

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

Financial Report  
June 30, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Tower Foundation of San José State University  
San José, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Tower Foundation of San José State University, which comprise the statement of net position as of June 30, 2021, the related statements of revenues, expenses and changes in net position, and cash flows for the year 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 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 audit. We conducted our audit in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tower Foundation of San José State University as of June 30, 2021, 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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 on pages 23 through 28 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 audit 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.

### ***Other Reports Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Tower Foundation of San José State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tower Foundation of San José State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tower Foundation of San José State University's internal control over financial reporting and compliance.

*RSM US LLP*

Tacoma, Washington  
September 23, 2021

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

**Management's Discussion and Analysis  
Years Ended June 30, 2021 and 2020**

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**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, 2021 and 2020. 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, 2021 and 2020**

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**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, 2021, 2020 and 2019. 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>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets:</b>			
Current assets	\$ 35,192,683	\$ 25,563,829	\$ 27,893,767
Other noncurrent assets	228,729,048	178,844,771	183,747,094
Total assets	<u>\$ 263,921,731</u>	<u>\$ 204,408,600</u>	<u>\$ 211,640,861</u>
<b>Liabilities:</b>			
Current liabilities	\$ 2,453,856	\$ 895,909	\$ 1,724,265
Noncurrent liabilities	1,786,316	1,815,699	1,650,108
Total liabilities	<u>\$ 4,240,172</u>	<u>\$ 2,711,608</u>	<u>\$ 3,374,373</u>
<b>Net position:</b>			
Restricted, nonexpendable endowments	\$ 128,273,842	\$ 119,777,031	\$ 114,974,441
Expendable:			
Endowments	13,448,696	10,620,973	11,320,136
Other	111,530,264	66,914,001	77,247,911
Unrestricted:			
Board designated	2,230,240	2,178,524	2,089,067
Other	4,198,517	2,206,463	2,634,933
Total net position	<u>\$ 259,681,559</u>	<u>\$ 201,696,992</u>	<u>\$ 208,266,488</u>

**Assets:** Total assets increased \$59.5 million from fiscal year (FY) 2020 to FY 2021 due primarily to an increase of \$52.8 million in restricted investments and \$10 million in cash and cash equivalents, offset by a \$2.4 million decrease in restricted cash for investments. Total assets decreased \$7.2 million from FY 2019 to FY 2020 due primarily to a decrease of \$4.0 million in restricted investments and \$3.2 million in pledges receivable.

Current assets increased \$9.6 million from FY 2020 to FY 2021 due primarily to an increase of \$10 million in cash and cash equivalents, offset by a decrease of \$0.4 million in pledges receivable. Current assets decreased \$2.3 million from FY 2019 to FY 2020 due primarily to a decrease of \$1.2 million in cash and cash equivalents and \$1.1 million in current pledges receivable.

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

**Management’s Discussion and Analysis  
Years Ended June 30, 2021 and 2020**

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**Condensed Summary of Net Position (Continued)**

Other noncurrent assets increased \$50 million from FY 2020 to FY 2021 due primarily to an increase of \$52.8 million in restricted investments, offset by a decrease of \$1.7 million in long-term pledges receivable. Other noncurrent assets decreased \$4.9 million from FY 2019 to FY 2020 due primarily to a decrease of \$4.0 million in restricted investments.

**Liabilities:** Total liabilities increased \$1.5 million from FY 2020 to FY 2021 due primarily to an increase in due to affiliated auxiliary organizations. Total liabilities decreased \$0.7 million from FY 2019 to FY 2020 due primarily to decrease in due to affiliated auxiliary organizations.

**Net position:** Total net position increased by \$58 million from FY 2020 to FY 2021 due primarily to an increase in restricted expendable other and restricted for nonexpendable endowments. Total net position decreased by \$6.6 million from FY 2019 to FY 2020 due primarily to a decrease in restricted expendable other.

**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>2021</u>	<u>2020</u>	<u>2019</u>
Nonexpendable endowments	<u>\$ 128,273,842</u>	<u>\$ 119,777,031</u>	<u>\$ 114,974,441</u>
Expendable:			
Endowments	\$ 13,448,696	\$ 10,620,973	\$ 11,320,136
Other	<u>111,530,264</u>	<u>66,914,001</u>	<u>77,247,911</u>
	<u>\$ 124,978,960</u>	<u>\$ 77,534,974</u>	<u>\$ 88,568,047</u>

Nonexpendable net position increased \$8.5 million in FY 2021 and \$4.8 million in FY 2020 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, 2021 and 2020**

**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>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Gifts, pledges and bequests	\$ 17,040,829	\$ 12,165,196	\$ 16,380,184
Nonmonetary gifts	1,047,778	2,223,021	653,336
Administration fee income	4,243,885	3,756,552	3,038,628
Other	5,969,479	2,013,345	1,019,266
Total operating revenues	<u>28,301,971</u>	<u>20,158,114</u>	<u>21,091,414</u>
Operating expenses:			
Support activities of SJSU	21,523,737	23,251,348	24,518,192
General and administrative	2,211,411	2,534,069	2,689,796
Total operating expenses	<u>23,735,148</u>	<u>25,785,417</u>	<u>27,207,988</u>
Operating income (loss)	<u>4,566,823</u>	<u>(5,627,303)</u>	<u>(6,116,574)</u>
Nonoperating revenues (expenses):			
Investment income (loss), net	52,509,049	(1,696,670)	6,754,698
Total nonoperating revenues (expenses)	<u>52,509,049</u>	<u>(1,696,670)</u>	<u>6,754,698</u>
Other changes in net position, including transfers of assets from related organizations	908,695	754,477	577,237
Changes in net position	<u>57,984,567</u>	<u>(6,569,496)</u>	<u>1,215,361</u>
Net position:			
Beginning of year	<u>201,696,992</u>	<u>208,266,488</u>	<u>207,051,127</u>
End of year	<u>\$ 259,681,559</u>	<u>\$ 201,696,992</u>	<u>\$ 208,266,488</u>

**Operating revenues:** Gifts, pledges and bequests increased by \$4.9 million from FY 2020 to FY 2021 and decreased by \$4.2 million from FY 2019 to FY 2020.

Nonmonetary gifts decreased by \$1.2 million from FY 2020 to FY 2021 and increased by \$1.6 million from FY 2019 to FY 2020.

Administration fee income increased by \$0.5 million from FY 2020 to FY 2021 and increased by \$0.7 million from FY 2019 to FY 2020.

Other operating revenues increased by \$4.0 million from FY 2020 to FY 2021. It increased by \$1 million from FY 2019 to FY 2020.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2021 and 2020**

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

**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 \$1.7 million from FY 2020 to FY 2021 and decreased by \$1.3 million from FY 2019 to FY 2020.

General and administrative expenses decreased by \$0.3 million from FY 2020 to FY 2021 and decreased by \$0.2 million from FY 2019 to FY 2020. General and administrative expenses represent 7.8%, 12.6% and 12.8% of operating revenue in 2021, 2020 and 2019, 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 earnings increased by \$54.2 million from FY 2020 to FY 2021 and decreased by \$8.5 million from FY 2019 to FY 2020 due to changes in the fair value of investments and volatility in the investment market.

**Transfer of assets from affiliated organizations:** From FY 2020 to FY 2021, transfer of assets from affiliated organizations increased by \$0.2 million. It remained consistent from FY 2019 to FY 2020.

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

**Statements of Net Position  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,630,407	\$ 20,631,147
Pledges receivable, current portion, net of allowance for uncollectible pledges of \$135,910 and \$148,301 in 2021 and 2020, respectively (Note 2)	4,394,433	4,795,060
Prepaid expenses and other	167,843	137,622
<b>Total current assets</b>	<b>35,192,683</b>	<b>25,563,829</b>
Noncurrent assets:		
Pledges receivable, less current portion, net of allowance of \$294,116 and \$354,111 in 2021 and 2020, respectively (Note 2)	8,687,851	10,353,732
Bequests receivable (Note 2)	6,761,005	6,568,081
Charitable gift annuity receivable	1,236,047	1,144,690
Funds held in trust	3,620,259	2,875,819
Restricted cash for investments (Note 3)	104,183	2,466,838
Restricted investments (Notes 3 and 4)	208,167,754	155,319,745
Other assets	151,949	115,866
<b>Total noncurrent assets</b>	<b>228,729,048</b>	<b>178,844,771</b>
<b>Total assets</b>	<b>\$ 263,921,731</b>	<b>\$ 204,408,600</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 536,088	\$ 411,093
Due to affiliated auxiliary organizations (Note 6)	1,764,793	331,841
Funds held in trust liability	152,975	152,975
<b>Total current liabilities</b>	<b>2,453,856</b>	<b>895,909</b>
Noncurrent liabilities, funds held in trust liability, net of current	1,786,316	1,815,699
<b>Total liabilities</b>	<b>4,240,172</b>	<b>2,711,608</b>
Commitments and contingencies (Notes 8 and 10)		
Net position:		
Restricted for:		
Nonexpendable endowments	128,273,842	119,777,031
Expendable:		
Endowments	13,448,696	10,620,973
Other	111,530,264	66,914,001
Unrestricted:		
Board designated	2,230,240	2,178,524
Other	4,198,517	2,206,463
<b>Total net position</b>	<b>\$ 259,681,559</b>	<b>\$ 201,696,992</b>

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, 2021 and 2020**

	2021	2020
Operating revenues:		
Gifts, pledges and bequests	\$ 17,040,829	\$ 12,165,196
Nonmonetary gifts	1,047,778	2,223,021
Administration fee income (Note 5)	4,243,885	3,756,552
Other	5,969,479	2,013,345
<b>Total operating revenues</b>	<b>28,301,971</b>	20,158,114
Operating expenses:		
Support activities of San José State University	21,523,737	23,251,348
General and administrative	2,211,411	2,534,069
<b>Total operating expenses</b>	<b>23,735,148</b>	25,785,417
<b>Operating income (loss)</b>	<b>4,566,823</b>	(5,627,303)
Nonoperating revenues:		
Investment income (loss), net	52,509,049	(1,696,670)
<b>Increase (decrease) in net position before transfers</b>	<b>57,075,872</b>	(7,323,973)
Transfers from San José State University affiliated organizations (Note 7)	908,695	754,477
<b>Change in net position</b>	<b>57,984,567</b>	(6,569,496)
Net position, beginning of year	201,696,992	208,266,488
Net position, end of year	<b>\$ 259,681,559</b>	\$ 201,696,992

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, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 18,914,413	\$ 15,143,121
Other receipts	10,213,364	5,769,897
Payments for support activities of San José State University	(19,996,011)	(24,050,076)
Payments for general and administrative	(2,211,411)	(2,534,069)
<b>Net cash provided by (used in) operating activities</b>	<b>6,920,355</b>	<b>(5,671,127)</b>
Cash flows from noncapital financing activities:		
Transfer from San José State University affiliated organizations	908,695	754,477
Cash flows from investing activities:		
Increase in restricted endowments	7,719,246	4,522,456
Interest and dividends on investments	2,529,779	3,658,768
(Increase) decrease in other assets	(36,083)	795,191
(Decrease) increase in funds held in trust liability	(29,383)	193,886
Proceeds from sales and maturities of investments	226,557,709	172,951,544
Purchases of investments and funds held in trust	(234,571,058)	(178,404,249)
<b>Net cash provided by investing activities</b>	<b>2,170,210</b>	<b>3,717,596</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,999,260</b>	<b>(1,199,054)</b>
Cash and cash equivalents, beginning of year	20,631,147	21,830,201
Cash and cash equivalents, end of year	<b>\$ 30,630,407</b>	<b>\$ 20,631,147</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 4,566,823	\$ (5,627,303)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Noncash gifts	(1,047,778)	(2,223,021)
Changes in assets and liabilities:		
Pledges and bequests receivable	1,873,584	2,977,925
Due from affiliate organizations	-	178,282
Prepaid expenses and other	(30,221)	(120,359)
Accounts payable and accrued liabilities	124,995	(255,248)
Due to affiliated auxiliary organizations	1,432,952	(601,403)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,920,355</b>	<b>\$ (5,671,127)</b>
Noncash investing activities:		
(Increase) decrease in fair value of investments	<b>\$ (34,543,501)</b>	<b>\$ 9,970,640</b>

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

**Notes to Financial Statements**

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

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

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

**Affiliated organizations:** The Foundation is related to the University and its other auxiliaries. The auxiliaries and the University provide various services for one another and collaborate on projects. The Foundation is a 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 \$29,889,303 and \$13,670,729 held in bank deposits in excess of federally insured limits during the years ended June 30, 2021 and 2020, 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, 2021 or 2020.

**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**

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**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. 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.

**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, 2021, the Foundation had a balance of \$82,796 of compensated absences. In 2021, \$39,664 of compensated absences was earned and \$46,094 was used. At June 30, 2020, the Foundation had a balance of \$89,226 of compensated absences. In 2020, \$104,844 of compensated absences was earned and \$133,362 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 CSU Auxiliaries Multiple Employer 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.

**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**

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**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 2018.

**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, 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. The Foundation determined the adoption of this standard had no impact on its financial statements and related disclosures.

In June 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before The End Of A Construction Period*. The objective of this statement is to provide more relevant information about capital assets and the cost of borrowing for a reporting period. In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related To Debt, Including Direct Borrowings And Direct Placements*. The requirement of this statement is to improve the information for disclosure in notes related to debt.

In June 2017, GASB issued Statement No. 87, *Leases*, to align the accounting and financial reporting of lease transactions more closely with their economic substance. The Foundation is currently evaluating the effect of the adoption of these standards on its financial statements and related disclosures.

**Note 2. Pledges and Bequests Receivable**

Outstanding pledges receivable at June 30 are as follows:

	2021	2020
Less than one year	\$ 4,530,343	\$ 4,943,361
One to five years	8,082,422	9,793,690
More than five years	1,721,429	2,010,001
	<u>14,334,194</u>	<u>16,747,052</u>
Less discount to present value	(821,884)	(1,095,848)
Less allowance for uncollectible pledges	(430,026)	(502,412)
	<u>\$ 13,082,284</u>	<u>\$ 15,148,792</u>

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

**Notes to Financial Statements**

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**Note 2. Pledges and Bequests Receivable (Continued)**

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

	<u>2021</u>	<u>2020</u>
Current	\$ 4,394,433	\$ 4,795,060
Long-term	8,687,851	10,353,732
	<u>\$ 13,082,284</u>	<u>\$ 15,148,792</u>

Pledges due beyond one year have been discounted at an annual rate in a range between 0.08% and 4.50%. The Foundation has not experienced significant losses on pledges and therefore management has determined that the allowance for uncollectible pledges has been appropriately estimated at approximately 3% of pledges.

Bequests receivable at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Total bequests	\$ 11,900,000	\$ 11,900,000
Less discount to present value	(5,138,995)	(5,331,919)
	<u>\$ 6,761,005</u>	<u>\$ 6,568,081</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% to 5.19%.

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

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**Note 3. Restricted Cash and Investments**

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

	2021	2020
Restricted cash for investments	\$ 104,183	\$ 2,466,838
Restricted investments:		
Equity investments - value funds	29,503,023	20,877,227
Equity investments - growth funds	40,300,815	21,996,986
Equity investments - small cap	19,556,388	14,139,609
Equity investments - ETF	48,101,803	21,010,729
Alternative investments	15,254,977	10,316,092
Mutual funds:		
Real estate	6,792,561	6,679,104
Fixed income	2,597,865	21,344,144
Equity	40,484,498	27,044,470
All asset fund	5,575,824	11,911,384
Total restricted investments	<u>208,167,754</u>	<u>155,319,745</u>
Total restricted cash and investments	<u>\$ 208,271,937</u>	<u>\$ 157,786,583</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% Russell 3000, 20% MSCI ACWI (excluding U.S.), 15% Bloomberg Barclays US Aggregate Bond Index, and a Custom Alternatives Index over a complete market cycle.

**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**

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**Note 3. 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% or more of the Foundation's total investments for the years ended June 30, 2021 or 2020.

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 4. 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 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  
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**Notes to Financial Statements**

**Note 4. Fair Value Measurement (Continued)**

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

Description	June 30, 2021	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)	
<b>Restricted investments:</b>					
Equity investments - value funds	\$ 29,503,023	\$ 29,503,023	\$ -	\$ -	\$ -
Equity investments - growth funds	40,300,815	31,727,488	8,573,327	-	-
Equity investments - small cap	19,556,388	19,556,388	-	-	-
Equity investments - ETF	48,101,803	48,101,803	-	-	-
Alternative investments	15,254,977	-	-	-	15,254,977
<b>Mutual funds:</b>					
Real estate	6,792,561	6,792,561	-	-	-
Fixed income	2,597,865	2,597,865	-	-	-
Equity	40,484,498	40,484,498	-	-	-
All asset fund	5,575,824	5,575,824	-	-	-
	<b>\$ 208,167,754</b>	<b>\$ 184,339,450</b>	<b>\$ 8,573,327</b>	<b>\$ -</b>	<b>\$ 15,254,977</b>

Description	June 30, 2020	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)	
<b>Restricted investments:</b>					
Equity investments - value funds	\$ 20,877,227	\$ 20,877,227	\$ -	\$ -	\$ -
Equity investments - growth funds	21,996,986	21,996,986	-	-	-
Equity investments - small cap	14,139,609	14,139,609	-	-	-
Equity investments - ETF	21,010,729	21,010,729	-	-	-
Alternative investments	10,316,092	-	-	-	10,316,092
<b>Mutual funds:</b>					
Real estate	6,679,104	6,679,104	-	-	-
Fixed income	21,344,144	21,344,144	-	-	-
Equity	27,044,470	27,044,470	-	-	-
All asset fund	11,911,384	11,911,384	-	-	-
	<b>\$ 155,319,745</b>	<b>\$ 145,003,653</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,316,092</b>

**Note 5. Administration Fees**

The Foundation charges an administrative fee of 5% to various colleges and departments within the University on all disbursements out of any expendable fund, with the exception of the scholarship fund where no fees are charged. The grant accounts have administrative fees between zero and 10%. Administrative fees of \$788,599 and \$789,973 were charged by the Foundation for the years ended June 30, 2021 and 2020, 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.

The Foundation charges an annual 2% administration fee for endowments. The fees are calculated monthly based on the allocated market value of the total endowment portfolio. The Foundation charged the endowment funds \$3,455,286 and \$2,966,579 for the years ended June 30, 2021 and 2020, respectively.

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

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**Note 6. 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 payables with related parties as of June 30 as follows:

	2021	2020
Accrued expense payable to the University	\$ (1,764,793)	\$ (253,309)
Payable to other affiliated organizations	-	(78,532)
	<u>\$ (1,764,793)</u>	<u>\$ (331,841)</u>

**Note 7. Transfer of Assets**

San José State University-affiliated organizations transferred \$908,695 and \$754,477 to the Foundation in 2021 and 2020, respectively. These transfers represent support to various campus programs.

**Note 8. Commitments and Contingencies**

As part of investments with 14 private equity funds, the Foundation has committed to fund future capital calls for the funds in the amount of approximately \$17.7 million at June 30, 2021.

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, 2021 and 2020.

Despite the unprecedented impact of COVID-19, the Foundation generated positive operating results from increased philanthropic support, steady performance of investment income and cost saving measures.

**Note 9. 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% of the employee's base salary after one year of service.

The Foundation contributed \$63,533 and \$87,936 for the years ended June 30, 2021 and 2020, respectively.

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

**Notes to Financial Statements**

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**Note 9. Retirement Plan and Postemployment Benefits (Continued)**

**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 under the Public Employees' Medical and Hospital Care Act.

**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 percentage 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% interest rate and amortizes unfunded actuarial accrued liability over 30 years on a level dollar basis, with projected salary increases of 3.25% per year, for 2021 and 2020.

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 OPEB obligations. 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, 2020, 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, 2021 and 2020.

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

**Note 9. Retirement Plan and Postemployment Benefits (Continued)**

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

	2021	2020
Total OPEB (liability) asset:		
Service cost	\$ 9,307	\$ 8,864
Interest	12,601	11,770
Change of benefit terms	-	-
Differences between expected and actual experience	(17,308)	1,276
Changes of assumptions	(10,440)	-
Benefit payments, including refunds of employee contributions	(8,472)	(8,503)
Net change in total OPEB (liability) asset	(14,312)	13,407
Total OPEB asset - beginning (a)	204,884	191,477
Total OPEB asset - ending (b)	<u>\$ 190,572</u>	<u>\$ 204,884</u>
Plan fiduciary net position:		
Contributions - employer	\$ 8,472	\$ 8,503
Net investment income	17,862	20,580
Benefit payments, including refunds of employee contributions	(8,472)	(8,503)
Administrative expense	(1,475)	(1,587)
Net change in plan fiduciary net position	<u>\$ 16,387</u>	<u>\$ 18,993</u>
Plan fiduciary net position - beginning (c)	\$ 453,037	\$ 434,044
Plan fiduciary net position - ending (d)	469,424	453,037
Net OPEB asset - beginning (a) - (c)	248,153	242,567
Net OPEB asset - ending (b) - (d)	278,852	248,153

**Note 10. Subsequent Events**

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 23, 2021, the date of the auditor's report.

The Foundation entered into financing, site lease and facility lease agreements with the Trustees of the California State University on July 1, 2021. Under the agreements, the University will procure and provide services for the planning, development and construction of the Spartan Athletics Center, a new facility of approximately 54,800 gross square feet located on the campus of San Jose State University. The Trustees have authorized the issuance of a long-term Systemwide Revenue Bond financing to the Foundation. The terms of the repayment are for installment of principal and interest, due every six months over a period of 30 years, commencing May 1, 2024, until May 1, 2053. These installments total \$62,079,338, representing \$42,470,000 in principal and \$19,609,338 in interest.

**Tower Foundation of San José State University**  
Schedule of Net Position  
June 30, 2021  
(for inclusion in the California State University)

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	30,630,407
Short-term investments	-
Accounts receivable, net	-
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	4,394,433
Prepaid expenses and other current assets	167,843
<b>Total current assets</b>	<b>35,192,683</b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	104,183
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	8,687,851
Endowment investments	197,031,499
Other long-term investments	11,136,255
Capital assets, net	-
Other assets	11,769,260
<b>Total noncurrent assets</b>	<b>228,729,048</b>
<b>Total assets</b>	<b>263,921,731</b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
<b>Total deferred outflows of resources</b>	<b>-</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	82,749
Accrued salaries and benefits	370,543
Accrued compensated absences, current portion	82,796
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	-
Other liabilities	1,917,768
<b>Total current liabilities</b>	<b>2,453,856</b>
<b>Noncurrent liabilities:</b>	
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	1,786,316
<b>Total noncurrent liabilities</b>	<b>1,786,316</b>
<b>Total liabilities</b>	<b>4,240,172</b>
<b>Deferred inflows of resources:</b>	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
<b>Total deferred inflows of resources</b>	<b>-</b>
<b>Net position:</b>	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	128,273,842
Expendable:	
Scholarships and fellowships	3,662,308
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	121,316,652
Unrestricted	6,428,757
<b>Total net position</b>	<b>259,681,559</b>

**Tower Foundation of San José State University**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2021  
(for inclusion in the California State University)

<b>Revenues:</b>	
<b>Operating revenues:</b>	
Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
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	28,301,971
<b>Total operating revenues</b>	<b>28,301,971</b>
<b>Expenses:</b>	
<b>Operating expenses:</b>	
Instruction	509,773
Research	-
Public service	-
Academic support	9,024,913
Student services	6,140,173
Institutional support	2,186,570
Operation and maintenance of plant	-
Student grants and scholarships	3,662,308
Auxiliary enterprise expenses	2,211,411
Depreciation and amortization	-
<b>Total operating expenses</b>	<b>23,735,148</b>
<b>Operating income (loss)</b>	<b>4,566,823</b>
<b>Nonoperating revenues (expenses):</b>	
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	3,352,589
Endowment income (loss), net	49,156,460
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	908,695
<b>Net nonoperating revenues (expenses)</b>	<b>53,417,744</b>
<b>Income (loss) before other revenues (expenses)</b>	<b>57,984,567</b>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase (decrease) in net position</b>	<b>57,984,567</b>
<b>Net position:</b>	
Net position at beginning of year, as previously reported	201,696,992
Restatements	-
<b>Net position at beginning of year, as restated</b>	<b>201,696,992</b>
<b>Net position at end of year</b>	<b>259,681,559</b>



**Tower Foundation of San José State University  
Other Information (Continued)  
June 30, 2021  
(for inclusion in the California State University)**

**2.2 Fair value hierarchy in investments:**

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -				
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	55,450,748	55,450,748			
Exchange traded funds	-				
Equity securities	137,462,029	128,888,702	8,573,327		
Alternative investments:					
Private equity (including limited partnerships)	15,254,977				15,254,977
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-				
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:	-				
	-				
	-				
	-				
	-				
	-				
Total Other investments	\$ -				
<b>Total investments</b>	<b>208,167,754</b>	<b>184,339,450</b>	<b>8,573,327</b>	<b>-</b>	<b>15,254,977</b>

**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.*

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g - CSU Consolidated Investment Pool (formerly SWIFT):			\$ -



**Tower Foundation of San José State University  
Other Information (Continued)  
June 30, 2021  
(for inclusion in the California State University)**

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, 2020	Prior Period Adjustments/Reclassifications	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
1. <b>Accrued compensated absences</b>	\$ 89,226		89,226	39,664	(46,094)	\$ 82,796	\$ 82,796	\$ -
2. <b>Claims liability for losses and loss adjustment expenses</b>	-		-			-	-	-
3. <b>Capital lease obligations:</b>								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
<b>Total capital lease obligations</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4. <b>Long-term debt obligations:</b>								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-		\$ -	-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-		-			-	-	-
<b>Sub-total long-term debt</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
<b>Total long-term debt obligations</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total long-term liabilities</b>	<u>\$ 89,226</u>	<u>-</u>	<u>89,226</u>	<u>39,664</u>	<u>(46,094)</u>	<u>\$ 82,796</u>	<u>82,796</u>	<u>\$ -</u>

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
<b>Year ending June 30:</b>									
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum lease payments</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									<u>-</u>
Unamortized net premium/(discount)									-
<b>Total capital lease obligations</b>									<u>-</u>
Less: current portion									-
<b>Capital lease obligations, net of current portion</b>									<u>\$ -</u>

**Tower Foundation of San José State University  
Other Information (Continued)  
June 30, 2021  
(for inclusion in the California State University)**

**6 Long-term debt obligations schedule:**

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
<b>Year ending June 30:</b>									
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027 - 2031			-			-			-
2032 - 2036			-			-			-
2037 - 2041			-			-			-
2042 - 2046			-			-			-
2047 - 2051			-			-			-
Thereafter			-			-			-
<b>Total minimum payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum payments</b>									-
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									-
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									-

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	673,708
Payments to University for other than salaries of University personnel	3,325,511
Payments received from University for services, space, and programs	517,284
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	3,720,484
Accounts (payable to) University (enter as negative number)	(1,764,793)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	
Other amounts receivable from University (enter as positive number)	

**8 Restatements**

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

		Debit/(Credit)
Restatement #1	Enter transaction description	
		_____
Restatement #2	Enter transaction description	
		_____
		_____

**Tower Foundation of San José State University  
Other Information (Continued)  
June 30, 2021  
(for inclusion in the California State University)**

**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	376,026	133,747	-	-	-	-	-	509,773
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	1,889,810	655,853	-	-	-	6,479,250	-	9,024,913
Student services	2,400,549	333,477	-	-	-	3,406,147	-	6,140,173
Institutional support	1,004,225	489,926	-	-	-	692,419	-	2,186,570
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	3,662,308	-	-	3,662,308
Auxiliary enterprise expenses	956,019	456,294	-	-	-	799,098	-	2,211,411
Depreciation and amortization	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>\$ 6,626,629</b>	<b>2,069,297</b>	<b>-</b>	<b>-</b>	<b>3,662,308</b>	<b>11,376,914</b>	<b>-</b>	<b>23,735,148</b>

**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:  
Sales/intra-entity transfers of future revenues  
Gain/loss on sale leaseback  
Loan origination fees and costs  
Change in fair value of hedging derivative instrument  
Irrevocable split-interest agreements

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:  
Sales/intra-entity transfers of future revenues  
Gain/loss on sale leaseback  
Loan origination fees and costs  
Change in fair value of hedging derivative instrument  
Irrevocable split-interest agreements

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

**11 Other nonoperating revenues (expenses)**

Other nonoperating revenues 908,695  
Other nonoperating (expenses) -  
**Total other nonoperating revenues (expenses)** \$ 908,695



RSM US LLP

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

Board of Directors  
Tower Foundation of San José State University  
San José, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tower Foundation of San José State University (the Foundation) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 23, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*RSM US LLP*

Tacoma, Washington  
September 23, 2021