

**Tower Foundation of
San José State University
(A Component Unit of the
California State University)**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2026 and 2025

**Tower Foundation of San José State University
(A Component Unit of the California State University)**

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Independent Auditor's Report

To the Board of Directors
Tower Foundation of San José State University
(A California State University Auxiliary Organization)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Tower Foundation of San José State University (the "Foundation"), a component unit of the California State University, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Foundation as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 10 and Schedule of Changes in the Net OPEB Liability and Related Ratios on page 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information on pages 40 to 48 is presented for purposes of additional analysis as required by an Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2026, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP".

Los Angeles, California
September 16, 2026

**Tower Foundation of
San José State University
(A Component Unit of the California State University)**

**Management's Discussion and Analysis
Years Ended June 30, 2026 and 2025
(Unaudited)**

Management's Discussion and Analysis

This section of 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, 2026 and 2025. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to the 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 41 community members, most of whom are SJSU alumni. Members are appointed for three-year terms. Four ex-officio members, including the University president, 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.

Overview of the Financial Statements

The Foundation's financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, and the statement 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.

Statement of net position: The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are reported on an accrual basis as of the statement date. The statement also identifies major categories of restrictions on the net position of the Foundation.

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

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

**Tower Foundation of
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**Management's Discussion and Analysis
Years Ended June 30, 2026 and 2025
(Unaudited)**

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, 2026 and 2025. Included are comparative analysis 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:

	2026	2025	2024
Assets:			
Current assets	\$ 77,119,798	\$ 70,718,929	\$ 58,818,352
Capital assets, net	151,291	196,270	63,562
Noncurrent assets	346,686,658	293,414,503	271,857,081
Total assets	423,957,747	364,329,702	330,738,995
Deferred outflows of resources	64,524	-	-
Liabilities:			
Current liabilities	7,868,524	3,888,969	11,068,807
Noncurrent liabilities	41,534,411	42,164,113	43,139,327
Total liabilities	49,402,935	46,053,082	54,208,134
Deferred inflows of resources	116,354	-	-
Net position:			
Net investment in capital assets	-	-	15,416
Restricted:			
Nonexpendable endowments	178,273,231	140,807,333	141,720,323
Expendable:			
Endowment - income	18,478,562	14,287,477	12,970,101
Donor restrictions	165,234,084	151,144,297	110,580,234
Unrestricted:			
Board designated	2,230,240	2,230,240	2,230,240
Other	10,286,865	9,807,273	9,014,547
Total net position	\$ 374,502,982	\$ 318,276,620	\$ 276,530,861

**Tower Foundation of
San José State University
(A Component Unit of the California State University)**

**Management's Discussion and Analysis
Years Ended June 30, 2026 and 2025
(Unaudited)**

Assets

Total assets increased \$59.6 million from fiscal year 2025 to fiscal year 2026 due primarily to an increase of \$42.1 million in the Foundation's endowment investments and \$10.1 million increase in bequests receivable. The increase in investments was due to approximately \$30 million of investment gains combined with \$11 million of fundraising efforts. Bequests increased due to significant increase in the number of bequests during fiscal year 2026 compared to 2025. In fiscal year 2026, the Foundation recorded a net other post-employment benefit ("OPEB") asset of \$407,485, an increase over the fiscal year 2025 net OPEB asset of \$402,485. The Foundation elected to pass on recorded the OPEB asset in fiscal year 2025. Total assets increased \$33.6 million from fiscal year 2024 to fiscal year 2025 due primarily to an increase of \$21.6 million in the Foundation's endowment investments and \$4.3 million in bequests receivable.

Liabilities

Total liabilities increased \$3.3 million from fiscal year 2025 to fiscal year 2026, driven primarily by the timing of endowed distribution payments for Scholarships to the University. Total liabilities decreased \$8.2 million from fiscal year 2024 to fiscal year 2025. The decrease from fiscal year 2024 to fiscal year 2025 was due to a decrease in capital expenditures for the Spartan Athletic Center.

Notes payable

The Foundation has a loan with the Trustees of the California State University. Under the agreement, the University will procure and provide services for the planning, development, and construction of the Spartan Athletics Center, a new facility of approximately 54,800 gross square feet located on the campus of San José State University. The Trustees have authorized the issuance of a long-term Systemwide Revenue Bond financing to the Foundation. The terms of the repayment are for installment of principal and interest, due every six months over a period of 30 years, commencing May 1, 2024, until May 1, 2053. These installments total \$62,079,338, representing \$42,470,000 in principal and \$19,609,338 in interest.

Net position

Total net position increased \$56.2 million from fiscal year 2025 to fiscal year 2026 due to permanent endowment increases and restricted donor gifts driven by increased fundraising activity and results. Total net position increased \$41.8 million from fiscal year 2024 to fiscal year 2025 due primarily to an increase in investment earnings of \$30.5 million and restricted expendable donor gifts.

Net investment in capital assets

Net investment in capital assets presents the cost of the capital assets, net of related debt and accumulated depreciation.

Restricted resources

Restricted net position of the Foundation includes donor restricted endowments, unspent endowment income appropriated for spending and donor restricted gifts.

**Tower Foundation of
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**Management's Discussion and Analysis
Years Ended June 30, 2026 and 2025
(Unaudited)**

	2026	2025	2024
Nonexpendable endowments	\$ 178,273,231	\$ 140,807,333	\$ 141,720,323
Expendable:			
Endowment - Income	18,478,562	14,287,477	12,970,101
Donor restrictions	165,234,084	151,144,297	110,580,234
	<u>\$ 183,712,646</u>	<u>\$ 165,431,774</u>	<u>\$ 123,550,335</u>

Condensed Summary of Revenues, Expenses and Changes in Net Position

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

	2026	2025	2024
Operating revenues:			
Gifts, pledges and bequests	\$ 27,546,870	\$ 19,257,022	\$ 15,119,845
Nonmonetary gifts	324,847	682,759	643,450
Transfers from University affiliated organizations	4,313,560	4,843,735	4,566,638
Other	1,217,383	1,512,187	2,517,986
Total operating revenues	33,402,660	26,295,703	22,847,919
Operating expenses:			
Support activities of SJSU	26,280,725	23,711,804	22,479,548
General and administrative	5,304,444	4,107,819	3,718,464
Total operating expenses	31,585,169	27,819,623	26,198,012
Operating income (loss)	1,817,491	(1,523,920)	(3,350,093)
Other nonoperating revenues:			
Endowment contributions	11,105,991	12,256,100	5,732,504
Interest income	1,048,252	1,249,320	522,832
Investment income, net	43,287,148	30,454,499	28,295,765
Gain on the sale of capital assets	-	372,209	-
Total other nonoperating revenues	55,441,391	44,332,128	34,551,101
Other nonoperating expenses:			
Loss on sale of capital assets	-	-	4,940,374
Interest expense	1,032,520	1,041,757	522,832
Total other nonoperating expenses	1,032,520	1,041,757	5,463,206
Total other nonoperating income	54,408,871	43,290,371	29,087,895
Increase in net position	56,226,362	41,766,451	25,737,802
Net position, beginning of year	318,276,620	276,510,169	250,793,059
Net position, end of year	<u>\$ 374,502,982</u>	<u>\$ 318,276,620</u>	<u>\$ 276,530,861</u>

**Tower Foundation of
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During fiscal year 2025, the Foundation implemented the provisions of GASB Statement No. 101, *Compensated Absences* ("GASB 101"). The implementation of GASB 101 resulted in the June 30, 2024 net position being adjusted from \$276,530,861 to \$276,510,169.

Operating revenues

Total operating revenues increased by \$7.1 million from fiscal year 2025 to fiscal year 2026. The increase was primarily due to bequest revenues increase of \$5.7 million, driven by significantly higher volume of new bequest donations. The increase from fiscal year 2024 to fiscal year 2025 was primarily due to increases in gifts, pledges, and bequests combined with the net impact for realized and unrealized gains related to the endowment portfolio.

Nonmonetary gifts decreased \$0.4 million from fiscal year 2025 to fiscal year 2026 and decreased \$0.04 million from fiscal year 2024 to fiscal year 2025. The decrease from fiscal year 2025 to fiscal year 2026 was primarily due to lower stock donations compared to the prior year.

Transfers from University affiliated organizations decreased \$0.5 million from fiscal year 2025 to fiscal year 2026 and increased \$0.3 million from fiscal year 2024 to fiscal year 2025. The decrease from fiscal year 2025 to fiscal year 2026 was due to lower compensation requirements compared to the prior year.

Other operating revenues decreased by \$0.3 million from fiscal year 2025 to 2026 and decreased by \$1 million from fiscal year 2024 to fiscal year 2025. The decrease from fiscal year 2024 to fiscal year 2025 was due to the decrease in contractual early termination fees.

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 \$2.6 million from fiscal year 2025 to 2026 and increased \$1.2 million from fiscal year 2024 to fiscal year 2025. The increase from fiscal year 2025 to 2026 was driven by an increase in campaign operations, an increase in athletics support, and an increase in scholarship activity. The increase from fiscal year 2024 to fiscal year 2025 was also primarily due to an increase in scholarships.

General and administrative expenses represent 18% and 19% of operating revenue in fiscal years 2026 and 2025, respectively. General and administrative expenses increased by \$1.2 million from fiscal year 2025 to fiscal year 2026 and increased \$0.4 million from fiscal year 2024 to fiscal year 2025. The increase in general and administrative expenses from fiscal year 2025 to 2026 and 2024 to fiscal year 2025 was primarily due to increase in the Foundation's resources to support the fundraising efforts of the University.

Nonoperating revenues (expenses)

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

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Permanent and temporary endowment donations were lower by \$1.2 million from 2025 to 2026 and increased by \$6.5 million from fiscal year 2024 to fiscal year 2025. The decrease from fiscal year 2025 to 2026 was due to the lower number of endowment donations in 2026 compared to 2025. The increase from fiscal year 2024 to fiscal year 2025 was due to much higher endowment gift amounts compared to fiscal year 2024.

Interest income decreased by \$0.2 million from fiscal year 2025 to 2026 and increased \$0.7 million from fiscal year 2024 to fiscal year 2025. The fiscal year increase for 2025 to 2026 was due to lower interest payments related to the Spartan Athletics Center.

Investment earnings increased by \$12.8 million from fiscal year 2025 to 2026 and increased \$2.2 million from fiscal year 2024 to fiscal year 2025. The fiscal year increases were due to changes in the fair value of investments.

Interest expense had a slight decrease from fiscal year 2025 to 2026 and increased \$0.7 million from fiscal year 2024 to fiscal year 2025 due to changes in the interest payment schedule for the Spartan Athletic Center.

Significant capital asset and long-term financing activity

The Foundation's capital asset activity during the fiscal year consisted of its existing subscription based information technology arrangement ("SBITA"). The Foundation continued to amortize the SBITA asset in accordance with the terms of the subscription agreement. No significant additions, disposals, or impairments of capital assets occurred during fiscal year 2026.

The Foundation's outstanding note payable to the Trustees of the California State University decreased during the year as a result of scheduled principal repayments, reducing the Foundation's long-term financing obligations and future debt service requirements.

Currently known facts, decisions, or conditions

Subsequent to fiscal year-end, the SJSU Alumni Association dissolved and transferred approximately \$2 million in assets to the Foundation. The transferred assets will be administered by the Foundation in accordance with applicable donor restrictions.

Request for Information

This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer at towerfoundation@sjsu.edu.

Basic Financial Statements

**Tower Foundation of San José State University
(A Component Unit of the California State University)**

**Statements of Net Position
June 30, 2026 and 2025**

	<u>2026</u>	<u>2025</u>
<u>Assets and Deferred Outflows of Resources</u>		
Current assets		
Cash and cash equivalents	\$ 19,006,799	\$ 11,907,128
Pledges receivable, current portion, net of allowance for uncollectible pledges	4,831,655	4,187,544
Notes receivable, current portion	1,100,000	1,090,000
Due from affiliated auxiliary organizations	3,920,137	5,701,883
Investments - short-term	48,109,157	47,623,761
Prepaid expenses	152,050	208,613
Total current assets	<u>77,119,798</u>	<u>70,718,929</u>
Noncurrent assets		
Pledges receivable, less current portion, net of allowance	5,708,354	4,504,147
Bequests receivable	24,574,243	14,506,865
Charitable gift annuity receivable	866,875	866,875
Funds held in trust	4,232,355	3,692,227
Notes receivable, net	39,200,000	40,300,000
Capitalized lease, less accumulated amortization	151,291	196,270
Restricted investments	271,408,258	229,276,570
Net OPEB asset	407,345	-
Other assets	289,228	267,819
Total noncurrent assets	<u>346,837,949</u>	<u>293,610,773</u>
Total assets	<u>423,957,747</u>	<u>364,329,702</u>
Deferred outflows of resources		
OPEB deferred outflows—differences between expected and actual experience and changes in assumptions	57,609	-
OPEB deferred outflows—other post-employment benefits (OPEB) contributions after the measurement date	6,915	-
Total deferred outflows of resources	<u>64,524</u>	<u>-</u>

**Tower Foundation of San José State University
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**Statements of Net Position
June 30, 2026 and 2025**

Liabilities, Deferred Inflows of Resources and Net Position

	2026	2025
Current liabilities		
Accounts payable and accrued liabilities	\$ 727,855	\$ 778,656
Notes payable - current portion	1,100,000	1,090,000
SBITA liabilities - current portion	47,228	42,826
Due to affiliated organizations	5,854,304	1,836,324
Funds held in trust liability	132,054	132,054
Other current liability	7,083	9,109
Total current liabilities	<u>7,868,524</u>	<u>3,888,969</u>
Noncurrent liabilities		
Notes payable	39,200,000	40,300,000
SBITA liabilities	106,918	149,749
Funds held in trust liability, net of current	2,227,493	1,714,364
Total noncurrent liabilities	<u>41,534,411</u>	<u>42,164,113</u>
Total liabilities	<u>49,402,935</u>	<u>46,053,082</u>
Deferred inflows of resources		
OPEB deferred inflows—changes in assumptions and differences between expected and actual investment earnings and experience	<u>116,354</u>	<u>-</u>
Net position		
Restricted for		
Nonexpendable endowments	178,273,231	140,807,333
Expendable		
Endowments	18,478,562	14,287,477
Donor restricted gifts	165,234,084	151,144,297
Unrestricted		
Board designated	2,230,240	2,230,240
Other	10,286,865	9,807,273
Total net position	<u>\$ 374,502,982</u>	<u>\$ 318,276,620</u>

See Notes to Financial Statements.

Tower Foundation of San José State University
(A Component Unit of the California State University)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating revenues		
Gifts, pledges and bequests	\$ 27,546,870	\$ 19,257,022
Nonmonetary gifts	324,847	682,759
Transfers from San José State University affiliated organizations	4,313,560	4,843,735
Other	1,217,383	1,512,187
Total operating revenues	33,402,660	26,295,703
Operating expenses		
Support activities of San José State University	26,280,725	23,711,804
General and administrative	5,304,444	4,107,819
Total operating expenses	31,585,169	27,819,623
Operating income (loss)	1,817,491	(1,523,920)
Other nonoperating revenues		
Endowment contributions	11,105,991	12,256,100
Interest income	1,048,252	1,249,320
Investment income, net	43,287,148	30,454,499
Gain on the sale of capital assets	-	372,209
Total other nonoperating revenues	55,441,391	44,332,128
Other nonoperating expenses		
Interest expense	1,032,520	1,041,757
Total other nonoperating expenses	1,032,520	1,041,757
Total other nonoperating income	54,408,871	43,290,371
Increase in net position	56,226,362	41,766,451
Net position, beginning of year	318,276,620	276,510,169
Net position, end of year	\$ 374,502,982	\$ 318,276,620

See Notes to Financial Statements.

**Tower Foundation of San José State University
(A Component Unit of the California State University)**

**Statements of Cash Flows
Years Ended June 30, 2026 and 2025**

	2026	2025
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 15,631,174	\$ 10,735,979
Transfer from San José State University affiliated organizations	4,313,560	4,843,735
Other receipts	2,999,127	848,958
Payments for support activities of San José State University	(25,190,725)	(22,631,804)
Payments for general and administrative	(4,844,724)	(4,680,225)
Net cash used in operating activities	(7,091,588)	(10,883,357)
Cash flows from capital and related financing activities:		
Payments on notes payable	(1,090,000)	(1,080,000)
Payments on IT subscription	(40,455)	(52,763)
Net cash used in capital and related financing activities	(1,130,455)	(1,132,763)
Cash flows from investing activities:		
Contributions from restricted endowments	11,105,991	12,256,100
Interest and dividends on investments	5,656,986	4,094,027
Increase in funds held in trust liability, and other assets	1,059,732	239,039
Proceeds from sales and maturities of investments and funds held in trust	148,040,902	124,011,434
Purchases of investments	(150,541,897)	(123,654,029)
Net cash provided by investing activities	15,321,714	16,946,571
Net increase in cash and cash equivalents	7,099,671	4,930,451
Cash and cash equivalents, beginning of year	11,907,128	6,976,677
Cash and cash equivalents, end of year	\$ 19,006,799	\$ 11,907,128
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ 1,817,491	\$ (1,523,920)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Noncash gifts	(324,847)	(682,759)
Amortization and depreciation	44,979	49,067
Changes in assets and liabilities:		
Pledges and bequests receivable	(10,825,696)	(7,441,043)
Accounts receivable and due from affiliated auxiliary organizations	2,546,240	(663,227)
Prepaid expenses and other	56,563	61,596
Deferred outflows of resources	(64,524)	-
Accounts payable and accrued liabilities	(50,803)	(422,357)
Due to affiliated organizations	-	(260,714)
Deferred inflows of resources	116,354	-
Net OPEB asset	(407,345)	-
Net cash used in operating activities	\$ (7,091,588)	\$ (10,883,357)
Noncash investing, capital, and financing activities:		
Accounts payable from San José State University	\$ 4,017,980	\$ 7,354,123
Acquisition of Subscription Based Information Technology Arrangements	-	245,338
Receivable due from the University and Chancellor's Office	14,934	33,929

See Notes to Financial Statements.

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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 discretely presented component unit of the California State University and included in its financial statements.

A summary of the Foundation's 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 uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The Foundation's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the Foundation's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue as defined by GASB, including investment income.

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 statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statement of net position date are considered current. All other assets and liabilities are considered to be noncurrent.

Classification of revenues and expenses

Operating revenues and expenses for the Foundation are those revenues and expenses that result from providing services and producing and delivering goods in connection with the Foundation's principal ongoing operations. Operating revenues generally consist of gifts and contributions not restricted for

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endowment and reimbursements received from other organizations affiliated with the University. Operating expenses include administrative expenses, depreciation and amortization, and other expenses associated with the operation and maintenance of the Foundation.

Nonoperating revenues and expenses are revenues and expenses that do not result from the Foundation's principal ongoing operations. Nonoperating revenues and expenses include investment income, interest expense and other financing-related costs, gains and losses on the disposal of capital assets, noncapital subsidies, contributions to term or permanent endowments, and other activities that meet the definition of nonoperating revenues and expenses under generally accepted accounting principles for state and local governments.

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.

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, 2026 and 2025.

Receivable due from the University and Chancellor's Office

Receivable due from the University and Chancellor's Office consist of loan proceeds held at the University and Chancellors Office for construction of the Spartan Athletics Center.

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 the death of the donor, the remainder of the trust corpus will be transferred 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 measured and recorded at fair value. The value of investments in equity and mutual funds were derived from quoted prices in active markets. Alternative investments include investments in private equity and real estate funds and are valued based on the net asset value of the underlying investments. Realized and unrealized gains and losses are included on the statements of revenues, expenses and changes in net position. Investment purchases and sales are recorded on a trade-date basis. 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.

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Compensated absences

The Foundation accrues vacation benefits for eligible full-time employees at various rates, depending upon the length of service. The Foundation also accrues sick leave for employees as described below. The total liability for these accruals consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash.

Eligible full-time employees accrue sick leave at the rate of 96 hours at January 1 each year. Effective January 1, 2025, eligible full-time employees accrue sick leave at the rate of 4 hours per pay period, and unused sick leave as of December 31 is allowed to carry over into the subsequent calendar year. The Foundation adopted the mandated sick leave for non-benefited employees as of July 1, 2024. Effective January 1, 2025, all non-benefited employees who work more than 30 days per year accrue 3.34 hours of sick leave per pay period during their first six months of employment with no carryover allowed. Neither benefited nor non-benefited employees are paid for unused sick leave upon termination of employment. At June 30, 2026 and 2025, the Foundation had a balance of \$179,415 and \$110,639, respectively, of compensated absences, which is recorded as a component of accounts payable and accrued liabilities.

Other post-employment benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Foundation's OPEB plan and additions to or deductions from the Foundation's fiduciary net position have been determined on the same basis as they were reported by the Foundation. For this purpose, the Foundation recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position

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

Net investment in capital assets: Net investment in capital assets presents the cost of the capital assets, net of related debt and accumulated depreciation.

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 donor restricted 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. It is the Foundation's policy to consider restricted expendable net position to have been depleted before unrestricted net position is applied.

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.

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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 and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Foundation, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2023.

The Foundation has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New accounting pronouncements adopted

Effective for the fiscal year beginning July 1, 2025, the Foundation implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"). This Statement establishes improvements to the financial reporting model, including changes related to management's discussion and analysis and the presentation of unusual or infrequent items. As a result, the Foundation revised the presentation of its financial statements, including its management's discussion and analysis and the classification and display of endowment contributions, to conform to the new requirements. The adoption of this Statement did not have a material impact on the Foundation's financial statements.

Effective for the fiscal year beginning July 1, 2025, the Foundation implemented the provisions of GASB Statement No. 104, *Disclosure of Certain Capital Assets* ("GASB 104"). This Statement requires additional disclosures of certain capital assets, including separate disclosures of certain-right-to-use assets, subscription assets, intangible assets, and capital assets held for sale, when applicable. The adoption of this statement did not have a material impact on the Foundation's financial statements. Management evaluated the requirements of GASB Statement No. 104. The Foundation had no right-to-use assets, intangible assets, or capital assets held for sale requiring separate disclosure as of June 30, 2026.

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Reclassifications

The Organization adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, effective July 1, 2025. Comparative amounts, where applicable, have been reclassified to conform to the current year presentation. The adoption of GASB 103 did not have a material effect on beginning net position

Note 2 - Liquidity and availability

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and receivables. At June 30, the Foundation had the following financial assets and liquidity resources available over the next 12 months:

	2026	2025
Cash and cash equivalents	\$ 19,006,799	\$ 11,907,128
Pledges receivable, current portion, net of allowance for uncollectible pledges	4,831,655	4,187,544
Notes receivable, current portion	1,100,000	1,090,000
Due from affiliated auxiliary organizations	3,920,137	5,701,883
Short-term investments	48,109,157	47,623,761
	<u>\$ 76,967,748</u>	<u>\$ 70,510,316</u>

Note 3 - Pledges and bequests receivable

Pledges receivable at June 30, are as follows:

	2026	2025
Less than one year	\$ 5,085,952	\$ 4,407,942
One to five years	6,385,488	5,007,875
More than five years	12,905	12,905
	<u>11,484,345</u>	<u>9,428,722</u>
Less discount to present value	(370,120)	(265,595)
Less allowance for uncollectible pledges	(574,217)	(471,436)
	<u>\$ 10,540,008</u>	<u>\$ 8,691,691</u>

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Pledges due beyond one year have been discounted at an annual rate in a range between 0.14% and 4.50%. 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 5% of pledges. The Foundation had the following donor that comprised over 10% of the Foundation's pledge balance as of June 30, 2026 and 2025:

	2026	2025
Donor A	29%	25%

Bequests receivable at June 30, are as follows:

	2026	2025
Total bequests	\$ 37,544,115	\$ 24,322,015
Less discount to present value	(12,969,872)	(9,815,150)
	\$ 24,574,243	\$ 14,506,865

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 1.94% to 5.19%.

Note 4 - Restricted cash and investments

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

	2026	2025
Cash equivalents	\$ 547,150	\$ 341,789
Equity investments—value funds	16,821,617	44,071,590
Equity investments—small cap funds	5,629,705	4,999,002
Equity investments—exchange traded funds	106,307,018	84,270,445
Alternative investments	65,365,326	38,184,747
U.S. Treasuries	28,550,522	29,715,737
U.S. Government National Mortgage Association	21,760	343,484
Federal National Mortgage Association	2,185,132	1,788,528
Federal Home Loan Mortgage Corporation	2,496,269	2,584,678
Mutual funds:		
Real estate	-	6,712,423
Fixed income	2,990,463	2,528,066
Equity	88,602,453	61,359,842
Total investments	318,970,265	276,558,542
Total cash and investments	\$ 319,517,415	\$ 276,900,331

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Investment policy

The Foundation's investment policy ("the Policy") sets forth the guidelines for the investments 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 ("UPMIFA"), and the general fiduciary standards described in the Uniform Prudent Investment Act.

The long-term investment objective of the Policy is to preserve the investment capital, protect the purchasing power of the 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 equities, fixed income investments, cash equivalents and other types of investments, all of which may reflect varying rates of return. The return objective for the total fund will be to outperform a custom benchmark made up of 35% Russell 3000, 20% MSCI ACWI (excluding U.S.), 15% Bloomberg Barclays US Aggregate Bond Index, and a Custom Alternatives Index over a complete market cycle.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2026, four deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$1,643,489, a current fair value of \$1,085,852, and a deficiency of \$557,637. As of June 30, 2025, seven deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$1,988,203, a current fair value of \$1,287,047, and a deficiency of \$701,156.

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.

At June 30, 2026, the Foundation had the following investments with the following maturities:

Investment Type	Total Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
U.S. Treasuries	\$ 28,550,522	\$ 393,209	\$ 3,519,383	\$ 24,374,510	\$ 263,420
U.S. Government National Mortgage Association	21,760	-	-	-	21,760
Federal National Mortgage Association	2,185,132	-	-	-	2,185,132
Federal Home Loan Mortgage Corporation	2,496,269	-	-	-	2,496,269
Fixed Income Mutual Fund	2,990,463	67	-	2,990,396	-
Total	<u>\$ 36,244,146</u>	<u>\$ 393,276</u>	<u>\$ 3,519,383</u>	<u>\$ 27,364,906</u>	<u>\$ 4,966,581</u>

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At June 30, 2025, the Foundation had the following investments with the following maturities:

Investment Type	Total Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
U.S. Treasuries	\$ 29,715,737	\$ 216,488	\$ 9,276,682	\$ 20,222,567	\$ -
U.S. Government National Mortgage Association	343,484	-	-	-	343,484
Federal National Mortgage Association	1,788,528	-	-	-	1,788,528
Federal Home Loan Mortgage Corporation	2,584,678	-	143,031	-	2,441,647
Fixed Income Mutual Fund	2,528,066	-	-	2,528,066	-
Total	<u>\$ 36,960,493</u>	<u>\$ 216,488</u>	<u>\$ 9,419,713</u>	<u>\$ 22,750,633</u>	<u>\$ 4,573,659</u>

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 bonds' credit rating, the higher the yield should be to compensate for the additional risk. U.S. Treasuries and U.S. Government Nation Mortgage Association debt securities are expressly guaranteed by the U.S. Government and are not subject to credit risk. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are rated AAA by Moody's. The Foundation's fixed income mutual fund is not rated.

Concentration of credit risk

The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer. There were no investments in amounts over 5% in any one issuer in 2026 or 2025.

Custodial credit risk

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. U.S. Treasury issues and federally sponsored enterprise issues are held by Securities Investor Protection Corporation ("SIPC")-insured brokers and are not registered with the issuer in the Foundation's name. SIPC-insured amounts are limited to \$500,000. At June 30, 2026 and 2025, amounts susceptible to custodial credit risk exceeded the SIPC-insured amount by \$32,753,683 and \$33,932,427, respectively.

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 limit of \$250,000. At June 30, 2026 and 2025, \$18,645,683 and \$11,299,848, respectively, of the Foundation's bank balances exceed the federally insured amount. These amounts are uninsured and collateralized by securities held by the pledging financial institutions.

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Note 5 - Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, requires assets and liabilities to be measured at fair value and disclosures to be made on the fair value measurements, the level of fair value hierarchy, and valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and disclosed in one of the following hierarchies:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices in active markets for identical assets or liabilities, either directly or indirectly.

Level 3: Inputs that are unobservable in situations where there is little or no market activity for the asset or liability and significant to the overall fair value measurement.

Investments held by the Foundation are measured and recorded at fair value. The Foundation's valuation techniques used to measure the fair value of equity investments, mutual funds and miscellaneous other assets were derived from quoted prices in active markets, and they are categorized in Level 1 of the fair value hierarchy. Financial assets valued using Level 2 inputs are valued based on investment yields. The value of the alternative investments is primarily based on the net asset value ("NAV") of the underlying investments. The NAV is reported by the external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda.

The following tables summarize the Foundation's investments fair value hierarchy:

Description	June 30, 2026	Fair Value Measurement at Reporting Date Using			
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity investments—value funds	\$ 16,821,617	\$ 16,821,617	\$ -	\$ -	\$ -
Equity investments—small cap funds	5,629,705	5,629,705	-	-	-
Equity investments—exchange traded funds	106,307,018	106,307,018	-	-	-
Alternative investments	65,365,326	-	-	-	65,365,326
U.S. Treasuries	28,550,522	-	28,550,522	-	-
U.S. Government National Mortgage Association	21,760	-	21,760	-	-
Federal National Mortgage Association	2,185,132	-	2,185,132	-	-
Federal Home Loan Mortgage Corporation	2,496,269	-	2,496,269	-	-
Mutual funds:					
Fixed income	2,990,463	2,990,463	-	-	-
Equity	88,602,453	88,602,453	-	-	-
	<u>\$ 318,970,265</u>	<u>\$ 220,351,256</u>	<u>\$ 33,253,683</u>	<u>\$ -</u>	<u>\$ 65,365,326</u>
Restricted cash	547,150				
Total investments	<u>\$ 319,517,415</u>				

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Description	June 30, 2025	Fair Value Measurement at Reporting Date Using			
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity investments—value funds	\$ 44,071,590	\$ 44,071,590	\$ -	\$ -	\$ -
Equity investments—small cap funds	4,999,002	4,999,002	-	-	-
Equity investments—exchange traded funds	84,270,445	84,270,445	-	-	-
Alternative investments	38,184,747	-	-	-	38,184,747
U.S. Treasuries	29,715,737	-	29,715,737	-	-
U.S. Government National Mortgage Association	343,484	-	343,484	-	-
Federal National Mortgage Association	1,788,528	-	1,788,528	-	-
Federal Home Loan Mortgage Corporation	2,584,678	-	2,584,678	-	-
Mutual funds:					
Real estate	6,712,423	6,712,423	-	-	-
Fixed income	2,528,066	2,528,066	-	-	-
Equity	61,359,842	61,359,842	-	-	-
	<u>\$ 276,558,542</u>	<u>\$ 203,941,368</u>	<u>\$ 34,432,427</u>	<u>\$ -</u>	<u>\$ 38,184,747</u>
Restricted cash	<u>341,789</u>				
Total investments	<u>\$ 276,900,331</u>				

The following are NAV disclosures as of June 30, 2026 and 2025:

2026				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Debt	\$ 12,589,766	\$ 1,107,358	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	41,506,497	7,297,646	10 years from final closing with two 1 year extensions	N/A
Real Estate	11,269,063	2,913,966	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 65,365,326</u>	<u>\$ 11,318,970</u>		

2025				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Debt	\$ 10,356,013	\$ 2,571,277	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	15,667,018	8,043,577	10 years from final closing with two 1 year extensions	N/A
Real Estate	12,161,716	398,297	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 38,184,747</u>	<u>\$ 11,013,151</u>		

Note 6 - OPEB plan

Initial recognition

During the fiscal year ended June 30, 2026, the Foundation recognized its irrevocable VEBA trust assets and related postemployment benefit obligations under GASB Statement No. 75. Previously, contributions to the trust were expensed as incurred and trust assets were not reflected on the statement of net position.

The Foundation follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This OPEB plan is considered an agent-multiemployer plan.

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General information about the OPEB plan

Plan description

The Foundation provides lifetime retiree medical coverage to eligible employees and their dependents under the Other Post-Employment Benefit Program for the Tower Foundation of San José State University. Employees are eligible with lifetime retiree medical coverage if they have reached age 60 with at least ten years of continuous Tower Foundation service over a 20-year period. The medical plan benefits are contracted with the California Public Employees' Retirement System ("CalPERS") under the Public Employees' Medical and Hospital Care Act ("PEMHCA").

The Foundation established a voluntary employees' beneficiary association trust (the "VEBA") with a registered investment company in August 2011. The VEBA holds the assets and funds the post-employment benefit obligation provided under the plan. The fair value of assets held by the VEBA trust for the years ended June 30, 2026 and 2025 was \$653,275 and \$583,923, respectively.

Benefits provided

The plan provides medical health care for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Contributions

The Foundation adopted the entry age normal actuarial 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 uses a 6.38% discount rate for year ended June 30, 2026. The Foundation intends to contribute at least the full actuarially determined contribution ("ADC") to the VEBA each year. Given the plan's funded status, the ADC is \$0 and the trust is expected to be sufficient for all future benefit payments.

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 medical plan premiums for both retirees and active employees and their dependents at a rate approved by the Board annually.

Contributions to the OPEB plan from the Foundation for the year ended June 30, 2026 were \$6,915. These contributions were made subsequent to the June 30, 2025 measurement date and are reported as a deferred outflow of resources as of June 30, 2026.

Employees covered by benefit terms

At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving payments	-
Active employees	6
Total	<u>6</u>

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June 30, 2026 and 2025**

OPEB asset, OPEB expense and deferred inflows and outflows of resources related to OPEB

The Foundation's net OPEB asset was \$407,345 at June 30, 2026. The Foundation's net OPEB asset was measured as of June 30, 2025 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024 projected to June 30, 2025 on a rolled forward basis with adjustments for the year ended June 30, 2026 as allowed per the standard.

The changes in net OPEB asset are as follows for the year ended June 30, 2026:

Total OPEB Liability

Total OPEB liability - beginning of year	\$ 181,438
Service cost	34,868
Interest	13,606
Changes of benefit terms	1,581
Changes of assumptions	9,357
Differences between expected and actual experience	11,277
Benefit payments, including refunds of employee contributions	(6,197)
Net change in total OPEB liability	64,492
Total OPEB liability - end of year	<u>\$ 245,930</u>

Plan Fiduciary Net Position

Plan fiduciary net position - beginning of year	\$ 583,923
Contribution - employer	6,197
Net investment income (loss)	72,006
Benefit payments, including refunds of employee contributions	(6,197)
Administrative expense	(2,654)
Net change in Plan Fiduciary Net Position	69,352
Plan fiduciary net position - ending	<u>\$ 653,275</u>
Net OPEB liability (asset) - ending	<u>\$ (407,345)</u>

For the year ended June 30, 2026, the Foundation recognized an OPEB credit of \$792, which is included in general and administrative on the statements of revenues, expenses and changes in net position.

**Tower Foundation of San José State University
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**Notes to Financial Statements
June 30, 2026 and 2025**

OPEB expense (benefit) for the year ended June 30, 2026 is as follows:

Service cost	\$ 34,868
Interest	13,606
Change of benefit terms	1,581
Projected earnings on OPEB plan investments	(37,171)
OPEB plan administration expenses	2,654
Current period recognition of deferred outflows / (inflows) of resources	
Differences between expected and actual experience	(6,139)
Changes in assumptions	(3,184)
Net difference between projected and actual earnings on OPEB plan investments	(7,007)
Total current period recognition	<u>(16,330)</u>
Total OPEB expense (benefit)	<u>\$ (792)</u>

At June 30, 2026, the Foundation reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ 43,504	\$ (67,151)
Changes in assumptions	14,105	(23,131)
Net difference between projected and actual earnings in OPEB plan investments	-	(26,072)
Contributions to OPEB plan after measurement date	6,915	N/A
Total	<u>\$ 64,524</u>	<u>\$ (116,354)</u>

Deferred outflows of resources of \$6,915 resulting from contributions made subsequent to the measurement date of June 30, 2025 and before the end of the fiscal year will be recognized as an increase to the net OPEB asset in the fiscal year ending June 30, 2027.

**Tower Foundation of San José State University
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**Notes to Financial Statements
June 30, 2026 and 2025**

Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

FYE		
2027	\$	3,227
2028		(26,601)
2029		(23,701)
2030		(15,748)
2031		(8,049)
Thereafter		12,127
Total	\$	(58,745)

Actuarial assumptions

The June 30, 2026 total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80%
Health care cost trend rates	8.50 in 2026 fluctuation down by .25 to 4.50 by 2041/42
Investment rate of return	6.38%
Mortality	Pub-2016 General Headcount-Weighted Mortality Table, fully generational using MP-2021
Mortality improvements	Scale MP-2021

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weight; the expected future real rates of return by the target asset allocation percentage; and by adding expected inflation. As of June 30, 2026, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

Asset Class	Target Allocation	L/T Expected Real ROR
Equity	60.00%	8.10%
Fixed income	40.00%	3.80%
Total	100.00%	6.38%

Discount rate

The discount rate used to measure the total June 30, 2026, OPEB liability was 6.38%. The projection of cash flows used to determine the discount rate assumed that the Foundation's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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**Notes to Financial Statements
June 30, 2026 and 2025**

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Foundation using the current discount rate of 6.38%, as well as what the Foundation's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.38%) or one percentage point higher (7.38%) than the current discount rate:

	1% decrease 5.38%	Discount Rate 6.38%	1% increase 7.38%
Net OPEB liability (asset)	\$ (376,695)	\$ (407,345)	\$ (433,456)

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the Foundation, as well as what the Foundation's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	1% decrease	Health Care Cost Trend	1% increase
Net OPEB liability (asset)	\$ (440,993)	\$ (407,345)	\$ (365,981)

Note 7 - Administration fees

The Foundation charges an administrative fee of 5% to various colleges and departments within the University on all disbursements out of any expendable fund, with the exception of the scholarship fund where no fees are charged. The grant accounts have administrative fees between 0% and 10%.

Administrative fees of \$1,010,493 and \$990,604 were charged by the Foundation for the years ended June 30, 2026 and 2025, respectively. These fees were charged to grant and endowment funds administered by the Foundation. Because the fee revenue occurs within the Foundation, the transactions are eliminated in the accompanying financial statements. Grant accounts represent philanthropic support from donors, primarily nonprofit foundations or corporate foundations, which require increased accountability in the form of technical or fiscal reporting.

The Foundation charges an annual 2% administration fee for endowments. The fees are calculated monthly based on the allocated market value of the total endowment portfolio. The Foundation charged the endowment funds an administrative fee of \$4,608,325 and \$4,529,536 for the years ended June 30, 2026 and 2025, respectively. These fees were charged to grant and endowment funds administered by the Foundation. Because the related fee revenue occurs within the Foundation, the transactions are eliminated in the accompanying financial statements.

**Tower Foundation of San José State University
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**Notes to Financial Statements
June 30, 2026 and 2025**

Note 8 - 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.

The Foundation had receivables with related parties as of June 30, as follows:

	2026	2025
Receivable from the University	\$ 3,920,137	\$ 5,608,674
Accounts receivable	-	93,209
Total Receivable - related entities	<u>\$ 3,920,137</u>	<u>\$ 5,701,883</u>

The Foundation had payables with related parties as of June 30, as follows:

	2026	2025
Accrued expense payable to the University	\$ 5,764,117	\$ 1,825,609
Accounts payable	90,187	10,715
	<u>\$ 5,854,304</u>	<u>\$ 1,836,324</u>

For the years ended June 30, 2026 and 2025, the related party transactions included:

	2026	2025
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,373,116	\$ 4,079,522
Payments to the University for other than salaries of University personnel	\$ 4,516,384	\$ 12,351,599
Payments received from the University for services, space, and programs	\$ 7,572,722	\$ 7,195,769
Gifts (cash or assets) to the University from discretely presented component units	\$ 7,624,025	\$ 5,428,287

The Foundation constructed the Spartan Athletics Center during fiscal year 2023. This project was financed through a \$42,470,000 note payable with the Chancellor's Office, a related party. Proceeds from the loan were maintained at the University and the Chancellor's Office and recorded as notes receivable.

**Tower Foundation of San José State University
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**Notes to Financial Statements
June 30, 2026 and 2025**

Note 9 - Transfers from affiliated organizations

San José State University-affiliated organizations transferred \$4,313,560 and \$4,843,735 to the Foundation in 2026 and 2025, respectively. The majority of these transfers represent replenishment of accounts that were used during the year by the athletic department for payroll-related costs and a return of funds from the University to the Foundation for monies raised for the Spartan Athletics Center. Amounts are included in payments received from the University for services, space, and programs number above, see Note 8.

Management has determined that the reimbursements for athletics-related payroll and benefit costs constitute exchange transactions rather than subsidies under GASB 103. The Foundation provides administrative and financial management services associated with processing and funding compensation costs, and the reimbursements are made pursuant to documented agreements requiring repayment of specifically identifiable costs incurred by the Foundation. Because the reimbursements are directly related to services performed and costs incurred under a contractual arrangement, they represent consideration received in exchange for services and are reported as operating revenue. Accordingly, these amounts are not considered noncapital subsidies, which are generally non-exchange transactions intended to support an entity's operations without a direct exchange of commensurate value.

Note 10 - Note payable

The Foundation entered into a loan agreement with the Trustees of the California State University on July 1, 2022. Under the agreement, the University will procure and provide services for the planning, development and construction of the Spartan Athletics Center, a new facility of approximately 54,800 gross square feet located on the campus of San José State University. The Trustees have authorized the issuance of a long-term Systemwide Revenue Bond financing to the Foundation. The terms of the repayment are for installment of principal and interest, due every six months over a period of 30 years, commencing May 1, 2024, until May 1, 2053. As of June 30, 2026 and 2025, the interest rate was 2.71%. These installments total \$62,079,338, representing \$42,470,000 in principal and \$19,609,338 in interest.

Changes in the Foundation's note payable for the years ended June 30, 2026 and 2025 is as follows:

	July 1, 2025	Additions	Deductions	June 30, 2026	Due Within One Year
Note Payable	<u>\$ 41,390,000</u>	<u>\$ -</u>	<u>\$ 1,090,000</u>	<u>\$ 40,300,000</u>	<u>\$ 1,100,000</u>
	July 1, 2024	Additions	Deductions	June 30, 2025	Due Within One Year
Note Payable	<u>\$ 42,470,000</u>	<u>\$ -</u>	<u>\$ 1,080,000</u>	<u>\$ 41,390,000</u>	<u>\$ 1,090,000</u>

Tower Foundation of San José State University
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Notes to Financial Statements
June 30, 2026 and 2025

Future principal and interest payments on notes payable are as follows:

Years ending June 30:	Principal	Interest	Total
2027	\$ 1,100,000	\$ 1,023,906	\$ 2,123,906
2028	1,110,000	1,010,072	2,120,072
2029	1,130,000	993,924	2,123,924
2030	1,145,000	975,747	2,120,747
2031	1,165,000	955,713	2,120,713
2032 - 2036	6,195,000	4,417,874	10,612,874
2037 - 2041	6,990,000	3,628,386	10,618,386
2042 - 2046	8,040,000	2,576,432	10,616,432
2047 - 2051	9,305,000	1,304,989	10,609,989
2052 - 2053	4,120,000	121,968	4,241,968
	<u>\$ 40,300,000</u>	<u>\$ 17,009,011</u>	<u>\$ 57,309,011</u>

Note 11 - Subscription-based information technology arrangements

The Foundation has a noncancelable subscription arrangement (similar to a lease) for the right-to-use various information technology software (subscription IT arrangements).

A summary of subscription IT assets activity during the years ended June 30, is as follows:

	Balance June 30, 2025	Additions	Deductions	Balance June 30, 2026
Subscription IT assets	\$ 245,337	\$ -	\$ -	\$ 245,337
Less accumulated amortization	(49,067)	(44,979)	-	(94,046)
Subscription IT assets, net	<u>\$ 196,270</u>	<u>\$ (44,979)</u>	<u>\$ -</u>	<u>\$ 151,291</u>
	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Subscription IT assets	\$ 152,550	\$ 245,337	\$ (152,550)	\$ 245,337
Less accumulated amortization	(88,988)	(49,067)	88,988	(49,067)
Subscription IT assets, net	<u>\$ 63,562</u>	<u>\$ 196,270</u>	<u>\$ (63,562)</u>	<u>\$ 196,270</u>

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Notes to Financial Statements
June 30, 2026 and 2025

A summary of subscription IT liabilities during the years ended June 30, is as follows:

	Balance June 30, 2025	Additions	Payments	Adjustments	Balance June 30, 2026
Subscription IT liabilities	\$ 192,575	\$ -	\$ (38,429)	\$ -	\$ 154,146
Interest	9,109	-	-	(2,026)	7,083
	<u>\$ 201,684</u>	<u>\$ -</u>	<u>\$ (38,429)</u>	<u>\$ (2,026)</u>	<u>\$ 161,229</u>
	Balance June 30, 2024	Additions	Payments	Adjustments	Balance June 30, 2025
Subscription IT liabilities	\$ 48,146	\$ 245,338	\$ (52,763)	\$ (48,146)	\$ 192,575
Interest	1,147	9,109	-	(1,147)	9,109
	<u>\$ 49,293</u>	<u>\$ 254,447</u>	<u>\$ (52,763)</u>	<u>\$ (49,293)</u>	<u>\$ 201,684</u>

Future principal and interest payments on subscription IT liabilities are as follows:

Years ending June 30:	Principal	Interest	Total
2027	\$ 47,228	\$ 7,727	\$ 54,955
2028	49,874	5,280	55,154
2029	52,448	2,706	55,154
2030	4,596	-	4,596
	<u>\$ 154,146</u>	<u>\$ 15,713</u>	<u>\$ 169,859</u>

**Tower Foundation of San José State University
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**Notes to Financial Statements
June 30, 2026 and 2025**

Note 12 - Notes receivable

The Foundation and the University entered into a notes receivable for the sale of the Spartan Athletics Center in fiscal year 2024, with a duration of 30 years and an interest rate of 2.3%.

Future principal and interest payments from the University is as follows:

Years ending June 30:	Principal	Interest	Total
2027	\$ 1,100,000	\$ 1,023,906	\$ 2,123,906
2028	1,110,000	1,010,072	2,120,072
2029	1,130,000	993,924	2,123,924
2030	1,145,000	975,747	2,120,747
2031	1,165,000	955,713	2,120,713
2032 - 2036	6,195,000	4,417,874	10,612,874
2037 - 2041	6,990,000	3,628,386	10,618,386
2042 - 2046	8,040,000	2,576,432	10,616,432
2047 - 2051	9,305,000	1,304,989	10,609,989
2052 - 2053	4,120,000	121,968	4,241,968
	<u>\$ 40,300,000</u>	<u>\$ 17,009,011</u>	<u>\$ 57,309,011</u>

Note 13 - Commitments and contingency

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, 2026 and 2025.

Required Supplementary Information

Tower Foundation of San José State University
(A Component Unit of the California State University)

Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2026

	2026	2025	2023	2022	2021	2020	2019
Total OPEB liability:							
Total OPEB liability - beginning	\$ 181,438	\$ 134,757	\$ 201,376	\$ 190,572	\$ 204,884	\$ 191,477	\$ -
Service cost	34,868	15,369	7,663	7,005	9,307	8,864	10,932
Interest	13,606	8,864	12,291	11,600	12,601	11,769	421
Change in benefit terms	1,581	2,978	-	-	-	-	-
Changes in assumptions	9,357	(6,181)	10,420	-	(10,440)	-	(43,562)
Differences between expected and actual experience	11,277	30,540	(106,553)	791	(17,308)	1,277	231,626
Benefit payments	(6,197)	(4,889)	(8,509)	(8,592)	(8,472)	(8,503)	(7,940)
Net change in total OPEB liability	64,492	46,681	(84,688)	10,804	(14,312)	13,407	191,477
Total OPEB liability - ending (a)	245,930	181,438	116,688	201,376	190,572	204,884	191,477
Plan fiduciary net position:							
Plan fiduciary net position - beginning	583,923	518,245	593,698	469,424	453,037	434,044	407,421
Contributions - employer	6,197	4,889	8,509	8,592	8,472	8,503	7,940
Contributions - active employees	-	-	-	-	-	-	-
Net investment income	72,006	68,071	(113,599)	125,898	17,862	20,580	435,228
Benefit payments	(6,197)	(4,889)	(8,509)	(8,592)	(8,472)	(8,503)	(7,940)
Trust administrative expense	(2,654)	(2,393)	(2,556)	(1,624)	(1,475)	(1,587)	(1,184)
Net change in plan fiduciary net position	69,352	65,678	(116,155)	124,274	16,387	18,993	434,044
Plan fiduciary net position - ending (b)	653,275	583,923	477,543	593,698	469,424	453,037	434,044
Tower Foundation's net OPEB (asset) liability - ending (a) - (b)	\$ (407,345)	\$ (402,485)	\$ (360,855)	\$ (392,322)	\$ (278,852)	\$ (248,153)	\$ (242,567)

Information presented prospectively beginning with 2018 due to implementation of GASB 75.

Plan fiduciary net position as a percentage of the total OPEB liability	266%	322%	409%	295%	246%	221%	227%
Covered payroll	\$ 1,165,142	\$ 1,061,022	N/A	N/A	\$ 1,189,900	\$ 1,438,201	N/A
Tower Foundation's net OPEB (asset) liability as a percentage of covered payroll	-35%	-38%	N/A	N/A	-23%	-17%	N/A

**Tower Foundation of San José State University
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**Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2026**

Notes to schedule:

Valuation date:	6/30/2024
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Asset valuation method	Market Value
Inflation	2.80
Health care cost trend rates at June 30, 2025	8.50% (pre-65) and 7.00% (post-65) in 2025/26, decreasing 0.25% annually to 4.50% in 2041/42
Salary increases	2.80%
Investment rate of return	6.38%
Discount rate	6.38%
Mortality	Pub-2016 General Headcount-Weighted Mortality Table, fully generational using MP-2021
Mortality improvements	Scale MP-2021
Benefit changes	None
Changes in actuarial assumptions and methods	None

Supplementary Information

Tower Foundation of San José State University

Schedule of Net Position June 30, 2026 (for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	19,006,799
Short-term investments	48,109,157
Accounts receivable, net	3,920,137
Lease receivable, current portion	—
P3 receivable, current portion	—
Notes receivable, current portion	1,100,000
Pledges receivable, net, current portion	4,831,655
Prepaid expenses and other current assets	152,050
Total current assets	77,119,798
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Lease receivable, net of current portion	—
P3 receivable, net of current portion	—
Notes receivable, net of current portion	39,200,000
Student loans receivable, net	—
Pledges receivable, net	5,708,354
Endowment investments	271,408,258
Other long-term investments	—
Capital assets, net	151,291
Other assets	30,370,046
Total noncurrent assets	346,837,949
Total assets	423,957,747
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	64,524
Leases	—
P3	—
Others	—
Total deferred outflows of resources	64,524
Liabilities:	
Current liabilities:	
Accounts payable	548,441
Accrued salaries and benefits payable	—
Accrued compensated absences - current portion	179,414
Unearned revenues	—
Lease Liabilities - current portion	—
SBITA liabilities - current portion	47,228
P3 liabilities - current portion	—
Long-term debt obligations - current portion	1,100,000
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts - current portion	—
Other liabilities, current	5,993,441
Total current liabilities	7,868,524
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Lease liabilities, net of current portion	—
SBITA liabilities, net of current portion	106,918
P3 liabilities, net of current portion	—
Long-term debt obligations, net of current portion	39,200,000
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	2,227,493
Total noncurrent liabilities	41,534,411
Total liabilities	49,402,935
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	116,354
Unamortized gain on debt refunding(s)	—
Nonexchange transactions	—
Leases	—
P3	—
Others	—
Total deferred inflows of resources	116,354
Net position:	
Net investment in capital assets	—
Restricted for:	
Endowments	178,273,231
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	183,712,646
Unrestricted	12,517,105
Total net position	374,502,982

Tower Foundation of San José State University

Schedule of Revenues, Expenses and Changes in Net Position June 30, 2026 (for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student Tuition & Fees, gross	—
Scholarship allowances, enter as negative	—
Student Financial Aid Grants:	
Federal Financial Aid Grants	—
State Financial Aid Grants	—
Local Financial Aid Grants	—
Nongovernmental and Other Financial Aid Grants	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of Educational Activities	—
Sales and services Auxiliary Enterprises, gross	—
Scholarship allowances for sales of auxiliary enterprises	—
Other operating revenues	33,402,660
Total operating revenues	33,402,660
Expenses:	
Operating expenses:	
Instruction	567,558
Research	—
Public service	—
Academic support	12,294,066
Student services	6,775,894
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	5,532,087
Auxiliary enterprise expenses	6,370,585
Depreciation and amortization	44,979
Total operating expenses	31,585,169
NonCapital Subsidies:	
State appropriations	—
Gifts	—
Other Noncapital Subsidies received/(provided)	—
Federal Noncapital Subsidies received/(provided)	—
Total NonCapital Subsidies Provided:	—
Operating Income (Loss) and NonCapital Subsidies:	1,817,491
Nonoperating revenues (expenses):	
Federal Subsidies, capital received/(provided)	—
State appropriations, capital	—
Capital Subsidies received/(provided)	—
Grants and gifts, capital	—
Investment income (loss), net	6,869,501
Endowment income (loss), net	37,465,899
Interest Revenue	—
Interest Expense	(1,032,520)
Gains or losses on capital assets	—
Additions/reductions to permanent endowments	11,105,991
Total nonoperating revenues (expenses)	54,408,871
Increase (decrease) in net position	56,226,362
Net position:	
Net position at beginning of year, as previously reported	318,276,620
Restatements	—
Net position at beginning of year, as restated	318,276,620
Net position at end of year	374,502,982

Tower Foundation of San José State University

Other Information June 30, 2026 (for inclusion in the California State University)

1. Cash and cash equivalents					
Portion of restricted cash and cash equivalents related to endowments					
All other restricted cash and cash equivalents					
Noncurrent restricted cash and cash equivalents		-			
Current cash and cash equivalents		19,006,799			
Total		\$ 19,006,799			
2.1 Composition of investments					
Investment Type	Current	Noncurrent	Total		
Money market funds	87,050	460,100	547,150		
U.S. treasury securities	28,550,522	-	28,550,522		
Mortgage backed securities	4,703,161	-	4,703,161		
Mutual funds	10,314,320	81,278,596	91,592,916		
Exchange traded funds		106,307,018	106,307,018		
Equity securities	527,175	21,924,147	22,451,322		
Alternative investments:					
Private equity (including limited partnerships)	3,926,929	61,438,397	65,365,326		
Total investments	48,109,157	271,408,258	319,517,415		
Less endowment investments (enter as negative number)	-	(271,408,258)	(271,408,258)		
Total investments, net of endowments	\$ 48,109,157	\$ -	\$ 48,109,157		
2.2 Fair value hierarchy in investments					
Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	547,150	547,150	-	-	-
U.S. treasury securities	28,550,522	-	28,550,522	-	-
Mortgage backed securities	4,703,161	-	4,703,161	-	-
Mutual funds	91,592,916	91,592,916	-	-	-
Exchange traded funds	106,307,018	106,307,018	-	-	-
Equity securities	22,451,322	22,451,322	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	65,365,326	-	-	-	65,365,326
Total investments	\$ 319,517,415	\$ 220,898,406	\$ 33,253,683	\$ -	\$ 65,365,326
2.3 Investments held by the University under contractual agreements					
		Nothing to report			

Tower Foundation of San José State University

**Other Information
June 30, 2026
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3.1 Capital Assets									
	Balance June 30, 2025	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2025 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2026
Composition of capital assets - SBITA ROU, net									
Depreciable/Amortizable SBITA assets:									
Software	\$ 245,337	\$ -	\$ -	\$ -	\$ 245,337	\$ -	\$ -	\$ -	\$ 245,337
Total depreciable/amortizable SBITA assets	245,337	-	-	-	245,337	-	-	-	245,337
Less accumulated depreciation/amortization:									
Software	(49,067)	-	-	-	(49,067)	(44,979)	-	-	(94,046)
Total accumulated depreciation/amortization	(49,067)	-	-	-	(49,067)	(44,979)	-	-	(94,046)
Total capital assets - SBITA ROU, net	\$ 196,270	\$ -	\$ -	\$ -	\$ 196,270	\$ (44,979)	\$ -	\$ -	\$ 151,291
Does the component unit have any capital assets held for sale?	No								
3.2 Detail of depreciation and amortization expense									
Amortization expense - SBITA ROU	\$ 44,979								
Total depreciation and amortization	\$ 44,979								

Tower Foundation of San José State University

Other Information June 30, 2026 (for inclusion in the California State University)

4. Long-term liabilities								
	Balance June 30, 2025	Prior Period Adjustments/Recla ssifications	Balance June 30, 2025 (Restated)	Additions	Reductions	Balance June 30, 2026	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 110,639		\$ 110,639	\$ 68,775	\$ -	\$ 179,414	\$ 179,414	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations (pre ASC 842)	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.3 Notes payable (SRB related)	41,390,000	-	41,390,000	-	(1,090,000)	40,300,000	1,100,000	39,200,000
Sub-total long-term debt	41,390,000	-	41,390,000	-	(1,090,000)	40,300,000	1,100,000	39,200,000
Total long-term debt obligations	\$ 41,390,000	\$ -	\$ 41,390,000	\$ -	\$ (1,090,000)	\$ 40,300,000	\$ 1,100,000	\$ 39,200,000
5. Lease, SBITA, P3 liabilities:								
	Balance June 30, 2025	Prior Period Adjustments/Recla ssifications	Additions	Remeasurements	Reductions	Balance June 30, 2026	Current Portion	Noncurrent Portion
SBITA liabilities	\$ 192,575				\$ (38,429)	\$ 154,146	\$ 47,228	\$ 106,918
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 192,575	\$ -	\$ -	\$ -	\$ (38,429)	\$ 154,146	\$ 47,228	\$ 106,918
Total long-term liabilities						\$ 40,633,560	\$ 1,326,642	\$ 39,306,918

Tower Foundation of San José State University

**Other Information
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5. Future minimum payments schedule - leases, SBITA, P3												
	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:												
2027	-	-	-	47,228	7,727	54,955	-	-	-	47,228	7,727	54,955
2028	-	-	-	49,874	5,280	55,154	-	-	-	49,874	5,280	55,154
2029	-	-	-	52,448	2,706	55,154	-	-	-	52,448	2,706	55,154
2030	-	-	-	4,596	-	4,596	-	-	-	4,596	-	4,596
2031	-	-	-	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ 154,146	\$ 15,713	\$ 169,859	\$ -	\$ -	\$ -	\$ 154,146	\$ 15,713	\$ 169,859
Less: amounts representing interest												(15,713)
Present value of future minimum lease payments												154,146
Total Leases, SBITA, P3 liabilities												154,146
Less: current portion												(47,228)
Leases, SBITA, P3 liabilities, net of current portion												<u>\$ 106,918</u>

Tower Foundation of San José State University

Other Information June 30, 2026 (for inclusion in the California State University)

6. Future minimum payments schedule - Long-term debt obligations									
	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Interest	Principal Only	Interest Only	Interest	Principal Only	Interest Only	Interest
Year ending June 30:									
2027	\$ -	\$ -	\$ -	\$ 1,100,000	\$ 1,023,906	\$ 2,123,906	\$ 1,100,000	\$ 1,023,906	\$ 2,123,906
2028	-	-	-	1,110,000	1,010,072	2,120,072	1,110,000	1,010,072	2,120,072
2029	-	-	-	1,130,000	993,924	2,123,924	1,130,000	993,924	2,123,924
2030	-	-	-	1,145,000	975,747	2,120,747	1,145,000	975,747	2,120,747
2031	-	-	-	1,165,000	955,713	2,120,713	1,165,000	955,713	2,120,713
2032 - 2036	-	-	-	6,195,000	4,417,874	10,612,874	6,195,000	4,417,874	10,612,874
2037 - 2041	-	-	-	6,990,000	3,628,386	10,618,386	6,990,000	3,628,386	10,618,386
2042 - 2046	-	-	-	8,040,000	2,576,432	10,616,432	8,040,000	2,576,432	10,616,432
2047 - 2051	-	-	-	9,305,000	1,304,989	10,609,989	9,305,000	1,304,989	10,609,989
2052 - 2056	-	-	-	4,120,000	121,968	4,241,968	4,120,000	121,968	4,241,968
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ 40,300,000	\$ 17,009,011	\$ 57,309,011	\$ 40,300,000	\$ 17,009,011	\$ 57,309,011
Less: amounts representing interest									(17,009,011)
Present value of future minimum payments									40,300,000
Unamortized net premium/(discount)									-
Total long-term debt obligations									40,300,000
Less: current portion									(1,100,000)
Long-term debt obligations, net of current portion									\$ 39,200,000

Tower Foundation of San José State University

Other Information

June 30, 2026

(for inclusion in the California State University)

7. Transactions with related entities:	
Payments to University for salaries of University personnel working on contracts, grants, and other programs	4,373,116
Payments to University for other than salaries of University personnel	4,516,384
Payments received from University for services, space, and programs	7,572,722
Gifts (cash or assets) to the University from discretely presented component units	7,624,025
Accounts (payable to) University (enter as negative number)	(5,764,117)
Accounts receivable from University (enter as positive number)	3,920,137
8. Restatements	Nothing to report

9. Natural classifications of operating expenses:								
	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	284,391	283,167	-	-	-	-	-	567,558
Academic support	3,729,798	557,698	-	-	-	8,006,570	-	12,294,066
Student services	3,496,807	541,637	-	-	-	2,737,450	-	6,775,894
Student grants and scholarships	-	-	-	-	5,532,087	-	-	5,532,087
Auxiliary enterprise expenses	3,684,663	1,282,410	58,455	(792)		1,345,849		6,370,585
Depreciation and amortization	-	-		-	-	-	44,979	44,979
Total operating expenses	\$ 11,195,659	\$ 2,664,912	\$ 58,455	\$ (792)	\$ 5,532,087	\$ 12,089,869	\$ 44,979	\$ 31,585,169

Tower Foundation of San José State University

Other Information

June 30, 2026

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Select type of pension plan >>	Defined Contribution Plan
10. Deferred outflows/inflows of resources:	
1. Deferred Outflows of Resources	
Deferred outflows - net OPEB liability	64,524
Total deferred outflows of resources	\$ 64,524
2. Deferred Inflows of Resources	
Deferred inflows - net OPEB liability	116,354
Total deferred inflows of resources	\$ 116,354

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Tower Foundation of San José State University
(A California State University Auxiliary Organization)

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Tower Foundation of San José State University (the "Foundation"), a component unit of the California State University, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 16, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CohnReznick LLP" in a cursive script.

Los Angeles, California
September 16, 2026



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