



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

Financial Report
June 30, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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 24, 2019

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

**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

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, 2019 and 2018. 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, 2019 and 2018**

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, 2019, 2018 and 2017. 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>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Current assets	\$ 27,893,767	\$ 29,076,233	\$ 31,976,666
Other noncurrent assets	183,747,094	179,534,295	170,928,813
Total assets	<u>\$ 211,640,861</u>	<u>\$ 208,610,528</u>	<u>\$ 202,905,479</u>
Liabilities:			
Current liabilities	\$ 1,724,265	\$ 1,318,189	\$ 1,456,270
Noncurrent liabilities	1,650,108	241,212	482,109
Total liabilities	<u>\$ 3,374,373</u>	<u>\$ 1,559,401</u>	<u>\$ 1,938,379</u>
Net position:			
Restricted, nonexpendable endowments	\$ 114,974,441	\$ 111,922,893	\$ 106,878,230
Expendable:			
Endowments	11,320,136	11,099,810	10,322,024
Other	77,247,911	77,933,447	75,952,818
Unrestricted:			
Board designated	2,089,067	1,858,141	1,631,845
Other	2,634,933	4,236,836	6,182,183
Total net position	<u>\$ 208,266,488</u>	<u>\$ 207,051,127</u>	<u>\$ 200,967,100</u>

Assets: Total assets increased \$3 million from fiscal year (FY) 2018 to FY 2019 due primarily to an increase of \$6.3 million in restricted cash and investments, offset by a \$3.6 million decrease in pledges receivable. Total assets increased \$5.7 million from 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.

Current assets decreased \$1.2 million from FY 2018 to FY 2019 due primarily to a decrease of \$0.8 million in cash and cash equivalents. 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.

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

**Management’s Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Condensed Summary of Net Position (Continued)

Other noncurrent assets increased \$4.2 million from FY 2018 to FY 2019 due primarily to an increase of \$6.3 million in restricted cash and investments and increase of \$2.0 million in funds held in trust, offset by a \$4.0 million decrease in long term pledges receivable. 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.

Liabilities: Total liabilities increased \$1.8 million from FY 2018 to FY 2019 due primarily to funds held in trust. Total liabilities decreased \$0.4 million from FY 2017 to FY 2018.

Net position: Total net position increased by \$1.2 million from FY 2018 to FY 2019 due primarily to an increase in restricted nonexpendable endowments. 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.

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>2019</u>	<u>2018</u>	<u>2017</u>
Nonexpendable	<u>\$ 114,974,441</u>	<u>\$ 111,922,893</u>	<u>\$ 106,878,230</u>
Expendable:			
Endowment	\$ 11,320,136	\$ 11,099,810	\$ 10,322,024
Other	77,247,911	77,933,447	75,952,818
	<u>\$ 88,568,047</u>	<u>\$ 89,033,257</u>	<u>\$ 86,274,842</u>

Nonexpendable net position increased \$3.1 million in FY 2019 and \$5.0 million in FY 2018 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, 2019 and 2018**

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:

	<u>2019</u>	2018	2017
Operating revenues:			
Gifts, pledges and bequests	\$ 16,380,184	\$ 20,747,841	\$ 19,317,289
Nonmonetary gifts	653,336	836,336	1,934,716
Administration fee income	3,038,628	3,241,855	2,674,732
Other	1,019,266	1,108,431	992,097
Total operating revenues	<u>21,091,414</u>	<u>25,934,463</u>	<u>24,918,834</u>
Operating expenses:			
Support activities of SJSU	24,518,192	27,570,470	29,507,923
General and administrative	2,689,796	2,476,210	2,578,342
Total operating expenses	<u>27,207,988</u>	<u>30,046,680</u>	<u>32,086,265</u>
Total operating loss	<u>(6,116,574)</u>	<u>(4,112,217)</u>	<u>(7,167,431)</u>
Nonoperating revenues (expenses):			
Investment income, net	6,754,698	9,884,138	17,504,912
Other changes in net position, including transfers of assets from related organizations	<u>577,237</u>	<u>312,106</u>	<u>728,500</u>
Changes in net position	1,215,361	6,084,027	11,065,981
Net position:			
Beginning of year	<u>207,051,127</u>	<u>200,967,100</u>	<u>189,901,119</u>
End of year	<u>\$ 208,266,488</u>	<u>\$ 207,051,127</u>	<u>\$ 200,967,100</u>

Operating revenues: Gifts, pledges and bequests decreased by \$4.4 million from FY 2018 to FY 2019 and increased by \$1.4 million from FY 2017 to FY 2018.

Nonmonetary gifts decreased by \$0.2 million from FY 2018 to FY 2019 and decreased by \$1.1 million from FY 2017 to FY 2018.

**Tower Foundation of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Condensed Summary of Revenues, Expenses and Changes in Net Position (Continued)

Administration fee income decreased by \$0.2 million from FY 2018 to FY 2019 due to a decrease in grant accounts with higher administration fee structure. 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.

Other operating revenues remained consistent from FY 2018 to FY 2019 and from FY 2017 to FY 2018.

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 \$3.1 million from FY 2018 to FY 2019 and decreased by \$1.9 million from FY 2017 to FY 2018.

General and administrative expenses increased by \$0.2 million from FY 2018 to FY 2019 and decreased by \$0.1 million from FY 2017 to FY 2018. General and administrative expenses represent 12.8 percent, 10.8 percent and 10.4 percent of operating revenue in 2019, 2018 and 2017, 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 \$3.1 million from FY 2018 to FY 2019 and decreased by \$7.6 million from FY 2017 to FY 2018 due to changes in the fair value of investments.

Transfer of assets from affiliated organizations: From FY 2018 to FY 2019, transfer of assets from affiliated organizations increased by \$0.3 million. From FY 2017 to FY 2018, transfer of assets from affiliated organizations decreased by \$0.4 million.

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

**Statements of Net Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,830,201	\$ 22,673,705
Pledges receivable, current portion, net of allowance for uncollectible pledges of \$150,462 and \$111,438 in 2019 and 2018, respectively (Note 2)	5,868,021	5,460,445
Note receivable, current portion (Note 3)	-	706,879
Due from affiliated auxiliary organizations (Note 7)	178,282	-
Prepaid expenses and other	17,263	235,204
Total current assets	27,893,767	29,076,233
Noncurrent assets:		
Pledges receivable, less current portion, net of allowance for uncollectible pledges of \$354,734 and \$365,490 in 2019 and 2018, respectively (Note 2)	12,445,603	16,482,651
Bequests receivable (Note 2)	6,381,174	5,235,466
Note receivable, less current portion (Note 3)	-	1,471,530
Charitable gift annuity receivable	1,138,132	942,764
Funds held in trust	2,584,441	555,929
Restricted cash for investments (Note 4)	994,831	2,585,119
Restricted investment	159,291,856	151,355,131
Other assets	911,057	905,705
Total noncurrent assets	183,747,094	179,534,295
Total assets	\$ 211,640,861	\$ 208,610,528
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 666,341	\$ 945,807
Due to affiliated auxiliary organizations (Note 7)	933,244	330,342
Funds held in trust liability	124,680	42,040
Total current liabilities	1,724,265	1,318,189
Noncurrent liabilities, funds held in trust liability, net of current	1,650,108	241,212
Total liabilities	3,374,373	1,559,401
Commitments and contingencies (Notes 9 and 10)		
Net position:		
Restricted for:		
Nonexpendable endowments	114,974,441	111,922,893
Expendable:		
Endowments	11,320,136	11,099,810
Other	77,247,911	77,933,447
Unrestricted:		
Board designated	2,089,067	1,858,141
Other	2,634,933	4,236,836
Total net position	\$ 208,266,488	\$ 207,051,127

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, 2019 and 2018**

	2019	2018
Operating revenues:		
Gifts, pledges and bequests	\$ 16,380,184	\$ 20,747,841
Nonmonetary gifts	653,336	836,336
Administration fee income (Note 6)	3,038,628	3,241,855
Other	1,019,266	1,108,431
Total operating revenues	21,091,414	25,934,463
Operating expenses:		
Support activities of San José State University	24,518,192	27,570,470
General and administrative	2,689,796	2,476,210
Total operating expenses	27,207,988	30,046,680
Operating loss	(6,116,574)	(4,112,217)
Nonoperating revenues:		
Investment income, net	6,754,698	9,884,138
Increase in net position before transfers	638,124	5,771,921
Transfers from San José State University affiliated organizations (Note 8)	577,237	312,106
Change in net position	1,215,361	6,084,027
Net position, beginning of year	207,051,127	200,967,100
Net position, end of year	\$ 208,266,488	\$ 207,051,127

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, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 18,863,948	\$ 21,228,794
Other receipts	4,057,894	4,350,286
Payments for support activities of San José State University	(24,155,097)	(27,654,175)
Payments for general and administrative	(2,689,796)	(2,476,210)
Net cash used in operating activities	(3,923,051)	(4,551,305)
Cash flows from noncapital financing activities:		
Transfer from San José State University affiliated organizations	577,237	312,106
Cash flows from investing activities:		
Increase in restricted endowments	3,278,394	4,970,759
Interest and dividends on investments	3,574,984	3,178,424
(Increase) decrease in other assets	(5,352)	144,820
Increase (decrease) in funds held in trust liability	1,491,536	(270,312)
Proceeds from sales and maturities of investments	76,973,545	53,171,823
Purchases of investments and funds held in trust	(82,810,798)	(58,157,600)
Net cash provided by investing activities	2,502,310	3,037,914
Net decrease in cash and cash equivalents	(843,504)	(1,201,285)
Cash and cash equivalents, beginning of year	22,673,705	23,874,990
Cash and cash equivalents, end of year	\$ 21,830,201	\$ 22,673,705
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (6,116,574)	\$ (4,112,217)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Noncash gifts	(653,336)	(836,336)
Changes in assets and liabilities:		
Decrease in pledges and bequests receivable	2,483,764	480,953
(Increase) decrease in due from affiliate	(178,282)	144,714
Decrease (increase) in prepaid expenses and other	217,941	(119,753)
(Decrease) increase in accounts payable and accrued liabilities	(279,466)	516,468
Increase (decrease) in due to affiliated auxiliary organizations	602,902	(625,134)
Net cash used in operating activities	\$ (3,923,051)	\$ (4,551,305)
Noncash investing activities:		
Increase in fair value of investments	\$ 2,436,670	\$ 421,115

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 \$11,569,083 and \$8,720,513 held in bank deposits in excess of federally insured limits during the years ended June 30, 2019 and 2018, 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 are no conditional promises to give at June 30, 2019 or 2018.

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.

**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)

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 receivables 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, 2019, the Foundation had a balance of \$117,744 of compensated absences. In 2019, \$117,898 of compensated absences was earned and \$95,088 was used. 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.

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows and 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 OPEB plan fiduciary net position have been determined on the same basis as they were reported by VEBA Trust. 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:

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.

**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)

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

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

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC as a nonprofit organization whereby only unrelated business income 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 2016.

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.

Recent accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported and this statement establishes criteria for identifying fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

Note 2. Pledges and Bequests Receivable

Outstanding pledges receivable at June 30 are as follows:

	2019	2018
Less than one year	\$ 6,018,483	\$ 5,571,883
One to five years	10,484,840	15,120,487
More than five years	3,704,516	3,154,028
	<u>20,207,839</u>	<u>23,846,398</u>
Less discount to present value	(1,389,019)	(1,426,374)
Less allowance for uncollectible pledges	(505,196)	(476,928)
	<u>\$ 18,313,624</u>	<u>\$ 21,943,096</u>

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

Notes to Financial Statements

Note 2. Pledges and Bequests Receivable (Continued)

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

	2019	2018
Current	\$ 5,868,021	\$ 5,460,445
Long-term	12,445,603	16,482,651
	<u>\$ 18,313,624</u>	<u>\$ 21,943,096</u>

Pledges due beyond one year have been discounted at an annual rate in a range between 1.03 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 to 2.5 percent of pledges.

Bequests receivable at June 30 are as follows:

	2019	2018
Total bequests	\$ 11,900,000	\$ 9,900,000
Less discount to present value	(5,518,826)	(4,664,534)
	<u>\$ 6,381,174</u>	<u>\$ 5,235,466</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 2.80 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 Foundation received the final payment during fiscal year 2019. The promissory note bore interest of 4 percent and was secured by an equity interest in the real estate company.

Notes receivable at June 30, 2018 are as follows:

Total notes receivable	\$ 2,206,593
Less discount to present value	(28,184)
	<u>\$ 2,178,409</u>
Less than one year	\$ 706,879
One to five years	1,499,714
	2,206,593
Less discount to present value	(28,184)
	<u>\$ 2,178,409</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:

	2019	2018
Restricted cash for investments	\$ 994,831	\$ 2,585,119
Restricted investments:		
Equity investments - value funds	25,785,697	22,858,061
Equity investments - growth funds	20,753,221	18,131,164
Equity investments - small cap	12,145,602	12,039,953
Alternative investments	7,397,706	7,622,363
Mutual funds:		
Real estate	7,905,954	7,086,698
Commodities	-	4,628,202
Fixed income	25,122,431	21,255,758
Equity	37,497,070	35,671,882
All asset fund	22,684,175	22,061,050
Total restricted investments	<u>159,291,856</u>	<u>151,355,131</u>
Total restricted cash and investments	<u>\$ 160,286,687</u>	<u>\$ 153,940,250</u>

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, 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 type 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 percent Russell 3000, 20 percent MSCI ACWI (excluding U.S.), 15 percent Bloomberg Barclays US Aggregate Bond Index, and a Custom Alternatives Index over a complete market cycle.

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.

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

Note 4. Restricted Cash and Investments (Continued)

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

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, 2019 and 2018.

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.

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

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

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 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, 2019	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)
Restricted Investments:					
Equity investments - value funds	\$ 25,785,697	\$ 25,785,697	\$ -	\$ -	\$ -
Equity investments - growth funds	20,753,221	20,753,221	-	-	-
Equity investments - small cap	12,145,602	12,145,602	-	-	-
Alternative investments	7,397,706	-	-	-	7,397,706
Mutual funds:					
Real estate	7,905,954	7,905,954	-	-	-
Fixed income	25,122,431	25,122,431	-	-	-
Equity	37,497,070	37,497,070	-	-	-
All asset fund	22,684,175	22,684,175	-	-	-
Other assets	911,057	114,958	-	-	796,099
	<u>\$ 160,202,913</u>	<u>\$ 152,009,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,193,805</u>

Description	June 30, 2018	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)
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>

**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 where no fees are charged. The grant accounts have administrative fees between zero and 10 percent. Administrative fees of \$902,753 and \$1,086,371 were charged by the Foundation for the years ended June 30, 2019 and 2018, respectively. Grant accounts represent philanthropic support from donors, primarily non-profit foundations or corporate foundations, which require increased accountability in the form of technical or fiscal reporting.

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 \$2,135,875 and \$2,155,484 for the years ended June 30, 2019 and 2018, 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.

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

	2019	2018
Receivable from the University	\$ 166,667	\$ -
Receivable from other affiliated organizations	11,615	-
	<u>\$ 178,282</u>	<u>\$ -</u>
Accrued expense payable to the University	\$ (728,152)	\$ (139,789)
Payable to other affiliated organizations	(205,092)	(190,553)
	<u>\$ (933,244)</u>	<u>\$ (330,342)</u>

Note 8. Transfer of Assets

San José State University affiliated organizations transferred \$577,237 and \$312,106 to the Foundation in 2019 and 2018, respectively. These transfers represent support to various campus programs.

Note 9. Commitments and Contingencies

As part of investments with 11 private equity funds, the Foundation has committed to fund future capital calls for the funds in the amount of \$5,667,600 and \$4,667,476 at June 30, 2019 and 2018, 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, 2019 and 2018.

**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 \$95,986 and \$73,527 for the years ended June 30, 2019 and 2018, 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 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, for 2019 and 2018.

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's total OPEB liability was determined by an actuarial valuation performed by an independent firm, using measurement date as of June 30, 2018 in accordance with GASB Statement No. 75. The plan's net OPEB liability is equal to the total OPEB liability minus the plan fiduciary net position. The Foundation had no OPEB liability at June 30, 2019 and 2018.

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

Notes to Financial Statements

Note 10. Retirement Plan and Postemployment Benefits (Continued)

The following shows the Foundation's net OPEB details for the years ended June 30, 2019 and 2018:

	2019	2018
<u>Total OPEB (liability) asset</u>		
Service cost	\$ 10,932	\$ 10,411
Interest	11,999	11,067
Differences between expected and actual experience	27,085	1,253
Changes of assumptions	(43,562)	-
Benefit payments, including refunds of employee contributions	(7,940)	(7,457)
Net change in total OPEB (liability) asset	<u>(1,486)</u>	<u>15,274</u>
Total OPEB asset - beginning (a)	192,963	177,689
Total OPEB asset - ending (b)	<u>\$ 191,477</u>	<u>\$ 192,963</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 7,940	\$ 7,457
Net investment income	27,807	39,953
Benefit payments, including refunds of employee contributions	(7,940)	(7,457)
Administrative expense	(1,184)	(1,798)
Net change in plan fiduciary net position	<u>\$ 26,623</u>	<u>\$ 38,155</u>
Plan fiduciary net position - beginning (c)	\$ 407,421	\$ 369,266
Plan fiduciary net position - ending (d)	\$ 434,044	\$ 407,421
Net OPEB asset - beginning (a) - (c)	\$ 214,458	\$ 191,577
Net OPEB asset - ending (b) - (d)	\$ 242,567	\$ 214,458

Note 11. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 24, 2019, the date of the auditor's report.

Tower Foundation of San Jose State University
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 21,830,201
Short-term investments	-
Accounts receivable, net	178,282
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	5,868,021
Prepaid expenses and other current assets	17,263
Total current assets	<u>27,893,767</u>
Noncurrent assets:	
Restricted cash and cash equivalents	994,831
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	12,445,603
Endowment investments	159,291,856
Other long-term investments	911,057
Capital assets, net	-
Other assets	10,103,747
Total noncurrent assets	<u>183,747,094</u>
Total assets	<u>211,640,861</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	666,341
Accrued salaries and benefits	-
Accrued compensated absences, current portion	117,744
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	124,680
Other liabilities	815,500
Total current liabilities	<u>1,724,265</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	1,650,108
Total noncurrent liabilities	<u>1,650,108</u>
Total liabilities	<u>3,374,373</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	114,974,441
Expendable:	
Scholarships and fellowships	3,597,535
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	84,970,512
Unrestricted	4,724,000
Total net position	<u>\$ 208,266,488</u>

Tower Foundation of San Jose State University
Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2019
(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	21,091,414
	<u>21,091,414</u>
Total operating revenues	<u>21,091,414</u>
Expenses:	
Operating expenses:	
Instruction	436,833
Research	-
Public service	-
Academic support	9,955,308
Student services	5,972,299
Institutional support	4,556,217
Operation and maintenance of plant	-
Student grants and scholarships	3,597,535
Auxiliary enterprise expenses	2,689,796
Depreciation and amortization	-
	<u>27,207,988</u>
Total operating expenses	<u>27,207,988</u>
Operating income (loss)	<u>(6,116,574)</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	-
Investment income (loss), net	6,754,698
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	577,237
Other nonoperating revenues (expenses) - interagency transfers	-
	<u>7,331,935</u>
Net nonoperating revenues (expenses)	<u>7,331,935</u>
Income (loss) before other revenues (expenses)	1,215,361
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	1,215,361
Net position:	
Net position at beginning of year, as previously reported	207,051,127
Restatements	-
Net position at beginning of year, as restated	<u>207,051,127</u>
Net position at end of year	<u>\$ 208,266,488</u>

Tower Foundation of San José State University
Other Information
June 30, 2019
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$ 994,831
All other restricted cash and cash equivalents	-
Noncurrent restricted cash and cash equivalents	994,831
Current cash and cash equivalents	
Total	\$ 994,831

2.1 Composition of investments:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Money market funds	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	93,324,589	93,324,589
Exchange traded funds	-	-	-
Equity securities	-	58,684,519	58,684,519
Alternative investments:			
Private equity (including limited partnerships)	-	7,397,706	7,397,706
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	796,099	796,099
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	-	160,202,913	160,202,913
Less endowment investments (enter as negative number)	-	(159,291,856)	(159,291,856)
Total investments, net of endowments	\$ -	\$ 911,057	\$ 911,057

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2019
(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	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	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	93,324,589	93,324,589	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	58,684,519	58,684,519	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	7,397,706	-	-	-	7,397,706
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	796,099	-	-	-	796,099
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other investments	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Total investments	\$ 160,202,913	\$ 152,009,108	\$ -	\$ -	\$ 8,193,805

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.

Investments held by the University under contractual agreements (e.g. CSU Consolidated SWIFT Inv pool):

	Current	Noncurrent	Total
	\$ -	\$ -	\$ -

Tower Foundation of San José State University
Other Information (Continued)
June 30, 2019
(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable 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	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable 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, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	-	-	-	-	-	-	-	-	-
Total capital assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
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, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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3.2 **Detail of depreciation and amortization expense:**
Depreciation and amortization expense related to capital assets
Amortization expense related to other assets
Total depreciation and amortization

\$ -

\$ -

4 **Long-term liabilities:**

	Balance June 30, 2018	Prior Period Adjustments/Reclassi- fications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 94,934	\$ -	\$ 94,934	\$ 117,898	\$ (95,088)	\$ 117,744	\$ 117,744	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:								
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	-	-	-	-	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 94,934	\$ -	\$ 94,934	\$ 117,898	\$ (95,088)	\$ 117,744	\$ 117,744	\$ -

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5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital 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:									
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: amounts representing interest									
Present value of future minimum lease payments									
Unamortized net premium/(discount)									
Total capital lease obligations									
Less: current portion									
Capital lease obligations, net of current portion									

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			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:									
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
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									

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,071,860
Payments to University for other than salaries of University personnel	819,959
Payments received from University for services, space, and programs	124,545
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	3,710,116
Accounts (payable to) University (enter as negative number)	(728,152)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	166,667
Other amounts receivable from University (enter as positive number)	-

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8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

Transaction #1	Enter transaction description	Debit/(Credit)
Transaction #2	Enter transaction description	

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	\$ 324,341	\$ 112,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 436,833
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	2,117,147	735,702	-	-	-	7,102,459	-	9,955,308
Student services	1,241,970	173,876	-	-	-	4,556,453	-	5,972,299
Institutional support	1,480,634	655,043	-	-	-	2,420,540	-	4,556,217
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	3,597,535	-	-	3,597,535
Auxiliary enterprise expenses	1,000,983	810,761	-	-	-	878,052	-	2,689,796
Depreciation and amortization	-	-	-	-	-	-	-	-
Total operating expenses	\$ 6,165,075	\$ 2,487,874	\$ -	\$ -	\$ 3,597,535	\$ 14,957,504	\$ -	\$ 27,207,988

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$ -
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	-

Total deferred outflows - others	-
Total deferred outflows of resources	\$ -

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$ -
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	-

Total deferred inflows - others	-
Total deferred inflows of resources	\$ -