |
| Nonoperating Revenues | | |
| Interest and dividend income | 2,526,429 | 2,770,424 |
| Net increase (decrease) in fair value of investments | (1,548,864) | 14,905,120 |
| Increase in net position before transfers | 620,481 | 19,062,670 |
| Transfers from San José State University affiliated organizations (Note 8) | 2,274,966 | 18,196 |
| Change in net position | 2,895,447 | 19,080,866 |
| Net position, beginning of year | 166,687,276 | 147,606,410 |
| Net position, end of year | \$ 169,582,723 | \$ 166,687,276 |

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, 2015 and 2014

| | 2015 | 2014 |
|---|-----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Gifts, pledges and bequests received | \$ 14,001,675 | \$ 16,673,566 |
| Other receipts | 3,765,076 | 3,186,951 |
| Payments for support activities of San José State University | (15,895,043) | (14,725,439) |
| Payments for general and administrative | (2,382,054) | (1,640,131) |
| Net cash provided by (used in) operating activities | (510,346) | 3,494,947 |
| Cash Flows From Noncapital Financing Activities | | |
| Transfer from San José State University affiliated organizations | 2,274,966 | 18,196 |
| Cash Flows From Investing Activities | | |
| Increase in restricted endowments | 7,575,867 | 7,034,462 |
| Interest and dividends on investments | 2,526,429 | 2,770,424 |
| (Increase) decrease in other investments | 378,956 | (156,102) |
| Decrease in funds held in trust | (27,761) | (94,102) |
| Proceeds from sales and maturities of investments | 99,996,232 | 77,552,274 |
| Purchases of investments | (110,638,548) | (87,204,937) |
| Net cash used in investing activities | (188,825) | (97,981) |
| Net increase in cash and cash equivalents | 1,575,795 | 3,415,162 |
| Cash and Cash Equivalents, beginning of year | 29,588,379 | 26,173,217 |
| Cash and Cash Equivalents, end of year | <u>\$ 31,164,174</u> | <u>\$ 29,588,379</u> |
| Reconciliation of Operating Income (Loss) to Net Cash | | |
| Provided by (Used in) Operating Activities | | |
| Operating income (loss) | \$ (357,084) | \$ 1,387,126 |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Noncash gifts | (800,169) | (766,481) |
| Changes in assets and liabilities: | | |
| Decrease in pledges and bequests receivable | 1,584,177 | 1,962,824 |
| (Increase) decrease in due from affiliate | (17,461) | 171 |
| Increase in prepaid expenses and other | (7,761) | (66,996) |
| Increase (decrease) in accounts payable and accrued liabilities | (205,611) | 159,350 |
| Increase (decrease) in due to affiliated auxiliary organizations | (706,437) | 818,953 |
| Net cash provided by (used in) operating activities | \$ (510,346) | \$ 3,494,947 |
| Increase (decrease) in fair value of investments | <u>\$ (4,560,373)</u> | <u>\$ 5,848,363</u> |

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 that 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. The Foundation had \$4,339,612 and \$8,273,399 held in bank deposits in excess of federally insured limits during the years ended June 30, 2015 and 2014, respectively. 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, 2015 or 2014.

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

Note 1. Nature of Organization 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).

Nonmonetary gifts: Nonmonetary gifts consist of donations of securities and other nonmonetary items and are recorded at their fair value at the date of the gift. It is the policy of the Foundation to sell nonmonetary items as soon as practicable.

Investments: Investments are reported at fair value on the quoted market prices. Alternative investments include investments in private equity and real estate funds and are valued based on the appraised value of the underlying assets. Realized and unrealized gains and losses are included on the statements of revenues, expenses and changes in net position. Dividend and interest income are recorded when earned.

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

Notes receivable: Notes receivable that are to be paid over more than one year are discounted at the risk-free discount rate in place at the date of the agreement.

Other investments: The Foundation's other investments consist of a 70.74 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, 2015 or 2014. Other investments also include cash contributions received from donors to further support the Hilo project and other investments (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, 2015, the Foundation had a balance of \$70,443 of compensated absences. In 2015, \$82,664 of compensated absences was earned and \$81,034 was used. At June 30, 2014, the Foundation had a balance of \$68,813 of compensated absences. In 2014, \$69,364 of compensated absences was earned and \$44,789 was used.

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.

**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 (Continued)

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.

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 is 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.

Reclassification: Certain 2014 balances have been reclassified to conform with the 2015 presentation. These reclassifications have no effect on the Foundation's change in net position of financial position as previously reported.

Recent accounting pronouncement: In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is effective for periods beginning after June 15, 2015. The future adoption of this new statement is not expected to have a material impact on the financial statements but will impact disclosures.

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

Notes to Financial Statements

Note 2. Pledges and Bequests Receivable

Outstanding pledges receivable at June 30 are as follows:

| | 2015 | 2014 |
|--|---------------------|----------------------|
| Less than one year | \$ 1,535,644 | \$ 2,506,134 |
| One to five years | 7,258,295 | 7,471,908 |
| More than five years | 1,676,034 | 2,324,626 |
| | <u>10,469,973</u> | <u>12,302,668</u> |
| Less discount to present value | (492,677) | (579,501) |
| Less allowance for uncollectible pledges | (209,400) | (246,054) |
| | <u>\$ 9,767,896</u> | <u>\$ 11,477,113</u> |

Pledges receivable are classified as following on the accompany statements of net position at June 30:

| | 2015 | 2014 |
|-----------|---------------------|----------------------|
| Current | \$ 1,504,931 | \$ 2,456,011 |
| Long-term | 8,262,965 | 9,021,102 |
| | <u>\$ 9,767,896</u> | <u>\$ 11,477,113</u> |

Pledges due beyond one year have been discounted at an annual rate in a range between 0.15 percent and 4.56 percent. The Foundation has not experienced significant losses on pledges and, therefore, management has determined that the allowance for uncollectible pledges has been appropriately estimated at approximately 2 percent of pledges.

Bequests receivable at June 30 are as follows:

| | 2015 | 2014 |
|--------------------------------|---------------------|---------------------|
| Total bequests | \$ 7,500,000 | \$ 7,500,000 |
| Less discount to present value | (4,068,583) | (4,193,623) |
| | <u>\$ 3,431,417</u> | <u>\$ 3,306,377</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.

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

Notes to Financial Statements

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 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.

Notes receivable at June 30 are as follows:

| | 2015 | 2014 |
|--------------------------------|---------------------|---------------------|
| Total notes receivable | \$ 4,168,246 | \$ 4,168,245 |
| Less discount to present value | (133,913) | (184,342) |
| | <u>\$ 4,034,333</u> | <u>\$ 3,983,903</u> |
| | 2015 | 2014 |
| Less than one year | \$ 628,413 | \$ - |
| One to five years | 3,539,833 | 3,403,685 |
| More than five years | - | 764,560 |
| | <u>4,168,246</u> | <u>4,168,245</u> |
| Less discount to present value | (133,913) | (184,342) |
| | <u>\$ 4,034,333</u> | <u>\$ 3,983,903</u> |

Note 4. Restricted Cash and Investments

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

| | 2015 | 2014 |
|---------------------------------|-----------------------|-----------------------|
| Cash restricted for endowment | \$ 1,688,791 | \$ 422,185 |
| Equity investments—value funds | 11,983,976 | 17,621,530 |
| Equity investments—growth funds | 24,399,471 | 17,125,689 |
| Alternative investments | 4,537,965 | 4,351,964 |
| Mutual funds: | | |
| Real estate | 4,971,949 | 5,468,215 |
| Commodities | 4,725,347 | 6,304,627 |
| Fixed income | 12,159,636 | 17,408,538 |
| Equity | 39,577,743 | 36,015,497 |
| All asset fund | 15,998,870 | 12,960,860 |
| | <u>\$ 120,043,748</u> | <u>\$ 117,679,105</u> |

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

Notes to Financial Statements

Note 4. Restricted Cash and Investments (Continued)

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.

The Foundation has refined its presentation of restricted cash and investments in order to provide more detail about investment classifications.

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.

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 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. The Foundation did not own any fixed income securities at June 30, 2015 or 2014.

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 represent 5 percent or more of the Foundation's total investments for the years ended June 30, 2015 and 2014.

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 (FDIC) 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.

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

Notes to Financial Statements

Note 4. Restricted Cash and Investments (Continued)

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 5. Other Investments

The Foundation's other investments are composed of an investment in 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 \$930,833 and \$1,312,833 at June 30, 2015 and 2014, respectively, and cash contributions totaled approximately \$74,535 and \$111,000 at June 30, 2015 and 2014, respectively.

Other investments as of June 30 consist of the following:

| | 2015 | 2014 |
|------------------|-------------------|---------------------|
| Hilo Project LLC | \$ 930,833 | \$ 1,312,833 |
| Miscellaneous | 53,146 | 50,102 |
| | <u>\$ 983,979</u> | <u>\$ 1,362,935</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. The grant accounts have administrative fee of 0, 5 or 10 percent. Administrative fees of \$661,041 and \$577,974 were charged by the Foundation for the years ended June 30, 2015 and 2014, 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 \$2,356,852 and \$2,372,239 for the years ended June 30, 2015 and 2014, respectively.

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

Notes to Financial Statements

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, which managed the endowment portfolio until the portfolio was transferred to the Foundation.

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

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Receivable from the University | \$ 12,754 | \$ - |
| Receivable from other affiliated organizations | 4,707 | - |
| | <u>\$ 17,461</u> | <u>\$ -</u> |
| Accrued expense payable to the University | \$ (163,245) | \$ (883,496) |
| Payable to other affiliated organizations | (36,569) | (22,755) |
| | <u>\$ (199,814)</u> | <u>\$ (906,251)</u> |

Note 8. Transfer of Assets

San José State University affiliated organizations transferred \$2,274,966 and \$18,196 to the Foundation in 2015 and 2014, respectively. These transfers represent support to various scholarships and endowments.

Note 9. Commitments and Contingencies

As part of investments with seven private equity funds, the Foundation has committed to fund future capital calls for the funds in the amount of \$4,249,914 and \$4,023,416 at June 30, 2015 and 2014, 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 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, 2015 and 2014.

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 403(b) 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.

**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)

The Foundation contributed \$45,218 and \$38,166 for the years ended June 30, 2015 and 2014, 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).

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 6.00 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 Foundations had no OPEB liability at June 30, 2015. The Foundation's net OPEB liability was \$13,284 at June 30, 2014. The actuarially determined contribution amount was \$54,218 at June 30, 2015 and \$52,044 at June 30, 2014.

Note 11. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 16, 2015, the date of the auditor's report.

Tower Foundation of San José State University
Schedule of Net Position
June 30, 2015
(for inclusion in the California State University)

| | |
|---|------------------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 31,164,174 |
| Short-term investments | - |
| Accounts receivable, net | 17,461 |
| Leases receivable, current portion | - |
| Notes receivable, current portion | 628,413 |
| Pledges receivable, net | 1,504,931 |
| Prepaid expenses and other assets | 219,351 |
| Total current assets | <u>33,534,330</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 1,688,791 |
| Accounts receivable, net | - |
| Leases receivable, net of current portion | - |
| Notes receivable, net of current portion | 3,405,920 |
| Student loans receivable, net | - |
| Pledges receivable, net | 8,262,965 |
| Endowment investments | 118,354,957 |
| Other long-term investments | - |
| Capital assets, net | - |
| Other assets | 5,823,786 |
| Total noncurrent assets | <u>137,536,419</u> |
| Total assets | <u>\$ 171,070,749</u> |
| Deferred outflows of resources: | |
| Unamortized loss on debt refunding | \$ - |
| Net pension obligation | - |
| Total deferred outflows of resources | <u>-</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | \$ 354,609 |
| Accrued salaries and benefits payable | 179,245 |
| Accrued compensated absences— current portion | 70,443 |
| Unearned revenue | - |
| Capitalized lease obligations – current portion | - |
| Long-term debt obligations – current portion | - |
| Claims Liability for losses and LAE - current portion | - |
| Depository accounts | - |
| Other liabilities | 297,270 |
| Total current liabilities | <u>901,567</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 | - |
| Claims Liability for losses and LAE, net of current portion | - |
| Depository accounts | - |
| Other postemployment benefits obligation | - |
| Pension obligation | - |
| Other liabilities | 586,459 |
| Total noncurrent liabilities | <u>586,459</u> |
| Total liabilities | <u>1,488,026</u> |
| Deferred inflows of resources: | |
| Unamortized gain on debt refunding | - |
| Non-exchange transactions | - |
| Service concession arrangements | - |
| Net pension obligation | - |
| Total deferred inflows of resources | <u>-</u> |
| Net Position: | |
| Net investment in capital assets | - |
| Restricted for: | |
| Nonexpendable - endowments | 96,606,650 |
| Expendable: | |
| Scholarships and fellowships | 2,310,015 |
| Research | - |
| Loans | - |
| Capital projects | - |
| Debt service | - |
| Other | 61,824,359 |
| Unrestricted | 8,841,699 |
| Total net position | <u><u>\$ 169,582,723</u></u> |

Tower Foundation of San José State University
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015
(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 | 3,765,076 |
| Total operating revenues | <u>3,765,076</u> |

Expenses:

Operating expenses:

| | |
|------------------------------------|---------------------|
| Instruction | |
| Research | 535,575 |
| Public service | - |
| Academic support | 9,403,807 |
| Student services | 2,184,022 |
| Institutional support | 524,354 |
| Operation and maintenance of plant | - |
| Student grants and scholarships | 2,310,015 |
| Auxiliary enterprise expenses | 2,382,054 |
| Depreciation and amortization | - |
| Total operating expenses | <u>17,339,827</u> |
| Operating income (loss) | <u>(13,574,751)</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 | 6,693,833 |
| Investment income (loss), net | 2,526,429 |
| Endowment income (loss), net | (1,548,864) |
| Interest Expenses | - |
| Other nonoperating revenues (expenses) | 2,274,966 |
| Net nonoperating revenues (expenses) | <u>9,946,364</u> |
| Income (loss) before other additions | <u>(3,628,387)</u> |

| | |
|--|------------------|
| State appropriations, capital | - |
| Grants and gifts, capital | - |
| Additions (reductions) to permanent endowments | 6,523,834 |
| Increase (decrease) in net position | <u>2,895,447</u> |

Net position:

| | |
|---|-----------------------|
| Net position at beginning of year, as previously reported | 166,687,276 |
| Restatements | - |
| Net position at beginning of year, as restated | <u>166,687,276</u> |
| Net position at end of year | <u>\$ 169,582,723</u> |

Tower Foundation of San José State University
Other Information
June 30, 2015
(for inclusion in the California State University)

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

| | |
|---|---------------------|
| Portion of restricted cash and cash equivalents related to endowments | \$ 1,688,791 |
| All other restricted cash and cash equivalents | - |
| Total restricted cash and cash equivalents | <u>\$ 1,688,791</u> |

2.1 Composition of investments at June 30, 2015:

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|--|-------------------------|-----------------------|------------------|----------------------------|--------------------------|---------------------|---------------|
| State of California Surplus Money Investment Fund (SMIF) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State of California Local Agency Investment Fund (LAIF) | - | - | - | - | - | - | - |
| Equity securities | - | - | - | - | 36,383,447 | 36,383,447 | 36,383,447 |
| Certificates of deposit | - | - | - | - | - | - | - |
| Mutual funds | - | - | - | - | 77,433,545 | 77,433,545 | 77,433,545 |
| Money Market funds | - | - | - | - | - | - | - |
| Repurchase agreements | - | - | - | - | - | - | - |
| Commercial paper | - | - | - | - | - | - | - |
| Asset backed securities | - | - | - | - | - | - | - |
| Mortgage backed securities | - | - | - | - | - | - | - |
| Municipal bonds | - | - | - | - | - | - | - |
| U.S. agency securities | - | - | - | - | - | - | - |
| U.S. treasury securities | - | - | - | - | - | - | - |
| Exchange traded funds (ETFs) | - | - | - | - | - | - | - |
| Alternative investments: | | | | | | | |
| Private equity (including limited partnerships) | - | - | - | - | 4,537,965 | 4,537,965 | 4,537,965 |
| Hedge funds | - | - | - | - | - | - | - |
| Managed futures | - | - | - | - | - | - | - |
| Real estate investments (including REITs) | - | - | - | - | - | - | - |
| Commodities | - | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - | - |
| Other alternative investment types | - | - | - | - | - | - | - |
| Other external investment pools (excluding SWIFT) | | | | | | | |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Other major investments: | | | | | | | |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Total investments | - | - | - | - | 118,354,957 | 118,354,957 | 118,354,957 |
| Less endowment investments (enter as negative number) | | | | | (118,354,957) | (118,354,957) | (118,354,957) |
| Total investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2015
(for inclusion in the California State University)

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|---|-------------------------|-----------------------|------------------|----------------------------|--------------------------|---------------------|-------|
| 2.2 Investments held by the University under contractual agreements at June 30, 2015: | | | | | | | |
| Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 : | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2.3 Restricted current investments at June 30, 2015 related to: | Amount | | | | | | |
| Add description | \$ - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Total restricted current investments at June 30, 2015 | \$ - | | | | | | |
| 2.4 Restricted noncurrent investments at June 30, 2015 related to: | Amount | | | | | | |
| Endowment investment | \$ 118,354,957 | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Add description | - | | | | | | |
| Total restricted noncurrent investments at June 30, 2015 | \$ 118,354,957 | | | | | | |

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2015
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2015:

| | Balance June 30, 2014 | Prior period Adjustments | Reclassifications | Balance June 30, 2014 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2015 |
|--|--------------------------|-----------------------------|-------------------|--|-----------|------------|-----------------------------------|--------------------------|
| 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 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 | - | - | - | - | - | - | - | - |
| Less accumulated depreciation/amortization: | | | | | | | | |
| Buildings 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: | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - |
| Total intangible assets | - | - | - | - | - | - | - | - |
| Total accumulated depreciation/amortization | - | - | - | - | - | - | - | - |
| Total capital assets, net | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

| | |
|---|-------------|
| Depreciation and amortization expense related to capital assets | \$ - |
| Amortization expense related to other assets | - |
| Total depreciation and amortization | <u>\$ -</u> |

4 Long-term liabilities activity schedule:

| | Balance June 30, 2014 | Prior Period Adjustments | Reclassifications | Balance June 30, 2014 (restated) | Additions | Reductions | Balance June 30, 2015 | Current Portion | Long-Term Portion |
|---|--------------------------|-----------------------------|-------------------|--|------------------|--------------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 68,813 | \$ - | \$ - | \$ 68,813 | \$ 82,664 | \$ (81,034) | \$ 70,443 | \$ 70,443 | \$ - |
| Capitalized lease obligations: | | | | | | | | | |
| Gross balance | - | - | - | - | - | - | - | - | - |
| Unamortized premium / (discount) on capitalized lease obligations | - | - | - | - | - | - | - | - | - |
| Total capitalized lease obligations | - | - | - | - | - | - | - | - | - |
| Long-term debt obligations: | | | | | | | | | |
| Revenue Bonds | - | - | - | - | - | - | - | - | - |
| Other bonds (non-Revenue Bonds) | - | - | - | - | - | - | - | - | - |
| Commercial Paper | - | - | - | - | - | - | - | - | - |
| Note Payable related to SRB | - | - | - | - | - | - | - | - | - |
| Other: | | | | | | | | | |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Total long-term debt obligations | - | - | - | - | - | - | - | - | - |
| Unamortized bond premium / (discount) | - | - | - | - | - | - | - | | - |
| Unamortized loss on refunding | - | - | - | - | - | - | - | - | - |
| Total long-term debt obligations, net | - | - | - | - | - | - | - | - | - |
| Total long-term liabilities | <u>\$ 68,813</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 68,813</u> | <u>\$ 82,664</u> | <u>\$ (81,034)</u> | <u>\$ 70,443</u> | <u>\$ 70,443</u> | <u>\$ -</u> |

5 Future minimum lease payments - capital lease obligations:

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

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6 Long-term debt obligation schedule

| | Revenue Bonds | | | All Other Long-Term Debt Obligations | | | Total | | |
|----------------------|---------------|----------|------------------------|--------------------------------------|----------|------------------------|-----------|----------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2016 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2017 | - | - | - | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - |
| 2021 - 2025 | - | - | - | - | - | - | - | - | - |
| 2026 - 2030 | - | - | - | - | - | - | - | - | - |
| 2031 - 2035 | - | - | - | - | - | - | - | - | - |
| 2036 - 2040 | - | - | - | - | - | - | - | - | - |
| 2041 - 2045 | - | - | - | - | - | - | - | - | - |
| 2046 - 2050 | - | - | - | - | - | - | - | - | - |
| 2051 - 2055 | - | - | - | - | - | - | - | - | - |
| 2056 - 2060 | - | - | - | - | - | - | - | - | - |
| 2061 - 2065 | - | - | - | - | - | - | - | - | - |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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7 Calculation of net position

| | Auxiliary Organizations | | Total |
|--|-------------------------|-------------|----------------------|
| | GASB | FASB | Auxiliaries |
| 7.1 Calculation of net position - Net investment in capital assets | | | |
| Capital assets, net of accumulated depreciation | \$ - | \$ - | \$ - |
| Capitalized lease obligations - current portion | - | - | - |
| Capitalized lease obligations, net of current portion | - | - | - |
| Long-term debt obligations - current portion | - | - | - |
| Long-term debt obligations, net of current portion | - | - | - |
| Portion of outstanding debt that is unspent at year-end | - | - | - |
| Other adjustments: (please list) | | | |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Net position - net investment in capital asset | \$ - | \$ - | \$ - |
| 7.2 Calculation of net position - Restricted for nonexpendable - endowments | | | |
| Portion of restricted cash and cash equivalents related to endowments | \$ 1,688,791 | \$ - | \$ 1,688,791 |
| Endowment investments | 118,354,957 | - | 118,354,957 |
| Other adjustments: (please list) | | | |
| Adjustment for expendable endowments | (7,972,139) | - | (7,972,139) |
| Net accumulated change in market value | (15,464,959) | - | (15,464,959) |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Add description | - | - | - |
| Net position - Restricted for nonexpendable - endowments per SNP | \$ 96,606,650 | \$ - | \$ 96,606,650 |

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8 Transactions with related entities

| | Amount |
|--|--------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | \$ 1,271,908 |
| Payments to University for other than salaries of University personnel | 1,726,109 |
| Payments received from University for services, space, and programs | 480,181 |
| Gifts-in-kind to the University from discretely presented component units | - |
| Gifts (cash or assets) to the University from discretely presented component units | 2,621,692 |
| Accounts (payable to) University (enter as negative number) | (163,245) |
| Other amounts (payable to) University (enter as negative number) | - |
| Accounts receivable from University | 12,754 |
| Other amounts receivable from University | - |

9 Other Postemployment Benefits Obligation (OPEB)

| | |
|--|--------------------|
| Annual required contribution (ARC) | \$ 54,218 |
| Contributions during the year | (67,502) |
| Increase (decrease) in net OPEB obligation (NOO) | (13,284) |
| NOO - beginning of year | 13,284 |
| NOO - end of year | <u><u>\$ -</u></u> |

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 | - |
| Less: current portion | - |
| Pollution remediation liabilities, net of current portion | <u><u>\$ -</u></u> |

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

| | Net Position Class | Amount Dr. (Cr.) |
|--|-----------------------|-----------------------|
| Net position as of June 30, 2014, as previously reported | | \$ 166,687,276 |
| Prior period adjustments: | | |
| 1 (list description of each adjustment) | | - |
| 2 (list description of each adjustment) | | - |
| 3 (list description of each adjustment) | | - |
| 4 (list description of each adjustment) | | - |
| 5 (list description of each adjustment) | | - |
| 6 (list description of each adjustment) | | - |
| 7 (list description of each adjustment) | | - |
| 8 (list description of each adjustment) | | - |
| 9 (list description of each adjustment) | | - |
| 10 (list description of each adjustment) | | - |
| Net position as of June 30, 2014, as restated | | <u>\$ 166,687,276</u> |

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

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