

2013–2014 TOWER FOUNDATION ANNUAL REPORT

The figures in the 2013–2014 Tower Foundation Annual Report tell the story of San José State: a story about students, faculty members and alumni who pursue what inspires them to create change in the world. The generosity of San José State’s donors makes those pursuits possible, shaping the paths of so many Spartans.

—Amir Mashkouri, '84 Business, '86 MBA
Chairman of the Board

The Tower Foundation

The Tower Foundation is San José State’s auxiliary organization dedicated solely to philanthropy. Formed in April 2004, the foundation encourages private gifts, trusts and bequests for the benefit of San José State, and fully manages, expends and accounts for all university donations.

By serving on the Tower Foundation Board of Directors, prominent alumni and citizens are engaged in the life of the university. Board members play an important role in advising the university president on campus issues and in shaping philanthropic strategy. They work closely with university leaders to reach out to graduates and businesses to build support and funding for San José State. Board members are the university’s philanthropic leaders, and make annual contributions to San José State.

The Board of Directors is composed of up to 35 community members, most of whom are San José State alumni. The board appoints members for three-year terms. Board members elect officers who serve one-year terms. Six *ex officio* members, including San José State’s president and members of his senior cabinet, also serve on the board.

The board’s five committees are the Executive, Finance & Investment, Nominating & Governance, Development, and Audit Committees. Committees advise the foundation on campaign development, investments, audit compliance, public relations and long-range planning. The board meets four times a year, and committees meet as needed.

Board of Directors 2013–2014

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President, San José State University

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Chair of the Board

CYNTHIA LAZARES, '76
Vice Chair

WANDA GINNER, '68
Treasurer and Chair, Finance and Investment Committee

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Chief Executive Officer

LESLIE ROHN
Board Secretary (ex officio)

CONSTANCE B. MOORE, '77
Immediate Past Chair

JOHN W. BAIRD
Chair, Nominating and Governance Committee

KEITH BARNES, '76
Chair, Audit Committee

SHAWN BIBB
SJSU VP for Administration and Finance

GENE BLEYMAIER
SJSU Athletic Director

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PHILLIP R. BOYCE, '66

STEPHEN CAPLAN, '65

DANA C. DITMORE

CHARLES W. DAVIDSON, '57
Founding Chairman of the Board

ANDREW HALE FEINSTEIN
SJSU Provost

LESLIE C. FRANCIS, '65

WANDA HENDRIX, '77, '94

ANTHONY JACKSON, '71, '73, '11

JIM JIMENEZ, '68, '75

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Faculty Representative

CAROLYN LEWIS, '70, '71
Alumni Association Representative

DONALD L. LUCAS, '59

JENNY MING, '78

EDWARD OATES, '68

JOSEPH P. PARISI

ROBERT PISANO, '65

KIM POLESE

AVESTA SABETIAN
Student Representative

GARY J. SBONA, '66

PETER V. UEBERROTH, '59

BETH VON TILL
Faculty Representative

DAVID WENG, '83

Financial Overview

For the year ending June 30, 2014, the Tower Foundation was audited by McGladrey LLP, Certified Public Accountants. The audit was conducted in accordance with generally accepted auditing standards and, in their opinion, the financial statements presented fairly, in all material respects, the financial position of the Tower Foundation as of June 30, 2014. Their independent auditor's report expressed an unqualified opinion, and conformed with accounting principles generally accepted in the United States.

Total Tower assets increased \$20 million from fiscal year 2013 to fiscal year 2014 due to increases in restricted cash and investments. This compares with an increase of approximately \$34.3 million from fiscal year 2012 to fiscal year 2013, which was primarily due to increases in the endowment, notes receivable, cash and short-term investments. Current assets increased \$2.6 million from 2013 to 2014 primarily due to an increase in cash and cash equivalents. Current liabilities increased \$1.0 million from 2013 to 2014, primarily due to increases in accounts payable and accrued liabilities.

Gifts, pledges and bequests decreased by \$7.9 million from 2013 to 2014 due to the culmination of the comprehensive campaign in 2013 and increased by \$10.8 million from 2012 to 2013. Nonmonetary gifts decreased by \$13.7 million from 2013 to 2014 and increased by \$14.2 million from 2012 to 2013. Tower's administrative fee income increased by \$0.7 million from 2013 to 2014, primarily due to an increase in the endowment investment portfolio. Other operating revenues decreased \$25,628 from 2013 to 2014 due to a decrease in other income.

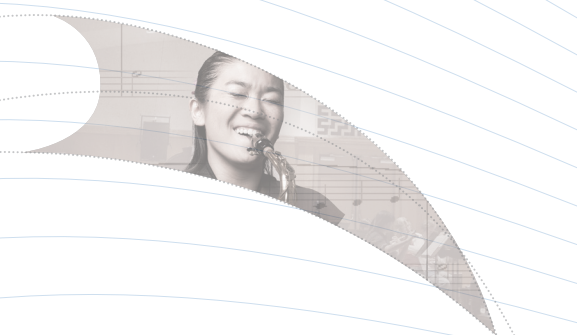
Expenses shown as "Support Activities of SJSU" represent the use of gift funds by the campus for scholarships and academic programs. The funds represented \$15.6 million in 2014, an increase of \$0.3 million from 2013. General and administrative expenses increased by \$0.3 million from 2013 to 2014, and they represent 8.8 percent of operating revenue.

CONDENSED SUMMARY OF NET POSITION

	06/30/14	06/30/13	06/30/12
ASSETS			
Current assets	\$32,255,980	\$29,655,543	\$26,432,254
Other noncurrent assets	136,859,131	119,494,501	88,368,518
Total assets	\$169,115,111	\$149,150,044	\$114,800,772
LIABILITIES			
Current liabilities	\$1,813,899	\$851,602	\$627,424
Noncurrent liabilities	613,936	692,032	730,416
Total liabilities	\$2,427,835	\$1,543,634	\$1,357,840
NET POSITION			
RESTRICTED			
Nonexpendable endowments	\$89,462,566	\$83,615,427	\$63,274,018
Expendable:			
Endowments	8,073,959	7,394,148	6,369,471
Other	62,595,487	51,165,750	39,133,943
UNRESTRICTED			
Board designated	585,965	402,965	312,965
Other	5,969,299	5,028,120	4,352,535
Total net position	\$166,687,276	\$147,606,410	\$113,442,932

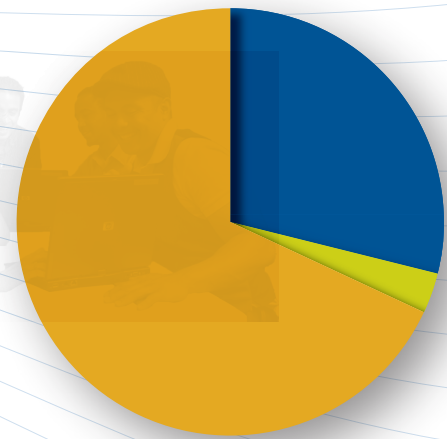
CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	06/30/14	06/30/13	06/30/12
OPERATING REVENUES			
Gifts, pledges and bequests	\$14,710,571	\$22,564,272	\$11,738,658
Nonmonetary gifts	766,481	14,448,354	220,609
Administration fee income	2,950,213	2,282,027	1,803,087
Other operating revenues	236,738	262,366	281,195
Total operating revenues	18,664,003	39,557,019	14,043,549
OPERATING EXPENSES			
Support activities of SJSU	15,636,746	15,321,697	12,089,801
General and administrative	1,640,131	1,293,950	1,176,803
Total operating expenses	17,276,877	16,615,647	13,266,604
Operating income	1,387,126	22,941,372	776,945
NONOPERATING REVENUES (EXPENSES)			
Interest income	826,886	940,790	908,941
Net increase (decrease) in fair value of investments	16,848,658	8,616,998	(1,562,650)
Total nonoperating revenues (expenses)	17,675,544	9,557,788	(653,709)
Other changes in net position	18,196	1,664,318	1,258,414
Changes in net position	19,080,866	34,163,478	1,381,650
NET POSITION			
Beginning of year	147,606,410	113,442,932	112,061,282
End of year	\$166,687,276	\$147,606,410	\$113,442,932



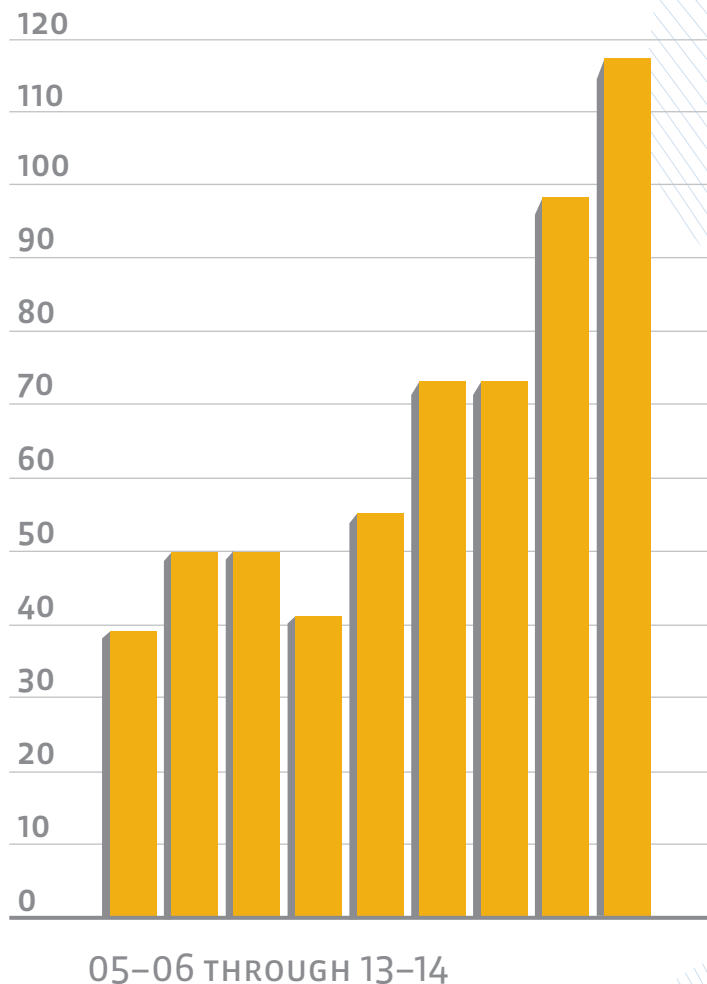
Use of Endowment Funds

Endowment funds are critical to maintaining San José State's excellence, helping the university to deliver on its mission and providing a measure of stability over time. When donors establish an endowment fund, targeted to specific purposes that align with their priorities and passions, they create a permanent legacy of support for SJSU. These funds enhance state funding and student fees to support important faculty development as well as academic and athletic scholarships.

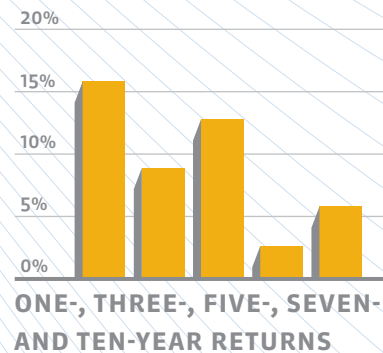


- Program and faculty support
- Academic scholarships
- Athletic scholarships

Market value in millions of dollars



Investment performance



Market Value and Investment Performance

In fiscal year 2013–2014, San José State's endowment experienced significant growth from new endowments and gains in the investment portfolio. The endowment ended the year at \$117.7 million.

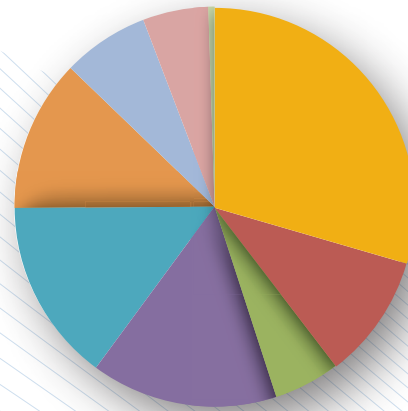
Our portfolio yielded a 15.8 percent investment return. We continue to work closely with our investment firm to balance capital preservation, return requirements and risk, while taking advantage of prudent market opportunities.

The Tower Foundation continues to perform well relative to other CSU foundations. The 10-year return is 5.9 percent, the seven-year return is 3.0 percent and the five-year return is 12.5 percent. As with the broader market, our seven- and 10-year returns reflect the impact of the 2008–2009 global financial crisis.

Endowment Investment

The Tower Foundation Investment Policy frames our investment strategy and establishes asset classes in a mix of common stocks, bonds, cash equivalents and alternative investments. The Tower Board, management team and investment advisors are focused on long-term results relative to the policy, believing they are the most meaningful to a sustainable future. We recognize that in order to achieve our investment objectives over extended periods, performance has to substantially exceed the objective during some periods in order to compensate for shortfalls during others. Regardless of challenging short-term markets, the Tower Foundation makes an annual distribution to the endowment's designated programs in order to ensure steady and predictable support to the campus.

The return to more stable markets is a gradual process, and it will take several more years to recoup the losses sustained in prior years. We are confident that the endowment investment portfolio is positioned well, from both a risk and a return perspective, to support the university and its programs well into the future.



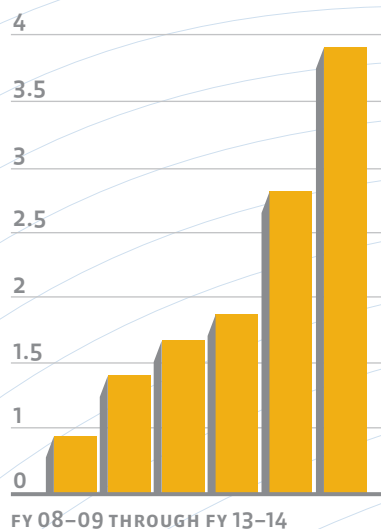
- Large cap equity
- Small cap equity
- Emerging markets equity
- Fixed income
- International equity
- Alternative investment
- Real estate
- Commodities
- Other

Annual Distributions

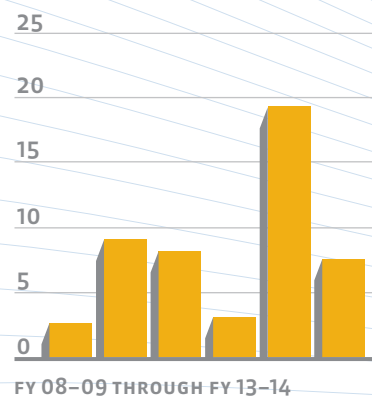
Our endowment spending rate strikes a balance between generating a predictable stream of annual support for current needs of the campus and preserving the value for future generations. Protecting and growing our endowment is an essential investment in the long-term quality and health of San José State.

The Tower Board approved a 2013–2014 distribution of \$3,914,952 based on the average market value of the endowment over the previous three years. With more favorable investment returns in the past year, the distribution was increased to 4.2 percent.

Annual distribution in millions of dollars



Annual contributions in millions of dollars



Annual Contributions

New gifts continue to be added to the SJSU endowment even in the current challenging times. In fiscal year 2013–2014, \$7.03 million in new principal was added to the endowment. During the past three years, \$29.9 million has been added to SJSU's endowment.

Help fellow Spartans find their paths. Give securely online at sjsu.edu/giving.