



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

Financial Report
June 30, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Tower Foundation of San José State University

Report on the Financial Statements

We have audited the accompanying financial statements of the Tower Foundation of San José State University (a California State University auxiliary organization) (the Foundation), which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tower Foundation of San José State University as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's financial statements. The accompanying schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Tacoma, Washington
September 25, 2018

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

**Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017**

Management's Discussion and Analysis

This section of the Tower Foundation of San José State University's (the Foundation) annual financial report includes management's discussion and analysis of the financial performance of the Foundation for fiscal years ended June 30, 2018 and 2017. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to the Tower Foundation

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

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

The Foundation's board of directors is composed of up to 43 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.

Introduction to the Financial Statements

The Foundation's financial statements include the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

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

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

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

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

**Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017**

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, 2018, 2017 and 2016. Included are comparative analyses of current year and prior years' activities and balances and a discussion of restrictions of the Foundation's net position.

Condensed Summary of Net Position

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 29,076,233	\$ 31,976,666	\$ 36,919,280
Other noncurrent assets	179,534,295	170,928,813	154,370,860
Total assets	<u>\$ 208,610,528</u>	<u>\$ 202,905,479</u>	<u>\$ 191,290,140</u>
Liabilities:			
Current liabilities	\$ 1,318,189	\$ 1,456,270	\$ 885,409
Noncurrent liabilities	241,212	482,109	503,612
Total liabilities	<u>\$ 1,559,401</u>	<u>\$ 1,938,379</u>	<u>\$ 1,389,021</u>
Net position:			
Restricted, nonexpendable endowments	\$ 111,922,893	\$ 106,878,230	\$ 102,525,117
Expendable:			
Endowments	11,099,810	10,322,024	7,093,367
Other	77,933,447	75,952,818	72,066,302
Unrestricted:			
Board designated	1,858,141	1,631,845	1,300,247
Other	4,236,836	6,182,183	6,916,086
Total net position	<u>\$ 207,051,127</u>	<u>\$ 200,967,100</u>	<u>\$ 189,901,119</u>

Assets: Total assets increased \$5.7 million from fiscal year (FY) 2017 to FY 2018 due primarily to an increase of \$7.9 million in restricted cash and investments, offset by a \$2.0 million decrease in pledges receivable. Total assets increased \$11.6 million from FY 2016 to FY 2017 due primarily to an increase of \$20.4 million in restricted cash and investments from realized and unrealized gains, offset by an \$8.1 million decrease in cash and cash equivalents primarily due to scholarship support to the University.

Current assets decreased \$2.9 million from FY 2017 to FY 2018 due primarily to a decrease of \$1.7 million in current portion of pledges receivable and decrease of \$1.2 million in cash and cash equivalents. Current assets decreased \$4.9 million from FY 2016 to FY 2017 due primarily to a decrease of \$8.1 million in cash and cash equivalents, offset by an increase of \$3.1 million in current portion of pledges receivable.

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

**Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017**

Condensed Summary of Net Position (Continued)

Other noncurrent assets increased \$8.6 million from FY 2017 to FY 2018 due primarily to an increase of \$7.9 million in restricted cash and investments and increase of \$1.6 million in bequests receivable, offset by a \$0.7 million decrease in note receivable. Other noncurrent assets increased \$16.6 million from FY 2016 to FY 2017 due primarily to an increase of \$20.4 million in restricted cash and investments from realized and unrealized gains, offset by a \$3.6 million in pledges receivable.

Liabilities: Current liabilities remained approximately the same from FY 2017 to 2018 and increased \$0.6 million from FY 2016 to FY 2017.

Net position: Total net position increased by \$6.1 million from FY 2017 to FY 2018 due primarily to an increase of \$5.0 million in restricted nonexpendable endowments. Total net position increased by \$11.1 million from FY 2016 to FY 2017 due primarily to an increase of \$7.0 million in expendable other and in restricted nonexpendable endowments of \$4.4 million.

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

Restricted net position:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nonexpendable	<u>\$ 111,922,893</u>	<u>\$ 106,878,230</u>	<u>\$ 102,525,117</u>
Expendable:			
Endowment	\$ 11,099,810	\$ 10,322,024	\$ 7,093,367
Other	<u>77,933,447</u>	<u>75,952,818</u>	<u>72,066,302</u>
	<u>\$ 89,033,257</u>	<u>\$ 86,274,842</u>	<u>\$ 79,159,669</u>

Nonexpendable net position increased \$5.0 million in FY 2018 and \$4.4 million in FY 2017 primarily due to new gifts to the endowment.

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

**Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues:			
Gifts, pledges and bequests	\$ 20,747,841	\$ 19,317,289	\$ 39,743,708
Nonmonetary gifts	836,336	1,934,716	889,276
Administration fee income	3,241,855	2,674,732	3,000,213
Other	1,108,431	992,097	896,284
Total operating revenues	<u>25,934,463</u>	<u>24,918,834</u>	<u>44,529,481</u>
Operating expenses:			
Support activities of SJSU	27,570,470	29,507,923	20,806,931
General and administrative	2,476,210	2,578,342	2,302,246
Total operating expenses	<u>30,046,680</u>	<u>32,086,265</u>	<u>23,109,177</u>
Total operating (loss) income	<u>(4,112,217)</u>	<u>(7,167,431)</u>	<u>21,420,304</u>
Nonoperating revenues (expenses):			
Interest and dividend income	3,178,424	2,549,076	2,490,582
Net increase (decrease) in fair value of investments	6,705,714	14,955,836	(4,002,488)
Total nonoperating revenues (expenses)	<u>9,884,138</u>	<u>17,504,912</u>	<u>(1,511,906)</u>
Other changes in net position, including transfers of assets from related organizations	312,106	728,500	409,998
Changes in net position	<u>6,084,027</u>	<u>11,065,981</u>	<u>20,318,396</u>
Net position:			
Beginning of year	<u>200,967,100</u>	<u>189,901,119</u>	<u>169,582,723</u>
End of year	<u>\$ 207,051,127</u>	<u>\$ 200,967,100</u>	<u>\$ 189,901,119</u>

Operating revenues: Gifts, pledges and bequests increased by \$1.4 million from FY 2017 to FY 2018 and decreased by \$20.4 million from FY 2016 to FY 2017.

Nonmonetary gifts decreased by \$1.1 million from FY 2017 to FY 2018 and increased by \$1.0 million from FY 2016 to FY 2017.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017**

Administration fee income increased by \$0.6 million from FY 2017 to FY 2018 due to an increase in grant accounts with higher administration fee structure. It decreased by \$0.3 million from FY 2016 to FY 2017 due to a change in administrative fee structure for endowment funds.

Other operating revenues remained consistent from FY 2017 to FY 2018 and from FY 2016 to FY 2017.

Operating expenses: Expenses for support activities of SJSU are principally the use of gift funds for programs, scholarships and other academic activities of the University. These expenses decreased by \$1.9 million from FY 2017 to FY 2018 and increased by \$8.7 million from FY 2016 to FY 2017.

General and administrative expenses decreased by \$0.1 million from FY 2017 to FY 2018 and increased by \$0.3 million from FY 2016 to FY 2017. General and administrative expenses represent 10.8 percent, 10.4 percent and 5.2 percent of operating revenue in 2018, 2017 and 2016, respectively.

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 interest expense, investment income, realized gains and losses on investment sales, and changes in the fair value of investments.

Investment income decreased by \$7.6 million from FY 2017 to FY 2018 and increased by \$19.0 million from FY 2016 to FY 2017 due to changes in the fair value of investments.

Transfer of assets from affiliated organizations: From FY 2017 to FY 2018, transfer of assets from affiliated organizations decreased by \$0.4 million. From FY 2016 to FY 2017, transfer of assets from affiliated organizations increased by \$0.3 million.

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

**Statements of Net Position
June 30, 2018 and 2017**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,673,705	\$ 23,874,990
Pledges receivable, current portion, net of allowance for uncollectible pledges of \$111,438 and \$146,160 in 2018 and 2017, respectively (Note 2)	5,460,445	7,161,820
Note receivable, current portion (Note 3)	706,879	679,691
Due from affiliated auxiliary organizations (Note 7)	-	144,714
Prepaid expenses and other	235,204	115,451
Total current assets	29,076,233	31,976,666
Noncurrent assets:		
Pledges receivable, less current portion, net of allowance for uncollectible pledges of \$365,490 and \$371,390 in 2018 and 2017, respectively (Note 2)	16,482,651	16,813,079
Bequests receivable (Note 2)	5,235,466	3,684,616
Note receivable, less current portion (Note 3)	1,471,530	2,151,178
Charitable gift annuity receivable	942,764	708,804
Funds held in trust	555,929	484,501
Restricted cash and investments (Note 4)	153,940,250	146,036,110
Other assets	905,705	1,050,525
Total noncurrent assets	179,534,295	170,928,813
Total assets	\$ 208,610,528	\$ 202,905,479
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 945,807	\$ 429,339
Due to affiliated auxiliary organizations (Note 7)	330,342	955,476
Funds held in trust liability	42,040	71,455
Total current liabilities	1,318,189	1,456,270
Noncurrent liabilities, funds held in trust liability, net of current	241,212	482,109
Total liabilities	1,559,401	1,938,379
Commitments and contingencies (Notes 9 and 10)		
Net position:		
Restricted for:		
Nonexpendable endowments	111,922,893	106,878,230
Expendable:		
Endowments	11,099,810	10,322,024
Other	77,933,447	75,952,818
Unrestricted:		
Board designated	1,858,141	1,631,845
Other	4,236,836	6,182,183
Total net position	\$ 207,051,127	\$ 200,967,100

See notes to financial statements.

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

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017**

	2018	2017
Operating revenues:		
Gifts, pledges and bequests	\$ 20,747,841	\$ 19,317,289
Nonmonetary gifts	836,336	1,934,716
Administration fee income (Note 6)	3,241,855	2,674,732
Other	1,108,431	992,097
Total operating revenues	25,934,463	24,918,834
Operating expenses:		
Support activities of San José State University	27,570,470	29,507,923
General and administrative	2,476,210	2,578,342
Total operating expenses	30,046,680	32,086,265
Operating loss	(4,112,217)	(7,167,431)
Nonoperating revenues:		
Interest and dividend income	3,178,424	2,549,076
Net increase in fair value of investments	6,705,714	14,955,836
Increase in net position before transfers	5,771,921	10,337,481
Transfers from San José State University affiliated organizations (Note 8)	312,106	728,500
Change in net position	6,084,027	11,065,981
Net position, beginning of year	200,967,100	189,901,119
Net position, end of year	\$ 207,051,127	\$ 200,967,100

See notes to financial statements.

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

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 21,228,794	\$ 19,789,230
Other receipts	4,350,286	3,666,829
Payments for support activities of San José State University	(27,654,175)	(28,979,103)
Payments for general and administrative	(2,476,210)	(2,578,342)
Net cash used in operating activities	(4,551,305)	(8,101,386)
Cash flows from noncapital financing activities:		
Transfer from San José State University affiliated organizations	312,106	728,500
Cash flows from investing activities:		
Increase in restricted endowments	4,970,759	6,789,709
Interest and dividends on investments	3,178,424	2,549,076
Increase (decrease) in other assets	144,820	(3,391,023)
Decrease in funds held in trust	(270,312)	(21,683)
Proceeds from sales and maturities of investments	53,171,823	60,613,214
Purchases of investments	(58,157,600)	(67,227,990)
Net cash provided by (used in) investing activities	3,037,914	(688,697)
Net decrease in cash and cash equivalents	(1,201,285)	(8,061,583)
Cash and cash equivalents, beginning of year	23,874,990	31,936,573
Cash and cash equivalents, end of year	\$ 22,673,705	\$ 23,874,990
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,112,217)	\$ (7,167,431)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Noncash gifts	(836,336)	(1,934,716)
Changes in assets and liabilities:		
Decrease in pledges and bequests receivable	480,953	471,941
Decrease (increase) in due from affiliate	144,714	(137,714)
(Increase) decrease in prepaid expenses and other	(119,753)	95,493
Increase (decrease) in accounts payable and accrued liabilities	516,468	(262,178)
(Decrease) increase in due to affiliated auxiliary organizations	(625,134)	833,219
Net cash used in operating activities	\$ (4,551,305)	\$ (8,101,386)
Noncash investing activities:		
Increase in fair value of investments	\$ 421,115	\$ 10,035,950

See notes to financial statements.

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

Notes to Financial Statements

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

Organization: The Tower Foundation of San José State University (the Foundation), a nonprofit organization incorporated under Internal Revenue Code (IRC) 501(c)(3), is an auxiliary organization of San José State University (the University) and the California State University System. The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives, to supplement programs and activities of the University, and to promote and assist the educational services of the University. The Foundation receives funding from various sources and also manages the use of such funding for the benefit of the University. The Foundation utilizes endowment management and administrative fees to cover the cost of operations and administration of the Foundation's activities, including personnel and administration.

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

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

Summary of significant accounting policies is as follows:

Basis of presentation: The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Foundation 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.

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

Cash and cash equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less and certificates of deposit that are deemed readily convertible to cash to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Foundation had \$8,720,513 and \$6,943,437 held in bank deposits in excess of federally insured limits during the years ended June 30, 2018 and 2017, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges receivable: Unconditional promises of private gifts to the Foundation are recorded as pledges receivable and revenue in the year promised, at the present value of expected cash flows. Conditional promises and intentions to give are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirements are met. There were no conditional promises to give at June 30, 2018 or 2017.

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

Notes to Financial Statements

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

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

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. The real estate investment is valued based on the appraisal report. 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. Dividend and interest income are recorded when earned.

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

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

Compensated absences: The Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are not paid for unused sick leave at the end of employment. At June 30, 2018, the Foundation had a balance of \$94,934 of compensated absences. In 2018, \$105,050 of compensated absences was earned and \$92,388 was used. At June 30, 2017, the Foundation had a balance of \$82,272 of compensated absences. In 2017, \$96,126 of compensated absences was earned and \$82,095 was used.

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

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

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

Unrestricted net position: All net position that is not subject to donor-imposed restrictions is reported as unrestricted net position. In addition, unrestricted net position may be designated by the board of directors of the Foundation. Revenues are generated through unrestricted gifts.

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.

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

Notes to Financial Statements

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

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

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC as a nonprofit organization whereby only unrelated business income is subject to federal income tax. 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 years before 2015.

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

Note 2. Pledges and Bequests Receivable

Outstanding pledges receivable at June 30 are as follows:

	2018	2017
Less than one year	\$ 5,571,883	\$ 7,307,980
One to five years	15,120,487	15,035,962
More than five years	3,154,028	3,533,537
	<u>23,846,398</u>	<u>25,877,479</u>
Less discount to present value	(1,426,374)	(1,385,030)
Less allowance for uncollectible pledges	(476,928)	(517,550)
	<u>\$ 21,943,096</u>	<u>\$ 23,974,899</u>

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

	2018	2017
Current	\$ 5,460,445	\$ 7,161,820
Long-term	16,482,651	16,813,079
	<u>\$ 21,943,096</u>	<u>\$ 23,974,899</u>

Pledges due beyond one year have been discounted at an annual rate in a range between 0.70 percent and 4.50 percent. The Foundation has not experienced significant losses on pledges and, therefore, management has determined that the allowance for uncollectible pledges has been appropriately estimated at approximately 2 percent of pledges.

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

Notes to Financial Statements

Note 2. Pledges and Bequests Receivable (Continued)

Bequests receivable at June 30 are as follows:

	2018	2017
Total bequests	\$ 9,900,000	\$ 7,500,000
Less discount to present value	(4,664,534)	(3,815,384)
	<u>\$ 5,235,466</u>	<u>\$ 3,684,616</u>

Irrevocable planned gifts are recorded when received and are discounted to their present value based on the life expectancy of the donor. The planned gifts are generally distributed out of the estate of the donor upon his or her death. Bequests have been discounted at an annual rate ranging from 4.93 percent to 5.19 percent.

Note 3. Notes Receivable

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

Notes receivable at June 30 are as follows:

	2018	2017
Total notes receivable	\$ 2,206,593	\$ 2,886,283
Less discount to present value	(28,184)	(55,414)
	<u>\$ 2,178,409</u>	<u>\$ 2,830,869</u>
Less than one year	\$ 706,879	\$ 679,691
One to five years	1,499,714	2,206,592
	2,206,593	2,886,283
Less discount to present value	(28,184)	(55,414)
	<u>\$ 2,178,409</u>	<u>\$ 2,830,869</u>

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

Notes to Financial Statements

Note 4. Restricted Cash and Investments

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

	2018	2017
Cash restricted for investment	\$ 2,585,119	\$ 1,129,835
Equity investments - value funds	22,858,061	20,873,064
Equity investments - growth funds	18,131,164	17,112,469
Equity investments - small cap	12,039,953	293,202
Alternative investments	7,622,363	6,195,292
Mutual funds:		
Real estate	7,086,698	6,666,298
Commodities	4,628,202	4,171,105
Fixed income	21,255,758	21,290,890
Equity	35,671,882	46,563,947
All asset fund	22,061,050	21,740,008
	<u>\$ 153,940,250</u>	<u>\$ 146,036,110</u>

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

The long-term investment objective of the Policy is to preserve the endowment funds' capital, protect the purchasing power of the endowment funds and provide cash flows to assist in the funding of the Foundation's spending goals. With this in mind, the portfolio shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents and other investments, all of which may reflect varying rates of return. The return objective will be to outperform a custom benchmark made up of 60 percent Russell 3000, 20 percent MSCI ACWI (excluding U.S.) and 20 percent Barclays Capital Aggregate Bond Index over a complete market cycle of three to five years. The total portfolio should also experience less risk, as measured by the standard deviation, than that of a custom benchmark made up of 60 percent Russell 3000, 20 percent MSCI ACWI (excluding U.S.) and 20 percent Barclays Capital Aggregate Bond Index over a complete market cycle of three to five years.

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

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

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

Notes to Financial Statements

Note 4. Restricted Cash and Investments (Continued)

Concentration of credit risk: The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Foundation did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5 percent or more of the Foundation's total investments for the years ended June 30, 2018 and 2017.

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

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

Note 5. 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. The Foundation's Level 2 consists of real estate investment based on appraisal value. 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.

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

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

The following table summarizes the Foundation's investments fair value hierarchy:

Description	June 30, 2018	Fair Value Measurement at Reporting Date Using			Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Restricted Investments:					
Equity investments - value funds	\$ 22,858,061	\$ 22,858,061	\$ -	\$ -	\$ -
Equity investments - growth funds	18,131,164	18,131,164	-	-	-
Equity investments - small cap	12,039,953	12,039,953	-	-	-
Alternative investments	7,622,363	-	-	-	7,622,363
Mutual funds:					
Real estate	7,086,698	7,086,698	-	-	-
Commodities	4,628,202	4,628,202	-	-	-
Fixed income	21,255,758	21,255,758	-	-	-
Equity	35,671,882	35,671,882	-	-	-
All asset fund	22,061,050	22,061,050	-	-	-
Other assets	905,705	106,456	-	-	799,249
	<u>\$ 152,260,836</u>	<u>\$ 143,839,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,421,612</u>

Description	June 30, 2017	Fair Value Measurement at Reporting Date Using			Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Restricted Investments:					
Equity investments - value funds	\$ 20,873,064	\$ 20,873,064	\$ -	\$ -	\$ -
Equity investments - growth funds	17,112,469	17,112,469	-	-	-
Equity investments - small cap	293,202	293,202	-	-	-
Alternative investments	6,195,292	-	-	-	6,195,292
Mutual funds:					
Real estate	6,666,298	6,666,298	-	-	-
Commodities	4,171,105	4,171,105	-	-	-
Fixed income	21,290,890	21,290,890	-	-	-
Equity	46,563,947	46,563,947	-	-	-
All asset fund	21,740,008	21,740,008	-	-	-
Other assets	1,050,525	94,692	255,000	-	700,833
	<u>\$ 145,956,800</u>	<u>\$ 138,805,675</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 6,896,125</u>

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

Notes to Financial Statements

Note 6. Administration Fees

The Foundation charges an administrative fee of 5 percent to various colleges and departments within the University on all disbursements out of any expendable fund, with the exception of the scholarship fund. The grant accounts have administrative fees between zero and 10 percent. Administrative fees of \$1,086,371 and \$722,874 were charged by the Foundation for the years ended June 30, 2018 and 2017, respectively.

In addition, the Foundation charges an annual 2 percent administration fee for endowments with total gifts of less than \$1 million and 1 percent administration fee for endowments with total gifts of over \$1 million. The fees are calculated monthly based on the allocated market value of the total endowment portfolio. The Foundation charged the endowment funds \$2,155,484 and \$1,951,858 for the years ended June 30, 2018 and 2017, respectively.

Note 7. Related-Party Transactions

The Foundation is an auxiliary organization of the University dedicated solely to philanthropy. Accordingly, related parties of the Foundation include the University and other auxiliaries of the University.

At June 30, 2017, the Foundation received a pledge from Student Union, an affiliated organization, for \$3 million to fund a project on campus. The Foundation received the payment of \$3 million during fiscal year 2018.

The Foundation had receivables (payables) with related parties as of June 30 as follows:

	2018	2017
Receivable from the University	\$ -	\$ 141,714
Receivable from other affiliated organizations	-	3,000
	<u>\$ -</u>	<u>\$ 144,714</u>
Accrued expense payable to the University	\$ (139,789)	\$ (903,938)
Payable to other affiliated organizations	(190,553)	(51,538)
	<u>\$ (330,342)</u>	<u>\$ (955,476)</u>

Note 8. Transfer of Assets

San José State University affiliated organizations transferred \$312,106 and \$728,500 to the Foundation in 2018 and 2017, respectively. These transfers represent support to various campus programs.

Note 9. Commitments and Contingencies

As part of investments with ten private equity funds, the Foundation has committed to fund future capital calls for the funds in the amount of \$4,667,476 and \$5,484,116 at June 30, 2018 and 2017, respectively.

The Foundation has various commitments and is contingently liable in connection with claims and contracts arising in the normal course of its activities. Foundation management believes the outcome of such matters will not have a significant effect on the financial position or results of activities of the Foundation. Thus, no reserve has been reflected in the financial statements as of June 30, 2018 and 2017.

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

Notes to Financial Statements

Note 10. Retirement Plan and Postemployment Benefits

The Foundation offers a defined contribution plan and postemployment medical benefits to eligible employees.

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

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

The Foundation contributed \$73,527 and \$55,900 for the years ended June 30, 2018 and 2017, respectively.

Postemployment benefits plan:

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

Funding policy: The Foundation adopted entry age normal cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan supports the use of a 6.00 percent interest rate and amortizes unfunded actuarial accrued liability over 30 years on a level dollar basis, with projected salary increases of 3.25 percent per year.

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

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

The Foundation has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution. The Foundation had no OPEB liability at June 30, 2018 and 2017.

Note 11. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 25, 2018, the date of the auditor's report.

Tower Foundation of San José State University
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 22,673,705
Short-term investments	-
Accounts receivable, net	-
Capital lease receivable, current portion	-
Notes receivable, current portion	706,879
Pledges receivable, net	5,460,445
Prepaid expenses and other current assets	235,204
Total current assets	<u>29,076,233</u>
Noncurrent assets:	
Restricted cash and cash equivalents	2,585,119
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	1,471,530
Student loans receivable, net	-
Pledges receivable, net	16,482,651
Endowment investments	151,355,131
Other long-term investments	905,705
Capital assets, net	-
Other assets	6,734,159
Total noncurrent assets	<u>179,534,295</u>
Total assets	<u>208,610,528</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	990,145
Accrued salaries and benefits	149,703
Accrued compensated absences, current portion	94,934
Unearned revenues	41,278
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	42,129
Total current liabilities	<u>1,318,189</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	241,212
Total noncurrent liabilities	<u>241,212</u>
Total liabilities	<u>1,559,401</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	111,922,893
Expendable:	
Scholarships and fellowships	3,858,422
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	85,174,835
Unrestricted	6,094,977
Total net position	<u>\$ 207,051,127</u>

Tower Foundation of San José State University
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2018
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	-
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	4,350,286
Total operating revenues	<u>4,350,286</u>
Expenses:	
Operating expenses:	
Instruction	554,325
Research	-
Public service	-
Academic support	10,113,244
Student services	8,486,843
Institutional support	4,557,636
Operation and maintenance of plant	-
Student grants and scholarships	3,858,422
Auxiliary enterprise expenses	2,476,210
Depreciation and amortization	-
Total operating expenses	<u>30,046,680</u>
Operating income (loss)	<u>(25,696,394)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	15,994,250
Investment income (loss), net	3,178,424
Endowment income (loss), net	6,705,714
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	312,106
Other nonoperating revenues (expenses) - interagency transfers	-
Net nonoperating revenues (expenses)	<u>26,190,494</u>
Income (loss) before other revenues (expenses)	494,100
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	5,589,927
Increase (decrease) in net position	6,084,027
Net position:	
Net position at beginning of year, as previously reported	200,967,100
Restatements	-
Net position at beginning of year, as restated	<u>200,967,100</u>
Net position at end of year	<u>\$ 207,051,127</u>

Tower Foundation of San José State University
Other Information
June 30, 2018
(for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2018:	
	Portion of restricted cash and cash equivalents related to endowments	\$ 2,585,119
	All other restricted cash and cash equivalents	-
	Total restricted cash and cash equivalents	<u>\$ 2,585,119</u>

2.1 Composition of investments at June 30, 2018:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	90,810,046	90,810,046	90,810,046
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	53,029,178	53,029,178	53,029,178
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	7,622,363	7,622,363	7,622,363
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	799,249	799,249	799,249
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,260,836</u>	<u>152,260,836</u>	<u>152,260,836</u>
Less endowment investments (enter as negative number)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,355,131)</u>	<u>(151,355,131)</u>	<u>(151,355,131)</u>
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 905,705</u>	<u>\$ 905,705</u>	<u>\$ 905,705</u>

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2018
(for inclusion in the California State University)

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
2.2 Investments held by the University under contractual agreements at June 30, 2018:							
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.3 Restricted current investments at June 30, 2018 related to:	Amount						
Add description	\$ -						
Add description	-						
Add description	-						
Add description	-						
Add description	-						
Add description	-						
Add description	-						
Total restricted current investments at June 30, 2018	\$ -						
2.4 Restricted noncurrent investments at June 30, 2018 related to:	Amount						
Endowment investment	\$ 151,355,131						
Scholarships	-						
Inflation reserves	-						
University projects	-						
Other investments	905,705						
Add description	-						
Add description	-						
Add description	-						
Total restricted noncurrent investments at June 30, 2018	\$ 152,260,836						

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2018
(for inclusion in the California State University)

2.5 Fair value hierarchy in investments at June 30, 2018:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Mutual funds	90,810,046	90,810,046	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	53,029,178	53,029,178	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	7,622,363	-	-	-	7,622,363
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	799,249	-	-	-	799,249
Other external investment pools (excluding SWIFT)					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Other major investments:					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Total investments	\$ 152,260,836	\$ 143,839,224	\$ -	\$ -	\$ 8,421,612

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	-	-	-	-	-	-	-	-
Total capital assets	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-
Total capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$ -
Amortization expense related to other assets	-
Total depreciation and amortization	\$ -

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior Period Adjustments	Reclassifications	Balance June 30, 2017 (Restated)	Additions	Reductions	Balance June 30, 2018	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 82,272	\$ -	\$ -	\$ 82,272	\$ 105,050	\$ (92,388)	\$ 94,934	\$ 94,934	\$ -
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	-	-	-	-	-
Others: (list by type)									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 82,272	\$ -	\$ -	\$ 82,272	\$ 105,050	\$ (92,388)	\$ 94,934	\$ 94,934	\$ -

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5 Future minimum lease payments - capitalized lease obligations:

	Capitalized Lease Obligations Related to SRB			All Other Capitalized Lease Obligations			Total Capitalized Lease Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
2064 - thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium (discount)									-
Total capitalized lease obligations									-
Less: current portion									-
Capitalized lease obligation, net of current portion									\$ -

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6 Long-term debt obligation schedule:

	Auxiliary Revenue Bonds			All Other Long-Term Debt Obligations			Total Long-Term Debt Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
2064 - thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

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7 Calculation of net position:

7.1 Calculation of net position - net investment in capital assets:

Capital assets, net of accumulated depreciation	\$	-
Capitalized lease obligations, current portion		-
Capitalized lease obligations, net of current portion		-
Long-term debt obligations, current portion		-
Long-term debt obligations, net of current portion		-
Portion of outstanding debt that is unspent at year-end		-
Other adjustments: (please list)		
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Net position - net investment in capital assets	\$	-

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

Portion of restricted cash and cash equivalents related to endowments	\$	2,585,119
Endowment investments		151,355,131
Other adjustments: (please list)		
Restricted expendable endowments		(11,099,810)
Net accumulated change in market value		(30,917,547)
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Net position - restricted for nonexpendable - endowments	\$	111,922,893

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8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,304,957
Payments to University for other than salaries of University personnel	2,947,299
Payments received from University for services, space, and programs	215,181
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	4,159,635
Accounts (payable to) University (enter as negative number)	(139,789)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	-
Other amounts receivable from University	-

9 Other postemployment benefits obligation (OPEB):

Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		\$ 200,967,100
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2017, as restated		\$ 200,967,100

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

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

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12 **Natural Classifications of Operating Expenses:**

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and Fellowships</u>	<u>Supplies and Other Services</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
Instruction	\$ 397,443	\$ 156,882	\$ -	\$ -	\$ -	\$ 554,325
Research	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	2,694,592	470,489	-	6,948,163	-	10,113,244
Student services	-	-	-	8,486,843	-	8,486,843
Institutional support	-	-	-	4,557,636	-	4,557,636
Operation and maintenance of plant	-	-	-	-	-	-
Student grants and scholarships	-	-	3,858,422	-	-	3,858,422
Auxiliary enterprise expenses	924,201	664,797	-	887,212	-	2,476,210
Depreciation and amortization	-	-	-	-	-	-
Total	<u>\$ 4,016,236</u>	<u>\$ 1,292,168</u>	<u>\$ 3,858,422</u>	<u>\$ 20,879,854</u>	<u>\$ -</u>	<u>\$ 30,046,680</u>