

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

FINANCIAL AND COMPLIANCE REPORT

June 30, 2024

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Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of San José State University Research Foundation (the Foundation), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Foundation as of June 30, 2024, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Research Organizations Retiree Medical Trust were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net OPEB liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of expenditures of federal awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the supplementary information (for inclusion in the California State University) identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the SEFA and the supplementary information (for inclusion in the California State University) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Foundation'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 Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes, Inc.".

Irvine, California
September 27, 2024

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2024

Management's Discussion and Analysis

This section of the San José State University Research Foundation (the Foundation) annual financial report includes Management's Discussion and Analysis (MD&A) of the financial performance of the Foundation for the fiscal year ended June 30, 2024. This discussion should be read in conjunction with the financial statements and notes.

Introduction to San José State University Research Foundation

The Foundation is a Not-for-Profit Public Benefit Corporation founded in 1931 to provide support services to the San José State University (the University) campus community. The Foundation's primary services are providing research, instruction, institutional support, and student grants and scholarships.

The Foundation has three major groups of research and training activities; they are located on the University's campus, at NASA facilities in Mountain View, California, and at Moss Landing Marine Laboratories (MLML). The Foundation has additional off-site projects throughout the United States and in some foreign countries.

Introduction to the Financial Statements

The Foundation's business-type activities fund financial statements include the following:

Statement of net position: The statement of net position includes all assets and liabilities and deferred outflows and inflows of resources. Assets and liabilities are reported on an accrual basis as of the financial statement date.

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

Statement of cash flows: The statement of cash flows presents the inflows and outflows of cash and cash equivalents 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 year's activities.

These statements are supported by notes to the financial statements and MD&A. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

Financial overview: The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities as of and for the year ended June 30, 2024. Included are analyses of the current year's activities and balances in the Foundation's net position.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2024

Financial Highlights

Condensed Summary of Net Position

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

	2024	2023 As Restated	Change	
			Amount	%
Assets:				
Current assets	\$ 39,801,124	\$ 33,436,143	\$ 6,364,981	19.0%
Capital assets, net	15,594,807	12,025,020	3,569,787	29.7%
Other noncurrent assets	3,133,409	2,037,219	1,096,190	53.8%
Total assets	<u>\$ 58,529,340</u>	<u>\$ 47,498,382</u>	<u>\$ 11,030,958</u>	<u>23.2%</u>
Deferred outflows of resources	<u>\$ 8,259,310</u>	<u>\$ 10,267,170</u>	<u>\$ (2,007,860)</u>	<u>-19.6%</u>
Liabilities:				
Current liabilities	\$ 17,874,089	\$ 12,358,155	\$ 5,515,934	44.6%
Noncurrent liabilities	11,352,862	11,503,402	(150,540)	-1.3%
Total liabilities	<u>\$ 29,226,951</u>	<u>\$ 23,861,557</u>	<u>\$ 5,365,394</u>	<u>22.5%</u>
Deferred inflows of resources	<u>\$ 13,673,064</u>	<u>\$ 16,586,177</u>	<u>\$ (2,913,113)</u>	<u>-17.6%</u>
Net position:				
Net investment in capital assets	\$ 15,287,109	\$ 11,138,330	\$ 4,148,779	37.2%
Restricted for:				
Expendable:				
Research	19,176	26,562	(7,386)	-27.8%
Unrestricted	8,582,350	6,152,926	2,429,424	39.5%
Total net position	<u>\$ 23,888,635</u>	<u>\$ 17,317,818</u>	<u>\$ 6,570,817</u>	<u>37.9%</u>

Assets: Total assets increased by \$11 million or 23.2% from fiscal year (FY) 2023 to FY 2024.

Current assets increased by \$6.4 million primarily due to 1) a \$0.8 million increase in short-term investments, because of the increase in fair value in FY 2024; 2) a \$5.6 million increase in accounts receivables related to research grants; and 3) a \$0.7 million increase in prepaid expenses and other current assets.

Noncurrent assets increased by \$4.7 million or 33.2% primarily due to a \$3.6 million increase in capital assets related to subscription-based information technology arrangement (SBITA) and a \$1.1 million increase in other long-term investments.

Liabilities: Total liabilities increased by \$5.4 million or 22.5% from FY 2023 to FY 2024.

Current liabilities increased by \$5.5 million or 44.6% primarily due to 1) an increase of \$1.7 million in accounts payable; primarily due to \$1.0 million for information technology services and implementation of new system workday; 2) an increase of \$0.5 million in accrued salaries and benefits payable; 3) an increase of \$0.9 million in current portion of SBITA liabilities; and 4) an increase of \$4.7 million in unearned revenue primarily related to grant funds received in advance.

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2024

Noncurrent liabilities decreased by \$0.2 million or 1.3% primarily due to a decrease of \$1.3 million in the noncurrent portion of net OPEB obligation and a decrease of \$0.6 million in the noncurrent portion of lease liabilities, which was partially offset by a \$1.5 million increase.

As a result of the 2024 actuarial valuation, the deferred outflows of resources decreased by \$2.0 million or 19.6%, and deferred inflows of resources decreased by \$2.9 million or 17.6%.

Net position: Net investment in capital assets increased by \$4.1 million or 37.2% due to capital asset acquisitions in FY 2024. Additionally, total net position increased by \$6.6 million from \$17.3 million to \$23.9 million as of June 30, 2024. The changes in revenues, expenses, and changes in net position are explained below.

The Foundation operates its activities in three segments: sponsored programs, campus programs and central operations. The Foundation's central administration operations are supported mainly by indirect cost recovery from sponsored programs, investment income, and administrative fees from campus self-supporting programs.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2024	2023 As Restated	Change Amount	%
Operating revenues:				
Program fees	\$ 2,212,437	\$ 3,285,150	\$ (1,072,713)	-32.7%
Grants and contracts	60,216,723	47,946,052	12,270,671	25.6%
Administrative and program fees	417,365	438,413	(21,048)	-4.8%
Lease revenue	80,959	78,649	2,310	2.9%
Lease interest income	3,643	5,190	(1,547)	-29.8%
Other operating revenues	4,261,719	3,741,132	520,587	13.9%
Total operating revenues	67,192,846	55,494,586	11,698,260	21.1%
Operating expenses	67,576,589	59,169,297	8,407,292	14.2%
Operating loss	(383,743)	(3,674,711)	3,290,968	-89.6%
Nonoperating revenues	7,454,560	6,034,922	1,419,638	23.5%
Nonoperating expenses	-	-	-	0.0%
Total nonoperating revenues, net	7,454,560	6,034,922	1,419,638	23.5%
Total revenues	74,647,406	61,529,508	13,117,898	21.3%
Total expenses	67,576,589	59,169,297	8,407,292	14.2%
Increase in net position before capital contributions	7,070,817	2,360,211	4,710,606	199.6%
Contributions to the University, capital	500,000	500,000	-	0.0%
Increase in net position	6,570,817	1,860,211	4,710,606	253.2%
Net position at beginning of year, as restated	17,317,818	15,457,607	1,860,211	12.0%
Net position at end of year	\$ 23,888,635	\$ 17,317,818	\$ 6,570,817	37.9%

San José State University Research Foundation

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2024

Revenues: Total operating revenues increased by \$11.7 million or 21.1% from FY 2023 to FY 2024. This was primarily due to 1) an increase in grants and contracts revenue of \$11.0 million related to state-funded grants; and 2) an increase of \$0.9 million in other operating revenues, which was partially offset by a decrease of \$1.1 million in program fees.

Total nonoperating revenues increased by \$1.4 million or 23.5% from FY 2023 to FY 2024. This was primarily due to 1) an increase of \$0.6 million in net investment income as a result of the increase in fair value of investments in FY 2024; 2) an increase of \$0.3 million in federal and federal pass-through financial aid grants; 3) an increase of \$0.3 million in state financial grants; and 4) an increase of \$0.2 million in gifts in-kind.

Expenses: Total operating expenses increased by \$8.4 million or 14.2% from FY 2023 to FY 2024. This increase was primarily due to 1) an increase of \$3.8 million in research expenses; 2) an increase of \$2 million in instruction expenses related to research; 3) an increase of \$1 million in institutional support; 4) an increase of \$0.6 million in student grants and scholarships; and 5) an increase of \$0.3 million in depreciation and amortization as a result of current year asset additions, offset by a decrease of \$0.3 million in student services.

Changes in net position: The increase in net position for FY 2024 \$6.6 million compared to \$1.9 million for FY 2023. Many events drove the current year's surplus. Management has identified three key factors contributing to the increase in net position as follows: (1) a decrease in OPEB liabilities of \$1.3 million, (2) an increase in grants and contracts revenue of \$11.0 million, and (3) the aggregate result of sponsored program and campus program operations.

Factors Impacting Future Periods

In FY 2024, the Foundation took on the administration of competitive fellowships on behalf of the University in an effort to streamline the process of securing and managing funding from private sponsors. There was also an addendum to the University's operating and lease agreement with the California State University that clarified its delegated authority to provide tech transfer services and to manage research-related agreements in addition to its existing function of managing externally funded projects.

San Jose State University Research Foundation

Statement of Net Position June 30, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 2,095,647
Short-term investments	26,157,408
Grants and other receivables	11,094,958
Lease receivable	46,642
Prepaid expenses and other assets	406,469
Total current assets	39,801,124

Noncurrent assets:

Restricted cash and cash equivalents	25,392
Other long-term investments	3,108,017
Capital assets, net	15,594,807
Total noncurrent assets	18,728,216

Total assets

58,529,340

Deferred outflows of resources:

Deferred outflows—Other Post-Employment Benefits (OPEB)	8,259,310
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Total assets and deferred outflows of resources

\$ 66,788,650

Liabilities

Current liabilities:

Accounts payable	\$ 4,930,322
Accrued salaries and benefits payable	1,989,633
Accrued compensated absences, current portion	1,446,357
Lease liabilities, current portion	307,698
SBITA liabilities, current portion	1,344,753
Unearned revenue	7,765,880
Other liabilities	89,446
Total current liabilities	17,874,089

Noncurrent liabilities:

Accrued compensated absences, net of current portion	99,071
Payable to external agencies	139,347
SBITA liabilities, net of current portion	1,612,461
Net OPEB obligation	9,449,266
Other liabilities	52,717
Total noncurrent liabilities	11,352,862

Total liabilities

29,226,951

Deferred inflows of resources:

Deferred inflows—OPEB	13,635,698
Deferred inflows—leases	37,366
Total deferred inflows of resources	13,673,064

Net position:

Net investment in capital assets	15,287,109
Restricted for:	
Expendable:	
Research	19,176
Unrestricted	8,582,350
Total net position	23,888,635

Total liabilities, deferred inflows of resources, and net position

\$ 66,788,650

See notes to financial statements.

San Jose State University Research Foundation

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2024

Revenues:	
Operating revenues:	
Program fees	\$ 2,212,437
Grants and contracts:	
Federal	48,721,562
State	7,719,717
Local	1,368,287
Nongovernmental	2,407,157
Administrative fees	417,365
Lease revenue	80,959
Lease interest income	3,643
Other operating revenues	4,261,719
Total operating revenues	<u>67,192,846</u>
Expenses:	
Operating expenses:	
Instruction	9,810,754
Research	42,656,005
Public services	8,175
Academic support	324,964
Student services	922,138
Institutional support	7,656,668
Operation and maintenance of plant	529,633
Student grants and scholarships	3,165,248
Lease interest expense	101,627
Subscription interest expense	8,160
Depreciation and amortization	2,393,217
Total operating expenses	<u>67,576,589</u>
Operating loss	<u>(383,743)</u>
Non-operating revenues (expenses):	
Federal and federal pass-through financial aid grants	2,348,100
State financial aid grants	752,511
Local financial aid grants	
Nongovernmental and other financial aid grants	49,855
Gifts in-kind	1,694,924
Contributions to SJSU, non-capital	-
Investment income, net	2,609,170
Grants and gifts, capital	-
Other non-operating (expense) revenue	-
Net nonoperating revenues (expenses)	<u>7,454,560</u>
Increase in net position before capital contributions	7,070,817
Contributions to the University, capital	<u>(500,000)</u>
Increase in net position	6,570,817
Net position at beginning of year, as restated (Note 11)	<u>17,317,818</u>
Net position at end of year	<u>\$ 23,888,635</u>

See notes to financial statements.

San Jose State University Research Foundation

Statement of Cash Flows Year Ended June 30, 2024

Cash flows from operating activities:	
Program fees	\$ 2,212,437
Federal grants and contracts	45,056,335
State grants and contracts	10,269,933
Local grants and contracts	1,676,342
Non-governmental grants and contracts	725,780
Payments to suppliers	(17,288,424)
Payments to employees	(44,873,287)
Payments to students	(3,165,248)
Administrative fees	417,365
Other receipts	3,585,607
Net cash used in operating activities	(1,383,160)
Cash flows from noncapital financing activities:	
Federal financial aid grants	2,348,100
State financial aid grants	752,511
Non-governmental and other financial aid grants	49,855
Gifts and grants received for other than capital purposes	-
Contributions made for other than capital purposes	-
Contributions made for capital purposes	(500,000)
Other liabilities	
Deferred rent and other liabilities	(51,657)
Other noncapital financing activities	(52,971)
Net cash provided by noncapital financing activities	2,545,838
Cash flows from capital and related financing activities:	
Purchase of capital assets	(698,119)
Proceeds from disposition of capital assets	-
Principal paid on capital debt and leases	(1,197,326)
Interest paid on capital debt and leases	(60,800)
Principal collections on capital leases receivable	36,408
Interest collections on capital leases receivable	55,320
Net cash used in capital and related financing activities	(1,864,517)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	22,084,510
Purchase of investments	(22,112,687)
Investment income proceeds	647,583
Net cash provided by investing activities	619,406
Net decrease in cash and cash equivalents	(82,433)
Cash and cash equivalents—beginning of year	2,203,472
Cash and cash equivalents—end of year	<u>\$ 2,121,039</u>
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 2,095,647
Restricted cash and cash equivalents	25,392
Total cash and cash equivalents at end of year	\$ 2,121,039

(Continued)

San Jose State University Research Foundation

Statement of Cash Flows (Continued)
Year Ended June 30, 2024

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (383,743)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	2,393,217
Change in operating assets and liabilities:	
Grants and other receivables	(5,578,723)
Prepaid expenses and other assets	(38,017)
Deferred outflows of resources	2,007,860
Accounts payable	1,659,413
Accrued salaries and benefits payable	181,978
Accrued compensated absences	95,015
Unearned revenue	2,441,552
OPEB obligation	(1,327,468)
Other liabilities	(2,089)
Deferred inflows of resources	(2,832,155)
	<hr/>
Net cash used in operating activities	\$ (1,383,160)

See notes to financial statements.

San Jose State University Research Foundation

Statement of Fiduciary Net Position—Research Organizations Retirement Medical Trust
December 31, 2023

Assets

Cash	\$	145,363
Receivables		791
Prepaid expenses and other current assets		39,336
Investments, at fair value		
Exchange traded funds		3,140,725
Mutual funds		7,550,052
Total assets		<u>10,876,267</u>

Liabilities

Prepaid premiums		-
Accounts payable		12,190
Other liabilities		121,936
Total liabilities		<u>134,126</u>

Net position restricted for OPEB and other purposes \$ 10,742,141

See notes to financial statements.

San Jose State University Research Foundation

**Statement of Changes in Fiduciary Net Position—Research Organizations Retirement Medical Trust
Year Ended December 31, 2023**

Net additions:	
Employer contributions	\$ 1,768,258
Member contributions	70,727
Decrease in fair value of investments	1,066,160
Interest and dividends	246,551
Investment fees	<u>(12,652)</u>
Total net additions	<u>3,139,044</u>
Deductions:	
Benefit payments	1,038,986
Administrative expenses	<u>98,707</u>
Total deductions	<u>1,137,693</u>
Net additions	2,001,351
Net position restricted for OPEB:	
Beginning of year	<u>8,740,790</u>
End of year	<u>\$ 10,742,141</u>

See notes to financial statements.

San José State University Research Foundation

Notes to Financial Statements

Note 1. Nature of Organization

Nature of organization: The San José State University Research Foundation (the Foundation), a nonprofit organization incorporated under Internal Revenue Code (the Code) 501(c)(3) in 1931, serves as an auxiliary organization and is a component unit of San José State University (the University) and the California State University System (CSU). The Foundation is governed by a Board of Directors, of which a majority is appointed by the University. The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives: supplement programs and activities of the University and promote and assist the educational services of the University. The Foundation receives funding from various sources, such as the federal, state and local governments, other corporations, and interest groups.

The Foundation has three major groups of research and training activities; located on the University's campus, at NASA facilities in Mountain View, California, and at Moss Landing Marine Laboratories (MLML). The Foundation has additional off-site projects throughout the United States and in some foreign countries.

The Foundation has established a Retiree Health Benefit Plan of the Research Organizations Retiree Medical Trust (the Plan). The Plan is a defined benefit postemployment benefit other than pension benefits (OPEB) plan and was created for the purpose of funding, in whole or in part, retiree health benefits of the participating employer under a subscription agreement. The Plan assets are held in an irrevocable trust that was established in accordance with the trust agreement effective June 9, 2010, and amended on May 16, 2016 and again on January 1, 2023. The trust agreement dictates a board of up to six trustees, including four members from the Foundation and two members from the community. The trustees have the authority and discretion to determine eligibility for benefits, to interpret and apply the provisions of the Plan and Trust, to modify the benefit levels, to amend or rescind any provision of the Plan, and to terminate the Plan. The Plan's year-end is December 31.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, *Fiduciary Activities*, the Plan is considered a separate legal entity that meets the definition of a component unit as defined in GASB Statement 14, *The Financial Reporting Entity*, as amended. In addition, the assets held within the Plan are administered through a trust and meet the conditions noted in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, resulting in the Plan being reported as a fiduciary activity within these financial statements.

Reporting entity: In defining the Foundation for financial reporting purposes, management has applied the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. This statement establishes the standards for defining and reporting on the financial reporting entity and whether it is considered a component unit of another entity. The Foundation would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and: (1) is able to impose its will on the potential component unit, and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit's board. The Foundation directly supports the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University, and in turn, CSU.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared using accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the GASB.

The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of timing of the related cash flows. The Foundation considers assets that can be converted to cash and available for liquidation of current liabilities within 12 months of the statement of net position date to be current assets. However, the Foundation designates a portion of current assets as noncurrent assets to fulfill donor restrictions or funds held on behalf of external agencies. Liabilities that can be reasonably expected, in the course of normal operations, to be liquidated within 12 months of the statement of net position are considered current. All other assets and liabilities are considered to be noncurrent.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and the post-retirement benefit obligation and related amounts.

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with an original maturity from the date of purchase of three months or less to be cash equivalents.

Restricted cash and cash equivalents: Restricted cash and cash equivalents consists of amounts restricted to pay flexible spending claims.

Investments: Investments are carried at fair value, as determined by quoted market prices, with the net appreciation (depreciation) in fair value included on the statement of revenues, expenses and changes in net position. Dividend and interest income are accrued when earned. The Foundation classifies its investments that are for current operation use as short-term investments. Investments that are designated to support long-term commitments and investments that are not readily available for liquidation are classified as other long-term investments.

Grants and other receivable: Receivables pertain mostly to grants and awards and are stated at net realizable value. The Foundation uses the specific write-off method of accounting for bad debts, which recognizes bad debt expenses at the time the account is deemed worthless by analyzing the collectability of the receivables. Historically, this method approximates the allowance method. Management has determined that no allowance is necessary as of June 30, 2024.

Lease receivable: Lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets (excluding intangible right-to-use lease and right-to-use subscription assets):

Purchased assets are recorded at cost. Assets acquired through grants in which title vests with the Foundation during the grant period are capitalized. Donated assets are recorded at acquisition value at the date of donation. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or the carrying value is warranted. Asset impairment is recorded whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No asset impairments were recognized during the year ended June 30, 2024.

Other post-employment benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Plan and additions to /deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases (lessee) and similar subscription-based information technology arrangements (SBITA):

The Foundation is a lessee for various noncancelable leases of buildings and equipment. The Foundation also has noncancelable subscription IT arrangements (similar to a lease) for the right-to-use information technology hardware and software (subscription IT arrangements).

Short-term leases and SBITA: For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, the Foundation recognizes expense based on the provisions of the lease contract or subscription IT arrangement, respectively.

Leases and SBITA other than short-term: For all other leases and subscription IT arrangements (i.e., those that are not short-term), the Foundation recognizes a lease or subscription IT liability, respectively, and a right-to-use subscription asset in the financial statements.

Measurement of lease amounts: At lease commencement, the Foundation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Foundation is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of SBITA: At subscription commencement, the Foundation initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying or software.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Key estimates and judgments: Key estimates and judgments include how the Foundation determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- The Foundation uses the incremental borrowing rate (IBR) as the discount rate used to calculate the present value of the expected lease and subscription payments.
- The lease or subscription term includes the noncancellable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either a Foundation or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Foundation and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.
- Payments are evaluated by the Foundation to determine if they should be included in the measurement of the lease or subscription IT liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments and subscription IT arrangements, such as payments for termination penalties.

Remeasurement of lease and subscription amounts: The Foundation monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription liability, the liability is remeasured, and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

Revenue recognition and unearned revenue: Revenue from grants and contracts, which is primarily from the United States (US) federal government, state governments and local governments, nonprofit organizations, and other sponsors, is recognized when eligibility requirements are met (i.e., as expenditures are incurred). Unearned revenue represents funding received in advance of work performed or before revenue is earned for sponsored projects, which consists of grants and contracts and fee-based programs.

Revenue from other operating revenue (campus self-support programs) program fees and administrative fees are exchange transactions and are recognized when the underlying transaction takes place. Investment income, and change in fair value of investments, are recorded as revenues when earned. Gifts are recorded as non-operating revenue when they are verifiable, measurable, and all applicable requirements have been met.

Classification of revenues and expenses: The Foundation considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions, which are sponsored programs, other operating revenue (campus self-support programs), and program fees associated with each of the programs.

Expenses from Foundation board programs and management and general operations are also included in operating expenses. Certain other transactions are reported as non-operating revenues and expenses, including financial assistance to students, investment income, changes in the fair value of investments, gifts in-kind, and capital and non-capital contributions made to related entities and transfer of assets.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Indirect cost recovery and administrative fees: The Foundation charges indirect cost recovery (facilities and administrative costs) to recover the cost for facilities used and for performing services to projects under its sponsored programs. The rates used to charge projects are approved by the U.S. Department of Health and Human Services and range from 27.5% to 55.2% for on-campus programs, and 26.0% for off-campus programs. Some programs have special negotiated rates which are below this range. This revenue is recorded with the related federal, state, local and nongovernmental grants, and contracts revenue on the statement of revenue, expenses, and changes in net position.

The Foundation charges an administrative fee of 7% to various colleges and departments within the University on all disbursements from expendable funds. The Foundation also charges administrative fees to other organizations for providing services based on their individual agreements ranging from 5% to 10%.

Capital assets and depreciation: The Foundation's policy is to capitalize all asset additions that are greater than \$5,000, including assets acquired through grants when title vests with the Foundation during the grant period. Assets acquired through grants in which title vests with the sponsor are not capitalized. Capital assets are recorded at cost when purchased and when donated, at acquisition value at the acquisition date. Real estate costs have been allocated to individual building units based on a specific-identification method. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is included on the statement of revenues, expenses, and changes in net position.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from three years to 30 years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the lease term or useful life of the related asset, which ranges from three years to 10 years.

Depreciation and amortization expense was \$2,393,217 for the year ended June 30, 2024, of which \$15,784 was for leasehold improvements.

Compensated absences: The Foundation accrues vacation benefits for eligible employees at various rates depending on the length of service. Employees are paid for unused vacation time but are not paid for unused sick leave at the end of employment. During fiscal year 2024, \$1,307,971 in accrued vacation was earned and \$1,212,956 was used. At June 30, 2024, the Foundation had a total of \$1,545,428 in accrued compensated absences liabilities of which \$1,446,357 was current.

Deferred inflows of resources and outflows of resources: Deferred inflows and outflows of resources relate to OPEB benefits activity and leases. Deferred inflows of resources are acquisitions of net position that apply to a future reporting period. Deferred outflows of resources are consumption of assets applicable to a future reporting period.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Tax-exempt status and income taxes: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Foundation's management has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2023, 2022 and 2021, are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Foundation also filed Form 990-T for the year ended June 30, 2023.

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

Net investment in capital assets: capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted—expendable: assets, net of related liabilities, that are subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

Unrestricted: the residual balance of net position that is not included in net investment in capital assets, or restricted. In addition, unrestricted assets may be designated for specific purposes by the Foundation's Board of Directors.

The Foundation considers restricted resources to have been spent first when an expense is incurred for which both restricted and unrestricted resources are available.

Recent accounting pronouncement adopted: Effective July 1, 2023, the Foundation implemented the GASB Statement No. 99, *Omnibus 2022*, which has provisions relating to financial guarantees and the classification and reporting of derivative instruments. The Foundation also adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Accounting pronouncement in future years: Management is still evaluating the effect the following standards will have on its financial statements:

GASB Statement No. 101, *Compensated Absences*, is effective for the fiscal year beginning after December 15, 2023. This statement requires alignment of the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

San José State University Research Foundation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounting pronouncement in future years: (continued)

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the fiscal year beginning June 15, 2024. This statement requires entities to disclose information about vulnerabilities related to concentrations (lack of diversity in significant resources or spending) and constraints (limitations imposed by external parties or internal decisions). Governments must assess whether these factors could lead to a substantial impact within 12 months and disclose relevant details if criteria are met.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the fiscal year beginning June 15, 2024. This statement refines key areas of financial reporting, including MD&A, unusual or infrequent items, and budgetary comparisons. It standardizes definitions for operating and non-operating revenues, enhances the presentation of major component units, and improves the clarity and comparability of financial statements.

Note 3. Deposits and Investments

Investment policy statement: The Foundation's Investment Policy Statement sets forth objectives for investments, procedures for selecting and monitoring money managers, and specifies control procedures and responsibilities for its board of directors, finance and investment committee, and management. The primary function of the investment portfolio is to secure, with appropriate limitations on risk to the principal, protection against inflation and to provide both a dimension of growth of long-term assets and income to fund operations. Each major category of investments may represent a percentage of the portfolio. The current target is a general guideline: 43% fixed income, 40% equities, and 17% alternative investments.

Pursuant to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Agency Investment Fund (LAIF) is a qualifying external investment pool that measures for financial reporting purposes at amortized cost.

The fair market values of the Foundation's investments as of June 30, 2024, are as follows:

Investment Type	Fair Value
Money market funds	\$ 916,747
U.S. treasury securities	3,905,525
Corporate bonds	4,924,570
Mutual funds	1,993,375
Exchange traded funds (ETFs)	1,100,912
Equity securities	9,169,555
Real estate investments (including REITs)	733,979
Private equity (including limited partnerships)	2,374,038
Portfolio total	<u>25,118,701</u>
LAIF, at amortized cost	<u>4,146,724</u>
Total investments	<u>\$ 29,265,425</u>

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The Foundation classifies its investments that are for current operation use as short-term investments. Investments that are designated to support long-term commitments and investments that are not readily available for liquidation are classified as long-term investments as follows:

Short-term investments	\$ 26,157,408
Other long-term investments	3,108,017
Total investments	<u>\$ 29,265,425</u>

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed-income investment. In order to reduce interest rate risk exposure, the Foundation's investment policy states that the average duration for the fixed-income portion of the portfolio should be less than 10 years.

The following table represents maturities for fixed-income investments held by the Foundation as of June 30, 2024:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years
Money market	\$ 916,747	\$ 916,747	\$ -	\$ -
U.S. treasury securities	3,905,525	3,905,525	-	-
Corporate bonds	4,924,570	301,985	2,979,075	1,643,510
Fixed income mutual funds	1,993,375	-	1,993,375	-
Total	<u>\$ 11,740,217</u>	<u>\$ 5,124,257</u>	<u>\$ 4,972,450</u>	<u>\$ 1,643,510</u>

Custodial credit risk: Custodial credit risk is the risk that funds deposited in a financial institution may become unrecoverable due to insolvency of the financial institution or of a counterparty to an investment transaction in a way that the Foundation would not be able to recover its investment. The Foundation's investment policy does not specifically address custodial credit risk. Financial instruments that potentially subject the Foundation to custodial credit risk generally apply only to funds on deposit and 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, federally sponsored enterprise issues, and corporate bonds held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in the Foundation's name. The Foundation's investments have been placed with RBC Wealth Management and UBS Financial Services, both major financial institutions; each holding over \$200 million in SIPC insurance. The Foundation is exposed to custodial credit risk for holdings above these insurance limits. The Foundation's investment balances were not exposed to custodial credit risk.

Custodial credit risk for banking 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. As of June 30, 2024, \$1,832,528 of the Foundation's bank balances were exposed to custodial credit risk as it was uninsured and uncollateralized.

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Custodial credit risk for the Plan is the risk that the Plan will not be able to recover the value of its investments that are in the possession of an outside party. The Plan's investment policy does not specifically address custodial credit risk, but all of the Plan's investments are registered or held by the Plan or its agent in the Plan's name. The Plan does not have any bank balances that are not covered by depository insurance.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. The Foundation's investment policy states a limit on the amount of money that can be invested in fixed-income investments, in general, and limits the amount that can be invested in the different risk profiles of fixed-income securities based on independent ratings. Credit ratings by nationally recognized institutions are used to assess the credit worthiness of specific investments.

Concentration of investment credit risk: Concentration of investment credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Foundation's investment policy contains limitations as to how much can be invested with any one issuer. The Foundation's investment policy permits an unlimited portion of the portfolio to be invested in U.S. Government Treasury bonds and Government National Mortgage Association obligations. The maximum commitment of funds to any other entity is limited to a maximum of 5% of the portfolio for investment grade corporate names and only 2% for noninvestment grade companies. The Foundation had no investments as of June 30, 2024 in individual issuers that exceeded that 5% of the investment portfolio.

The table below summarizes the ratings of fixed-income investments of the Foundation as of June 30, 2024:

Investment Type	Total	Credit Risk (Moody's/S&P)					Not Investment Grade	Not Rated
		Aaa/AAA	Aa/AA	A/A	Baa/BBB			
Corporate bonds and asset backed securities	\$ 4,924,970	\$ -	\$ -	\$ 24,372	\$ 3,702,487	\$ 1,198,111	\$ -	
U.S. treasury securities	3,905,525	1,096,461	2,809,064	-	-	-	-	
Portfolio total	\$ 8,830,495	\$ 1,096,461	\$ 2,809,064	\$ 24,372	\$ 3,702,487	\$ 1,198,111	\$ -	

Investment-related commitments: The Foundation is obligated under several alternative investment agreements to advance additional funding up to specified levels over several years. The following table represents significant terms of such agreements for all related alternative investments at June 30, 2024:

Assets	Fair Value	Total Commitments	Unfunded Commitments	Remaining Life (Years)	Redemption Terms and Conditions
Rialto Real Estate Fund III					
Debt, LP (RREF III)	\$ 215,881	\$ 250,000	\$ -	0 to 5	Not eligible for redemption
Blackstone Real Estate Income Trust, Inc	\$ 1,048,836	\$ 895,000	\$ -	Perpetual Life	Initial 1 year lock-up period expired; can be redeemed monthly
Portfolio Advisor Fund 2017 (PA 2017)	\$ 679,788	\$ 635,000	\$ -	0 to 13	Not eligible for redemption

Fair value measurements: GASB Statement No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The three levels of the fair value hierarchy under GASB Statement No.72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation and Plan have the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Foundation's and Plan's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's and Plan's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes as observable requires judgment by the Foundation's management. Foundation management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Foundation management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by the Foundation to estimate the fair value of its investments. There have been no changes in the methods and assumptions used as at June 30, 2024. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Foundation management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The Foundation's Level 1 investments primarily consist of investments in money market funds, exchange-traded funds, and mutual funds-equity and fixed income. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the Foundation's custodian of investments in conjunction with the third-party service provider's results.

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

For a large portion of the Foundation's portfolio, the Foundation's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads, and benchmark securities, among others.

The Foundation's Level 2 investments primarily consist of investments in agency pass through, U.S. Treasury securities corporate debt securities, and asset backed securities that did not trade on the Foundation's fiscal year-end date. Inputs are prices or yields of similar securities or the same security but as of a date other than June 30, 2024.

For alternative investments that are limited partnership investments or investments that do not trade on national security exchanges, the value is primarily based on the net asset value (NAV) of the underlying investments. The NAV is reported by the external investment manager (general partner) in accordance with their policies as described in their respective financial statements and offering memoranda. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The Foundation's NAV investments are described below:

The commercial real estate financing investment is a limited partnership whose general partner (GP) provides a service of assisting large banks in clearing their portfolios of low- or under-performing commercial property mortgages. The GP values, purchases, and restructures available commercial real estate mortgages. The GP can restructure then sell, restructure and hold, or collateralize and sell the collateralized commercial mortgage-backed securities all while collecting interest payments. Funds are distributed to investors as interest is collected and as underlying holdings are liquidated through loan repayments and sales.

The private real estate trust is a private equity limited partnership that will continue to invest and own U.S. commercial real estate across property types and geographies. The main investment attraction is rental income with value change factors having a low correlation to marketable securities. There is no end date for this fund. The fund will repurchase shares on a monthly basis after a one-year investment period as shares are tendered. This investment is expected to improve cash flow income returns (rental income generally outpaces fixed income interest income) while the underlying assets do not face the same volatility in values as traditional investments.

The multi-strategy private equity fund (PA2017) is a diversified private equity vehicle that allows diversification among many private equity sectors. This is a limited partnership fund. PA2017 brings exposure to the global private equity sectors of buyouts, special situations, venture capital, secondaries, and co-investment. Distributions to investors result from the liquidation of underlying holdings of each fund invested.

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The Foundation's investments at June 30, 2024, are categorized as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Net Asset Value	Total
Money market funds	\$ 916,747	\$ -	\$ -	\$ -	\$ 916,747
U.S. Treasury securities	-	3,905,525	-	-	3,905,525
Corporate bonds	100,181	4,824,389	-	-	4,924,570
Mutual funds	1,993,375	-	-	-	1,993,375
Exchange traded funds	1,100,912	-	-	-	1,100,912
Equity securities	9,169,555	-	-	-	9,169,555
REIT fund	-	-	-	733,979	733,979
Private equity	-	-	-	2,374,038	2,374,038
	<u>\$ 13,280,770</u>	<u>\$ 8,729,914</u>	<u>\$ -</u>	<u>\$ 3,108,017</u>	25,118,701
LAIF, at amortized cost					4,146,724
Total investments					<u>\$ 29,265,425</u>

The fair value of investments for the Plan as of December 31, 2023, is as follows:

Investment Type	Fair Value
Fixed income ETFs	\$ 363,561
U.S. equities ETFs	2,777,164
Fixed income mutual funds	3,881,562
U.S. equities mutual funds	3,668,490
Total investments	<u>\$ 10,690,777</u>

The following table represents maturities for fixed income investments held by the Plan as of December 31, 2023:

Investment Type	Total Fair Value	Less Than 3 Years	3 to 7 Years	7 to 10 Years	More Than 10 Years	Not classified
Fixed Income—ETF and Mutual funds	<u>\$ 4,245,123</u>	<u>\$ 849,025</u>	<u>\$ 1,018,830</u>	<u>\$ 1,400,891</u>	<u>\$ 976,377</u>	<u>\$ -</u>

San José State University Research Foundation

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The Plan's fair value of investments as of December 31, 2023, is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Fixed income ETFs	\$ 363,561	\$ 363,561
U.S. equities ETFs	2,777,164	2,777,164
Fixed income mutual fund	3,881,562	3,881,562
U.S. equities mutual fund	3,668,490	3,668,490
Total investments	<u>\$ 10,690,777</u>	<u>\$ 10,690,777</u>

Note 4. Grants and Other Receivable

As of June 30, 2024, the Foundation has the following receivables:

Accounts receivable—sponsored programs	\$ 10,852,153
Other receivables	242,805
Total accounts receivable	<u>\$ 11,094,958</u>

Note 5. Related Parties

The Foundation has routine business transactions with the University and other related auxiliary organizations on campus, such as the use of meeting rooms and food services.

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as a component of grants and other receivables and accounts payable. As of June 30, 2024, receivables due from and payables due to related parties are as follows:

Receivables and Payables	Amount
Receivable from San José State University	\$ 347,798
Receivable from Tower Foundation San José State University	\$ 29,549
Payable to San José State University	\$ 922,245
Payable to other campus auxiliaries	\$ 111,360

San José State University Research Foundation

Notes to Financial Statements

Note 5. Related Parties (Continued)

Transactions with the University and related organizations are recorded on the statement of revenues, expenses, and changes in net position as institutional support, research, and instruction. During the year ended June 30, 2024, amounts paid to the University and related organizations for services were as follows:

Entity	Total Paid
San José State University	\$ 9,021,819
Associated Students - San Jose State University	\$ 379,343
Student Union, Inc. - San Jose State University	\$ 763
Tower Foundation - San Jose State University	\$ 2,368

Additionally, the Foundation received gifts in-kind from the University of \$1,694,924 which was primarily salary payments for individuals working on Foundation activities and capital assets.

In the fall of 2018, the University formally launched its strategic support of research, scholarly, and creative activities by the University faculty. As a part of that initiative, the University agreed to provide \$1,000,000 in pre-award funding support to the Foundation during the year ended June 30, 2024, which is recorded on the statement of revenues, expenses, and changes in net position as a component of other operating revenues. Each year, the University will evaluate its ability to provide additional funding, which could be as much as \$1,000,000 per year.

Additionally, the Foundation has agreed to contribute \$15.0 million toward the new Interdisciplinary Science Building that the University is constructing. These contributions are considered a voluntary non-exchange transaction that is contingent on the University's ability to provide the additional funding as described above. If that funding is not received, the Foundation will not be obligated to execute this contribution. Accumulated contributions made by the Foundation through June 30, 2024, total \$3,000,000. If the contingency requirement is met each year, the remaining \$12 million is to be paid annually in an amount of \$500,000 over the remaining 25 years, from July 2022 through June 2048. \$500,000 was recorded as contributions to the University for the year ended June 30, 2024.

San José State University Research Foundation

Notes to Financial Statements

Note 6. Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year as Restated	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land and land improvements	\$ 5,176,529	\$ -	\$ -	\$ -	\$ 5,176,529
Construction work in progress	576,704	1,425,113	(553,049)	-	1,448,768
Total capital assets not being depreciated	5,753,233	1,425,113	(553,049)	-	6,625,297
Capital assets being depreciated/amortized:					
Buildings and building improvements	8,686,414	-	-	-	8,686,414
Leasehold improvements	812,626	-	-	-	812,626
Equipment	10,810,466	983,061	553,049	(256,794)	12,089,782
Subscription IT asset	15,378	3,565,140	-	-	3,580,518
Total capital assets being depreciated/amortized	20,324,884	4,548,201	553,049	(256,794)	25,169,340
Total capital assets	26,078,117	5,973,314	-	(256,794)	31,794,637
Less accumulated depreciation/amortization:					
Buildings and building improvements	(5,326,387)	(942,780)	-	-	(6,269,167)
Leasehold improvements	(776,960)	(15,784)	-	-	(792,744)
Equipment	(7,941,920)	(1,140,011)	-	252,413	(8,829,518)
Subscription IT asset	(7,830)	(300,571)	-	-	(308,401)
Total accumulated depreciation and amortization	(14,053,097)	(2,399,146)	-	252,413	(16,199,830)
Net capital assets	\$ 12,025,020	\$ 3,574,168	\$ -	\$ (4,381)	\$ 15,594,807

Note 7. Leases and SBITAs

The Foundation as a lessor:

- The Foundation subleased an office space at 210 North Fourth Street, San José, California to Mineta Transportation Institute of the University beginning on July 1, 2022 and ending on December 31, 2024. The Foundation will receive monthly payments ranging from \$6,302 to \$6,673. The Foundation recognized \$68,503 in lease revenue and \$5,164 in interest revenue during the current fiscal year related to the sublease. As of June 30, 2024, the Foundation's receivable for sublease payments was \$60,487. Also, the Foundation has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$37,366.

The Foundation as a lessee:

- The Foundation has a master lease at 210 North Fourth Street, San José, California, for the entire third and fourth floors, originally for 10 years, which expired on February 28, 2013. This lease has been amended six times and is currently extended to expire on December 31, 2024.

The lease liability is measured at a discount rate of 1.31%, the lease IBR. As a result of the lease, the Foundation recorded buildings with a net book value of \$3,673,185 on July 1, 2021. As of June 30, 2024, the accumulated depreciation was \$1,130,210 and the net book value was \$2,542,975.

- The Foundation has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

San José State University Research Foundation

Notes to Financial Statements

Note 7. Leases and SBITAs (Continued)

The first agreement was executed in January 2019, to lease a postage meter and requires 20 quarterly payments of \$562. There are no variable payment components of the lease. As a result of the lease, the Foundation recorded equipment with a net book value of \$5,756 at July 1, 2021. As of June 30, 2024, the accumulated depreciation was \$4,581 and the net book value was \$1,175.

The second agreement was executed in January 2021, to lease a folding machine and requires 13 quarterly payments of \$855. There are no variable payment components of the lease. As a result of the lease, the Foundation recorded equipment with a net book value of \$9,315 at July 1, 2021. As of June 30, 2024, the accumulated depreciation was \$6,494 and the net book value was \$2,821.

- The Foundation has a subscription agreement as a lessee for software for two years. The agreement was executed in July 2022 and requires 23 quarterly payments of \$680. There are no variable payment components of the subscription. As a result of the agreement, the Foundation recorded a right-to-use subscription asset of \$15,378 at July 1, 2022.

Lease and SBITA liabilities activity for the year ended June 30, 2024, are as follows:

	Beginning of Year as Restated	Additions	Payments	End of Year
Leased office space	\$ 863,773	\$ -	\$ (563,949)	\$ 299,824
Leased equipment	3,676	8,891	(4,693)	7,874
Subscription IT lease liability	-	3,565,325	(608,111)	2,957,214
Total	<u>\$ 867,449</u>	<u>\$ 3,574,216</u>	<u>\$ (1,176,753)</u>	<u>\$ 3,264,912</u>

The future minimum lease obligations as of June 30, 2024, are as follows:

	Principal Payments	Interest Payments	Total
Years ending June 30:			
2025	\$ 1,613,941	\$ 12,397	\$ 1,626,338
2026	523,536	65,580	589,116
2027	548,843	40,273	589,116
2028	446,600	13,742	460,342
Total future minimum lease payments	<u>\$ 3,132,920</u>	<u>\$ 131,992</u>	<u>\$ 3,264,912</u>

Note 8. Risk Management and Commitments

Risk management: The Foundation may be exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, job related illness or injuries to employees and natural disasters. The Foundation carries commercial insurance to protect against these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years. There was no reduction in insurance coverage during FY 2024.

San José State University Research Foundation

Notes to Financial Statements

Note 8. Risk Management and Commitments (Continued)

Line of credit: In April 2010, the Foundation entered into a \$5,000,000 variable rate line of credit (LOC) with UBS Bank USA, pledging the Foundation's investments held at UBS Financial Services as collateral. The interest rate for the year ended June 30, 2024 was 7.196%. The LOC is payable on demand. During the year ended June 30, 2024, no funds were drawn for operational use and no amounts were outstanding under the LOC as of June 30, 2024. This line of credit currently has no expiration date. Investments in the amount of \$18,358,312 have been pledged as collateral on this line of credit at June 30, 2024.

Business credit card program: In November 2014, the Foundation entered into a commercial card consortium program with US Bank. The program has a maximum credit limit of \$970,000. The Foundation pays off the balance each month. At June 30, 2024, the amount outstanding of \$107,570 is recorded on the statement of net position within accounts payable. For the year ended June 30, 2024, the activity under the business credit card program is as follows:

June 30, 2023				June 30, 2024
Balance	Increase	Decrease		Balance
\$ 138,764	\$ 887,314	\$ (918,508)	\$	107,570

Note 9. Employee Benefits and Compensation Plans

Defined contribution pension plan:

Plan description: The Foundation contributes to the Plan for its eligible fully benefited employees. The Plan is administered by the Board of the Foundation and the Teachers Insurance and Annuity Association - College Retirement Equities Fund serves as custodian and recordkeeper of the Plan. The Foundation, in conjunction with legal counsel, has determined that the Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Plan benefits: Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors. For each active employee in the Plan, the Foundation contributes 7% of the employee's base pay to the Plan. Regular wages, vacation, holiday and sick leave are generally considered base pay. Employees are allowed to direct their contributions to any of the Plan's investment fund options. The Plan does not allow for employee contributions. Employees are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant's direction and the Plan's provision. Employees are immediately vested in the employer contributions and actual earnings thereon.

For the year ended June 30, 2024, the Foundation recognized contribution expense of \$1,349,735.

San José State University Research Foundation

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

Post-retirement health care plan:

Plan description and benefits: The Foundation sponsors a single employer-defined benefit post-retirement medical plan, which covers substantially all full-time employees and their qualified dependents. Eligible employees include employees hired before July 1, 2008, who retire at the age of 55 or older, with five years of service, and their dependents. The Foundation adopted a revision to the plan during the year ended June 30, 2009, that employees will receive this benefit if they retire at the age of 60 or older with 10 years of benefited service during the preceding 20 years of employment. This change is effective for employees hired on or after July 1, 2008. The Foundation has chosen to participate in the health benefit program offered by the California Public Employees' Retirement System for both its active and eligible retired employees.

Membership as of valuation date:

Active employees	189
Eligible retired employees (with 52 covered dependents)	86
Total	<u>275</u>

Plan assets: The Foundation established a Code Section 115 Trust, Research Organizations Retirement Medical Trust, to accept and hold employer contributions, to pay administrative expenses related to post-retirement health benefits, and to fund the post-retirement health benefits for current and retired participants. There is an annual independent audit of the financial statements of the Plan; the report is available from the Foundation's office. At present, the Foundation pays approximately 85% to 89% of the retiree's monthly medical insurance premiums. The Foundation made contributions of \$1,721,526 to the Plan for the year ended June 30, 2024.

Annual OPEB cost and net OPEB obligation (OPEB Plan): The Plan's annual OPEB contribution is calculated based on the actuarially determined contribution (ADC) of the employer. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a given period of time. The Actuarial Report is performed with a measurement date of December 31, 2023, to fulfill GASB Statement No. 74 for the financial report of the Plan. As required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, transactions recorded in the benefit of the OPEB Plan subsequent to the actuarial measurement date are OPEB Plan changes that are reflected in deferred outflows and deferred inflows where the effect to total OPEB liability is deferred to the next reporting period. As of June 30, 2024, transactions recorded in the benefit of the OPEB Plan consist of payments from the Foundation to the Plan on behalf of retiree medical health insurance coverage that occurred between January 1, 2024 and June 30, 2024. Those employer contribution payments, made subsequent to the measurement date, amounted to \$577,175 and were recorded as deferred outflows on the Foundation's statement of net position.

San José State University Research Foundation

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The components of the net OPEB liability of the Plan as of June 30, 2024, are as follows:

Total OPEB liability	\$ 20,191,407
Plan fiduciary net position	10,742,141
Net OPEB liability	<u>\$ 9,449,266</u>
Deferred outflow of resources	\$ 8,259,310
Deferred inflow of resources	13,635,698
Plan fiduciary net position as a percentage of the total OPEB liability	53.20%

The following is the Foundation's change in total OPEB liability, plan fiduciary net position, and the net OPEB liability for the year ended June 30, 2024:

Total OPEB Liability at June 30, 2023	\$ 19,477,497
Service cost	822,202
Benefit payments	(1,191,996)
Interest cost	1,083,704
Differences between expected and actual experience	-
Assumption changes	-
Total OPEB Liability at June 30, 2024	<u>\$ 20,191,407</u>

The following are the components of OPEB expense for the year ended June 30, 2024:

Service cost	\$ 822,202
Interest cost	1,083,704
Expected earnings on assets	(545,107)
Administrative expenses	111,359
Recognition of deferred outflows:	
Assumption changes	1,694,627
Plan experience	-
Investment experience	416,963
Recognized deferred resource items:	
Assumption changes	(1,078,456)
Plan experience	(1,754,423)
Investment experience	(512,233)
OPEB expense	<u>\$ 238,636</u>

San José State University Research Foundation

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions:

Assumptions and other inputs used to measure OPEB liability:

Valuation and measurement dates	Actuarial valuation as of December 31, 2023
Actuarial cost method	Entry age normal, level % of pay
Asset valuation method	Market value of asset as of measurement date
Actuarial assumptions:	
Inflation	2.50%
Projected prior year increase	3.00%
Assumed wage inflation	3.25%
Long-term return on assets	6.00%
Discount rate	5.50%, blended rate between long term rate of return of 6.00% and bond index of 3.26%
Administrative expense	\$111,359
Health care cost trend	Actual and slowly decreasing to 3.90% by 2076 and thereafter
Mortality	MacLeod Watts Scale 2022 applied generationally
Medicare eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65
Funding policy	The Foundation has elected to contribute annually to the Plan (a) current cost, (b) annual additional amount determined annually

The following assumptions did not change since the last actuarial valuation: The long term return on assets is still at 6.00%, the discount rate is at 5.50% and the health care cost trend rate in the previous year was 3.90% and slowly decreasing to 3.90% by 2076 and thereafter.

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience in the measurement of total OPEB liability	\$ -	\$ (8,297,107)
Change in assumptions	7,070,064	(5,338,591)
Net difference between projected and actual earnings of OPEB plan investments	252,970	-
Contribution to OPEB plan after measurement date	936,276	-
Total	<u>\$ 8,259,310</u>	<u>\$ (13,635,698)</u>

San José State University Research Foundation

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

Future amortization of deferred outflows and inflows, net is as follows:

For the Fiscal Years Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2025	\$ (1,107,491)
2026	(1,025,967)
2027	(874,808)
2028	(1,202,828)
2029	(942,573)
Thereafter	(1,158,997)
Total	<u>\$ (6,312,664)</u>

The discount rate is based on the long-term expected rate of return on assets for benefits covered by plan assets. The long-term expected rate of return on OPEB plan investments is determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class in accordance with the Plan's investment policy.

At December 31, 2023, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Asset Class	Target Allocation	Long-Term Rate of Return
Equity	60%	4.50%
Fixed Income	40%	2.00%

The discount rate used to measure the total OPEB liability is 5.5% as of December 31, 2023. The projection of cash flows used to determine the discount rate is based on the Foundation's funding policy that the Foundation has elected to contribute annually to the Plan (a) current benefit costs for retirees, and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the OPEB Plan.

The following presents the net OPEB liability, calculated using the discount rate of 5.50%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease 4.50%	Current Discount 5.50%	1% Increase 6.50%
\$ 12,391,799	\$ 9,449,266	\$ 7,039,389

San José State University Research Foundation

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

With regard to the healthcare cost trend rate, the net OPEB liability would change if the following trend rates were assumed:

1% Decrease	Base	1% Increase
<u>\$ 6,838,070</u>	<u>\$ 9,449,266</u>	<u>\$ 12,723,598</u>

Note 10. Contingencies

The Foundation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial statements of the Foundation.

The Foundation administers federal government-funded programs which are subject to audit by cognizant governmental agencies. The Foundation's management believes that the outcome of such matters will not have a significant impact on the financial position or results of activities of the Foundation. Thus, no reserve for potential disallowances has been recorded in the financial statements as of June 30, 2024.

San José State University Research Foundation

Notes to Financial Statements

Note 11. Restatement

During the fiscal year ended June 30, 2024, the Foundation noted an area where management determined an adjustment was necessary to properly account for transactions under the applicable accounting standards.

In prior financial statements, the Foundation had incorrectly accounted for unearned revenue, right-of-use assets, and lease liabilities. As a result, the revenue, unearned revenue, and net position have been restated.

Related to this correction, the Foundation has restated its net assets without donor restrictions as of the beginning of the fiscal year ended June 30, 2024, to properly reflect the above item in the appropriate fiscal period.

Net position, beginning of year, as previously stated	\$ 19,582,904
Adjustment: Reduction to right of use assets	(1,692,247)
Adjustment: Reduction to lease liabilities	1,754,234
Adjustment: Increase in interest expense incurred in prior years	(20,448)
Adjustment: Revenue improperly recognized in prior years	<u>(2,306,625)</u>
Net position, beginning of year, as restated	<u>\$ 17,317,818</u>
Unearned revenue as of June 30, 2023, as previously stated	\$ 3,017,703
Adjustment: Revenue improperly recognized in prior years	<u>(2,306,625)</u>
Unearned revenue as of June 30, 2023, as restated	<u>\$ 711,078</u>
Capital assets as of June 30, 2023, as previously stated	\$ 13,717,267
Adjustment: reduction to right of use assets	<u>(1,692,247)</u>
Capital assets as of June 30, 2023, as restated	<u>\$ 12,025,020</u>
Lease liabilities, net of current portion as of June 30, 2023, as previously stated	\$ 2,056,779
Adjustment: reduction to lease liabilities	<u>(1,754,234)</u>
Lease liabilities, net of current portion as of June 30, 2023, as previously stated	<u>\$ 302,545</u>

Note 12. Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2024, through September 27, 2024, the date these financial statements were available to be issued, and nothing has occurred outside the normal course of business operations that would require disclosure in these financial statements.

**San José State University Research Foundation
Required Supplementary Information (Unaudited)**

Schedule of Changes in the Net OPEB Liability

The schedule of changes in the net OPEB liability as of and for the years ended June 30 is as follows:

	2024	2023	2022	2021	2020	2019
Total OPEB liability:						
Service cost	\$ 822,202	\$ 1,138,422	\$ 860,609	\$ 1,748,038	\$ 1,123,991	\$ 812,945
Cost of plan changes	-	-	-	(142,864)	-	-
Interest	1,083,704	1,279,045	1,268,715	968,839	1,097,418	1,499,946
Change of assumptions	-	(2,345,628)	3,272,486	(6,740,851)	6,405,304	5,709,233
Differences between expected and actual experience	-	(6,208,876)	-	(1,380,667)	(977,897)	(6,819,270)
Benefit payments	(1,191,996)	(921,526)	(920,541)	(920,212)	(797,221)	(664,106)
Net change in total OPEB liability	713,910	(7,058,563)	4,481,269	(6,467,717)	6,851,595	538,748
Total OPEB liability - beginning	19,477,497	26,536,060	22,054,791	28,522,508	21,670,913	21,132,165
Total OPEB liability - ending (a)	\$ 20,191,407	\$ 19,477,497	\$ 26,536,060	\$ 22,054,791	\$ 28,522,508	\$ 21,670,913
Plan fiduciary net position:						
Employer contributions	\$ 1,991,996	\$ 1,721,526	\$ 1,919,600	\$ 1,340,212	\$ 1,779,721	\$ 712,123
Net investment income	1,312,710	(1,459,951)	1,213,456	798,868	965,101	(234,184)
Retiree health program premiums	(1,191,996)	(921,123)	(920,541)	(920,212)	(797,221)	(664,106)
Administrative expenses	(111,359)	(106,417)	(85,860)	(85,401)	(72,470)	(60,625)
Net change in plan net position	2,001,351	(765,965)	2,126,655	1,133,467	1,875,131	(246,792)
Plan fiduciary net position - beginning	8,740,790	9,506,755	7,380,100	6,246,633	4,371,502	4,618,294
Plan fiduciary net position - ending (b)	10,742,141	8,740,790	9,506,755	7,380,100	6,246,633	4,371,502
Net OPEB liability (a) - (b)	\$ 9,449,266	\$ 10,736,707	\$ 17,029,305	\$ 14,674,691	\$ 22,275,875	\$ 17,299,411
Plan fiduciary net position as a percentage of total OPEB liability	53.20%	44.88%	35.83%	33.46%	21.90%	20.17%
Net OPEB liability as a percentage of covered payroll	50.29%	56.17%	90.32%	78.17%	119.12%	94.75%
Covered payroll	\$ 18,791,331	\$ 19,113,714	\$ 18,853,765	\$ 18,772,064	\$ 18,699,654	\$ 18,257,949

The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years with available information.

The following assumptions did not change since the last actuarial valuation: The long term return on assets is still at 6.00%, the discount rate is at 5.50%, and the health care cost trend rate in the previous year was 3.90% and slowly decreasing to 3.90% by 2076 and thereafter.

**San José State University Research Foundation
Required Supplementary Information (Unaudited)**

Schedule of Employer Contributions

Years Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to Actuarial Determined Contributions	Contributions Deficiency	Covered Payroll	Contribution as a Percentage of Covered Payroll
2024	\$ 1,526,753	\$ 2,351,097	\$ (824,344)	\$ 19,454,309	12%
2023	2,053,987	1,852,765	201,222	19,547,571	9%
2022	2,027,800	1,916,131	111,669	18,682,806	10%
2021	1,961,380	1,366,172	595,208	18,433,843	7%
2020	1,949,222	1,382,980	566,242	18,925,008	7%
2019	1,936,755	1,234,023	702,732	18,474,300	7%
2018	1,859,099	1,085,528	773,571	18,408,773	6%

The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years with available information.

San José State University Research Foundation

Notes to Required Supplementary Information

The total OPEB liability and contributions in relation to actuarially determined contributions take into consideration of the implicit rate subsidy, which is actuarially determined and represents a subsidy toward pre-Medicare retiree medical costs paid via active employee premiums since the claims from both active and retired employees are combined to calculate a blended premium. The implicit rate subsidy toward the Foundation's eligible retirees was \$223,737 in 2023, which was recognized both as employer contribution and benefit payments in the statement of changes in fiduciary net position – Research Organizations Retiree Medical Trust for the year ended December 31, 2023.

Employer lump-sum contribution	\$ 1,436,545
Implicit rate subsidy	223,737
Total employer contributions	<u>\$ 1,660,282</u>

San José State University Research Foundation

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Major Program:					
Research Development Cluster					
Department of Agriculture:					
Direct:					
U.S. Forest Service	Research Joint Venture and Cost Reimbursable Agreements	10.707	-	\$ -	\$ 154,382
U.S. Forest Service	Research Joint Venture and Cost Reimbursable Agreements	10.707	-	-	8,905
Total Direct				-	163,287
Pass-through					
National Institute of Food and Agriculture	Special Research Grants (SRGP)	10.200	UWSC15027	-	7,985
Total Pass-through				-	7,985
Total Department of Agriculture				-	171,272
Department of Commerce:					
Direct					
Department of Commerce	NOAA Mission-Related Education Awards	11.008	-	-	13,537
Department of Commerce	Integrated Ocean Observing System (IOOS)	11.012	-	-	115,569
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	-	-	95,074
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	-	-	78,805
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	-	-	56,641
Department of Commerce	Applied Meteorological Research	11.468	-	-	17,218
Department of Commerce	Congressionally Identified Awards and Projects	11.469	-	-	501,506
Total Direct				-	878,350
Pass-through					
Department of Commerce	Integrated Ocean Observing System (IOOS)	11.012	2111114	-	49,400
Department of Commerce	Sea Grant Support	11.417	705946	-	29,682
Department of Commerce	Sea Grant Support	11.417	KR 704279	-	2,119
Department of Commerce	Sea Grant Support	11.417	704336_A/EA-28C	-	19,306
Department of Commerce	Sea Grant Support	11.417	705180	-	5,277
Department of Commerce	Sea Grant Support	11.417	705179- R/AQ-160	-	87,335
Department of Commerce	Sea Grant Support	11.417	705562- PROJECT R/AQ	-	105,058
Department of Commerce	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	KBPI-4270160-01	-	9,099
Department of Commerce	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000568 _ SPC-001	-	2,424,687
Department of Commerce	Marine Mammal Data Program	11.439	A22-0041-S001	-	12,347
Department of Commerce	Marine Mammal Data Program	11.439	A23-0065-S001	-	15,873
Department of Commerce	Marine Mammal Data Program	11.439	A24-0062-S001	-	710
Department of Commerce	Habitat Conservation	11.463	2024-K-003	-	3,765
Department of Commerce	Unallied Science Program	11.472	704427	-	1,787
Department of Commerce	Educational Partnership Program	11.481	GRT000392-10022632	-	39,585
Total Pass-through				-	2,806,030
Total Department of Commerce				-	3,684,380

(continued)

San José State University Research Foundation

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024
 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Defense:					
Direct					
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	60,869
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	415,974
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	51,477
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	473,209
Department of Defense	Military Medicine Research and Development	12.420	-	57,453	77,639
Total Direct				<u>57,453</u>	<u>1,079,168</u>
Pass-through					
Office of Naval Research	Basic and Applied Scientific Research	12.300	5066201A-120123-S	-	15,993
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	65,753
Office of Naval Research	Basic and Applied Scientific Research	12.300	KR704623	-	21,730
Department of Defense	Hearing Restoration Research Program	12.420	A21-0549-S001	-	375
Total Pass-through				<u>-</u>	<u>103,851</u>
Total Department of Defense				<u>57,453</u>	<u>1,183,019</u>
Department of Interior:					
Direct					
US Fish and Wildlife Service	National Resource Damage Assessment and Restoration	15.658	-	-	7,625
Department of Interior	Earthquake Hazards Program Assistance	15.807	-	-	44,133
U.S. Geological Survey	U.S. Geological Survey Research and Data Collection	15.808	-	-	162,843
U.S. Geological Survey	U.S. Geological Survey Research and Data Collection	15.808	-	-	127,086
Total Direct				<u>-</u>	<u>341,687</u>
Pass-Through					
U.S. Geological Survey	Assistance to State Water Resources Research Institute	15.805	SA21-5650-01	-	1,957
Total Department of Interior				<u>-</u>	<u>343,644</u>
Department of Transportation:					
Direct					
Department of Transportation	Consolidated Rail Infrastructure and Safety Improvements	20.325	-	250,072	362,883
Department of Transportation	University Transportation Centers Program	20.701	-	499,265	658,365
Department of Transportation	University Transportation Centers Program	20.701	-	60,440	595,057
Total Direct				<u>809,777</u>	<u>1,616,305</u>
Pass-Through					
Federal Highway Administration	Highway Research and Development Program	20.200	HR20-56(030)A	-	49,796
Department of Transportation	University Transportation Centers Program	20.701	GRT000585-10020212	-	320,002
Department of Transportation	University Transportation Centers Program	20.701	130397-Z9125302	-	110,950
Total Passthrough				<u>-</u>	<u>480,748</u>
Total Department of Transportation				<u>809,777</u>	<u>2,097,053</u>

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024
 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Aeronautics and Space Administration:					
Direct					
NASA	Science	43.001	-	-	25,161
NASA	Science	43.001	-	-	303,647
NASA	Science	43.001	-	41,528	162,492
NASA	Science	43.001	-	-	8,386
NASA	Science	43.001	-	-	30,457
NASA	Science	43.001	-	28,044	71,458
NASA	Science	43.001	-	-	6,047
NASA	Science	43.001	-	-	168,362
NASA	Science	43.001	-	-	315
NASA	Aeronautics	43.002	-	247,260	13,500,149
NASA	Mission Support	43.009	-	29,747	902,285
NASA	Mission Support	43.009	-	-	1,592,011
Total Direct				<u>346,579</u>	<u>16,770,770</u>
Pass-through					
NASA	Science	43.001	80NSSC23K1118-SJSU	2,203	152,411
NASA	Science	43.001	00001996	-	32,418
NASA	Science	43.001	G-01869-03	-	14,465
NASA	Science	43.001	G-30123-02	-	34,736
NASA	Science	43.001	G-02914-02	-	10,872
NASA	Science	43.001	SAPO G16253 _1(GG016	-	20,590
NASA	Science	43.001	1666003	-	1,344
NASA	Science	43.001	1672989	-	8,458
NASA	Science	43.001	1690184	-	3,207
NASA	Science	43.001	1623362	-	45,972
NASA	Science	43.001	RSA NO 1694133- YEA	-	2,795
NASA	Science	43.001	1685860	-	81,550
NASA	Science	43.001	1696381	-	219,684
NASA	Science	43.001	SMS0001602	-	76,369
NASA	Science	43.001	JWST-GO-01591.010-A	-	31,534
NASA	Science	43.001	HST-GO-16912.004-A	-	4,478
NASA	Science	43.001	HST-GO-17149.001-A	-	33,371
NASA	Science	43.001	SPC-001521-OS0000014	-	650,195
NASA	Science	43.001	NASA0098-02	-	35,360
NASA	Science	43.001	09-0115	-	6,749
Total Pass-through				<u>2,203</u>	<u>1,466,558</u>
Total National Aeronautics and Space Administration				<u>348,782</u>	<u>18,237,328</u>

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024
 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Science Foundation:					
Direct					
National Science Foundation	Engineering	47.041	-	-	1,888
National Science Foundation	Engineering	47.041	-	-	35,305
National Science Foundation	Engineering	47.041	-	-	166,185
National Science Foundation	Engineering	47.041	-	-	56,159
National Science Foundation	Engineering	47.041	-	-	104,566
National Science Foundation	Engineering	47.041	-	-	33,325
National Science Foundation	Engineering	47.041	-	-	62,579
National Science Foundation	Engineering	47.041	-	-	51,966
National Science Foundation	Engineering	47.041	-	-	132,869
National Science Foundation	Engineering	47.041	-	-	23,845
National Science Foundation	Engineering	47.041	-	-	122,963
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	84,028
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	52,827
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	81,088
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	108,292
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	39,712
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	43,636
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	35,759
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	19,417
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	54,754
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	18,298
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	75,763
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	8,657
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	8,283
National Science Foundation	Geosciences	47.050	-	-	95,548
National Science Foundation	Geosciences	47.050	-	-	36,259
National Science Foundation	Geosciences	47.050	-	-	7,644
National Science Foundation	Geosciences	47.050	-	-	80,536
National Science Foundation	Geosciences	47.050	-	-	131
National Science Foundation	Geosciences	47.050	-	-	49,692
National Science Foundation	Geosciences	47.050	-	-	302,682
National Science Foundation	Geosciences	47.050	-	-	39,788
National Science Foundation	Geosciences	47.050	-	-	18,953
National Science Foundation	Geosciences	47.050	-	-	23,941

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024
 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Science Foundation:					
Direct					
National Science Foundation	Geosciences	47.050	-	-	32,249
National Science Foundation	Geosciences	47.050	-	-	50,689
National Science Foundation	Geosciences	47.050	-	-	5,337
National Science Foundation	Geosciences	47.050	-	-	83,369
National Science Foundation	Geosciences	47.050	-	-	19,559
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	3,187
National Science Foundation	Computer and Information Science and Engineering	47.070	-	44,475	474,732
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	189,355
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	104,273
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	44,125
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	84,235
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	67,320
National Science Foundation	Biological Sciences	47.074	-	-	122,302
National Science Foundation	Biological Sciences	47.074	-	-	5,899
National Science Foundation	Biological Sciences	47.074	-	-	6,534
National Science Foundation	Social, Behavioral, and Economic Sciences	47.075	-	-	19,296
National Science Foundation	Social, Behavioral, and Economic Sciences	47.075	-	-	79,986
National Science Foundation	Social, Behavioral, and Economic Sciences	47.075	-	-	11,643
National Science Foundation	STEM Education	47.076	-	-	93,275
National Science Foundation	STEM Education	47.076	-	-	122,668
National Science Foundation	STEM Education	47.076	-	-	958
National Science Foundation	STEM Education	47.076	-	-	217,010
National Science Foundation	STEM Education	47.076	-	-	245,617
National Science Foundation	STEM Education	47.076	-	-	6,166
National Science Foundation	STEM Education	47.076	-	-	28,560
National Science Foundation	STEM Education	47.076	-	-	135,000
National Science Foundation	STEM Education	47.076	-	-	81,296
National Science Foundation	STEM Education	47.076	-	-	27,560
National Science Foundation	STEM Education	47.076	-	-	163,449
National Science Foundation	STEM Education	47.076	-	-	299,417
National Science Foundation	STEM Education	47.076	-	149,213	428,116
National Science Foundation	STEM Education	47.076	-	-	131,461
National Science Foundation	STEM Education	47.076	-	32,467	149,412
National Science Foundation	STEM Education	47.076	-	-	98,040
National Science Foundation	STEM Education	47.076	-	-	53,916
National Science Foundation	STEM Education	47.076	-	-	46,349
National Science Foundation	STEM Education	47.076	-	15,472	182,592
National Science Foundation	Polar Programs	47.078	-	-	177,587
National Science Foundation	Polar Programs	47.078	-	-	104,414
National Science Foundation	Integrative Activities	47.083	-	-	249,142
Total Direct				241,627	6,523,433

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Pass-through					
National Science Foundation	Engineering	47.041	419645-19E94	-	56,362
National Science Foundation	Geosciences	47.050	44C (GG009393-04)	-	23,726
National Science Foundation	Computer and Information Science and Engineering	47.070	S22-0012	-	44,555
National Science Foundation	STEM Education	47.076	SC330590-21-02	-	27,302
National Science Foundation	STEM Education	47.076	533016-A6	-	20,000
National Science Foundation	STEM Education	47.076	SCCOE	-	6,143
National Science Foundation	Engineering	47.041	10069307-01-SJU	-	10,811
Total Pass-through				-	188,899
Total National Science Foundation				241,627	6,712,332
Environmental Protection Agency:					
Direct					
Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	66.509	-	68,311	144,690
Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	66.509	-	-	38,101
Total Direct				68,311	182,791
Pass-through					
Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	66.509	100279	-	15,698
Environmental Protection Agency	National Estuary Program	66.461	CD-99T92901-0	100,638	115,962
Environmental Protection Agency	National Estuary Program	66.461	22-091	-	19,049
Total Pass-through				100,638	150,709
Total Environmental Protection Agency				168,949	333,500
Nuclear Regulatory Commission					
Direct					
Nuclear Regulatory Commission	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	-	-	56,783
Total Nuclear Regulatory Commission				-	56,783
Department of Energy:					
Direct					
Department of Energy	Office of Science Financial Assistance Program	81.049	-	-	59,549
Department of Energy	Office of Science Financial Assistance Program	81.049	-	59,122	83,500
Department of Energy	Office of Science Financial Assistance Program	81.049	-	-	89,209
Department of Energy	Office of Science Financial Assistance Program	81.049	-	49,433	102,149
Department of Energy	Office of Science Financial Assistance Program	81.049	-	-	142,493
Department of Energy	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	-	-	216,571
Total Direct				108,555	693,471

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
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 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Pass-through					
Department of Energy		81.RD	7625627	-	163,804
Department of Energy		81.RD	B656972	-	95,268
Department of Energy	Office of Science Financial Assistance Program	81.049	A24-0067-S001	-	88,728
Department of Energy	Office of Science Financial Assistance Program	81.049	M2202685	-	16,178
Department of Energy	Office of Science Financial Assistance Program	81.049	A22-0491-S001	-	172,839
Department of Energy	Conservation Research and Development	81.086	DE-EE-0010401-SJSURF	-	13,917
Department of Energy	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	81.117	S23-0007	-	29,817
Department of Energy	Nuclear Energy Research, Development, and Demonstration	81.121	A21-0451-S001	-	33,634
Department of Energy	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	B655140	-	56,537
Department of Energy	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	B656572	-	72,606
Department of Energy	Advanced Research Projects Agency - Energy	81.135	00010579	-	219
Total Pass-through				-	743,547
Total Department of Energy				108,555	1,437,018
Department of Education					
Direct					
Department of Education	Higher Education Institutional Aid	84.031C	-	204,702	805,236
Department of Education	Child Care Access Means Parents in School	84.335A	-	-	550,240
Total Direct				204,702	1,355,476
Total Department of Education				204,702	1,355,476
Department of Health and Human Services					
Pass-through					
Sourcewise	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2023SWARP10	-	21,158
Sourcewise	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	OAA20241402.00	-	72,179
Sourcewise	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	ARPA20241400.00	-	27,327
Total Department of Health and Human Services				-	120,664

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2024
 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Institutes of Health:					
Direct					
National Institutes of Health	Alcohol Research Programs	93.273	-	-	86,338
National Institutes of Health	Minority Health and Health Disparities Research	93.307	-	69,603	134,625
National Institutes of Health	Cardiovascular Diseases Research	93.837	-	-	239,609
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	-	-	57,578
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	-	-	9,230
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	-	-	105,459
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	128,296
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	119,272
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	132,870
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	78,491
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	142,240
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	143,764
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	193,550
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	225,507
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	199,892
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	79,840
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	19,393
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	47,651
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	105,277
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	137,772
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	(1,003)
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	134,580
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	135,531
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	98,161
Total Direct				69,603	2,753,923
Pass-through					
National Institutes of Health	Research Related to Deafness and Communication Disorders	93.173	10803SC	-	16,098
National Institutes of Health	Alcohol Research Programs	93.273	SPC00005591 / GR125	-	30,117
National Institutes of Health	Alcohol Research Programs	93.273	KK2321	-	19,922
National Institutes of Health	Drug Abuse and Addiction Research Programs	93.279	CON-80000503(GR12342)	-	17,237
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	11578SC	-	116,920
National Institutes of Health	Aging Research	93.866	GR127024/PO-SPC10000 SUBAWARD# 63333212-	-	51,218
National Institutes of Health	Aging Research	93.866	1	-	15,513
National Institutes of Health	Aging Research	93.866	0000003349	-	27,492
Total Pass-through				-	294,517
Total National Institutes of Health				69,603	3,048,440

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San José State University Research Foundation

Schedule of Expenditures of Federal Awards
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 (Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Veteran Affairs					
Pass through					
Department of Veteran Affairs		99.001	-	-	33,875
Total Pass Through				-	33,875
Total Department of Veteran Affairs				-	33,875
Total Research and Development Cluster				2,009,448	38,414,357
Department of Treasury					
Pass-through					
Dept. of the Treasury	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	CCSFRF012	-	26,463
Dept. of the Treasury	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	CCSFRF012	-	1,093,638
Total Department of Treasury				-	1,120,101
National Endowment for the Arts					
Direct					
Ntl Endowment for the Arts	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	4,395
Ntl Endowment for the Arts	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	12,286
Total Direct				-	16,681
Pass-through					
Ntl Endowment for the Arts	Promotion of the Humanities Federal/State Partnership	45.129	HFAP22-120 SUBAWARD SIGNED	-	880
Ntl Endowment for the Arts	Promotion of the Humanities Public Programs	45.164	4.5.	-	19,326
Total National Endowment for the Arts				-	20,206
				-	36,887
Institute of Museum and Library Services:					
Direct					
Inst of Museum & Library Serv	National Leadership Grants	45.312	-	52,294	94,843
Inst of Museum & Library Serv	National Leadership Grants	45.312	-	-	21,985
Inst of Museum & Library Serv	Laura Bush 21st Century Librarian Program	45.313	-	2,108	81,799
Inst of Museum & Library Serv	Laura Bush 21st Century Librarian Program	45.313	-	-	38,738
Total Direct				54,402	237,365
Pass-through					
Inst of Museum & Library Serv	Native American and Native Hawaiian Library Services	45.311	N/A	-	69,262
Inst of Museum & Library Serv	Laura Bush 21st Century Librarian Program	45.313	21072	-	13,131
Total Pass-through				-	82,393
Total Institute of Museum and Library Services				54,402	319,758

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San José State University Research Foundation

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(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Program Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Small Business Administration					
Pass-through					
Small Business Administration	Small Business Development Centers	59.037	F3316	-	56,098
Small Business Administration	Small Business Development Centers	59.037	F3516	-	99,854
Total Small Business Administration				<u>-</u>	<u>155,952</u>
Department of Energy:					
Pass-through					
Dept of Energy	Office of Science Financial Assistance Program	81.049	CM00004803-05	-	280,394
Total Department of Energy				<u>-</u>	<u>280,394</u>
Department of Education:					
Direct					
Department of Education	TRIO Student Support Services	84.042A	-	-	536,047
Department of Education	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	-	-	309,714
Department of Education	TRIO McNair Post-Baccalaureate Achievement	84.217A	-	-	306,274
Department of Education	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325M	-	-	78,526
Total Direct				<u>-</u>	<u>1,230,561</u>
Pass-through					
Department of Education	Supporting Effective Instruction State Grants	84.365Z	EDU026-01	-	20,558
Department of Education	Supporting Effective Instruction State Grants	84.365Z	A24-2404-S002	-	78
Department of Education	Supporting Effective Instruction State Grants	84.367A	ESSA23-CMP-SAN JOSE	-	24,014
Department of Education	Supporting Effective Instruction State Grants	84.367A	ESSA22-CWP-SAN JOSE	-	16,421
Department of Education	Supporting Effective Instruction State Grants	84.367A	ESSA23-CWP-SAN JOSE	-	38,791
Total Pass-through				<u>-</u>	<u>99,862</u>
Total Department of Education				<u>-</u>	<u>1,330,423</u>
Department of Health and Human Services					
Direct					
Substance Abuse & Ment Hlth Svc Adm	Congressional Directive	93.493	-	-	302,928
Total Direct				<u>-</u>	<u>302,928</u>
Pass-through					
Substance Abuse & Ment Hlth Svc Adm	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SUBCONTRACT SIGNED1.	11,184	412,507
Administration for Children and Families	Foster Care Title IV-E	93.658	00011219	-	79,008
Administration for Children and Families	Foster Care Title IV-E	93.658	00011219	-	1,339,034
Health Resources and Services Administration	Mental and Behavioral Health Education and Training Grants	93.732	00009669	-	60,000
Administration for Children and Families	Elder Abuse Prevention Interventions Program	93.747	00011594	-	93,825
Total Pass-through				<u>11,184</u>	<u>1,984,374</u>
Total Department of Education				<u>11,184</u>	<u>2,287,302</u>
Total Federal Expenditures				\$ 2,075,034	\$ 44,362,282

See accompanying Notes to Schedule of Expenditures of Federal Awards

San José State University Research Foundation

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of San José State University Research Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the U.S. Office of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies for Expenditures of Federal Awards

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The Foundation did not elect to use the 10% de minimis cost as covered in 200.414 indirect cost rate allowed under the Uniform Guidance. The rates used to charge projects are approved by the U.S. Department of Health and Human Services and range from 27.5% to 55.2% for on-campus programs, and 26.0% for off-campus programs. Some programs have special negotiated rates which are below this range. This revenue is recorded with the related federal, state, local and nongovernmental grants, and contracts revenue on the statement of revenues, expenses, and changes in net position.

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

Board of Directors
San José State University Research Foundation

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 the business-type activities and fiduciary activities of the San Jose State University Research Foundation, (the Foundation) as of and for the year ended June 30, 2024, 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 27, 2024. The financial statements of the Plan were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Plan.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Foundation's Response to Finding

Government Auditing Standards requires the auditors to perform limited procedures on the Foundation's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Windes, Inc.".

Irvine, California
September 27, 2024

**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors
San José State University Research Foundation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Jose State University Research Foundation's, (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2024. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Winder, Inc.

Irvine, California
September 27, 2024

San José State University Research Foundation

Schedule of Findings and Questioned Costs

June 30, 2024

II. Financial Statement Findings

Finding: 2024-001 – Restatement of right-of-use assets and lease liabilities in prior financial statements

Material Weakness

Criteria: Right-of-use assets and lease liabilities should be calculated based on the written terms of the lease agreements as required by U.S. generally accepted accounting principles (U.S. GAAP).

Cause: This condition results from the calculation of the right-of-use asset and lease liabilities being based on factors other than the written terms of the lease agreement.

Effect of Potential Effect: The effect of this condition caused a material change in the amounts previously reported for capital assets and lease liabilities in the Foundation's basic financial statements.

Recommendation: We recommend that the Foundation augment their internal control procedures surrounding the calculation of right-of-use assets and lease liabilities. This may include establishing additional controls to verify that the inputs into the calculation match the written terms of the lease agreement.

Views of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.

Finding: 2024-002 – Restatement of unearned revenue in prior financial statements

Material Weakness

Criteria: Revenue should be recognized when earned as required by U.S. GAAP. Amount received from grantors that have not yet been earned should be reported as unearned revenue.

Cause: This condition results from recognizing revenue on the cash method in previous years for certain grants.

Effect of Potential Effect: The effect of this condition caused a material change in the amounts previously reported for unearned revenue in the Foundation's basic financial statements.

Recommendation: We recommend that the Foundation augment their internal control procedures surrounding unearned revenue. This may include establishing additional controls to further review payments from grantors to determine if the related revenue has been earned.

Views of Responsible Officials: Management agrees with the finding. See Corrective Action Plan

III. Findings and Questioned Costs for Federal Awards

None

San José State University Research Foundation

Summary Schedule of Prior Audit Findings

June 30, 2024

Finding: 2023-001 – Year End Closing Procedures

Condition: During the audit, invoices were identified that were not properly recognized in the proper period resulting in an overstatement of accounts payable in the financial statements. A factual error of \$176,413 and a projected error of \$129,513 was identified.

Status: Corrective action was taken in fiscal year 2024.

September 25, 2024

**San Jose State University Research Foundation
Corrective Action Plan
Year Ended June 30, 2024**

Identifying Number: 2024-001 - Restatement unearned revenue in prior financial statements

Finding: During our auditors' test work, they identified that the right of use assets and lease liabilities were not calculated in accordance with U.S. GAAP. This resulted in a misstatement of the prior year's financial statements.

Corrective Actions Taken or Planned: Management accepts the auditors' recommendations and has established additional internal review controls to verify that the inputs into the calculation match the written terms of the long-term lease agreement.

The person responsible for correcting this finding is Shailendra Baghel, Director of Finance and Accounting.

Identifying Number: 2024-002 - Restatement right-of-use assets and lease liabilities in prior financial statements

Finding: During our auditors' test work, they identified that certain amounts received from grantors were not recorded as unearned revenue in accordance with U.S. GAAP. This resulted in a misstatement of the prior year's financial statements.

Corrective Actions Taken or Planned: Management has already established sufficient internal controls during the fiscal year 24 to calculate and accrue the correct unearned revenue at the year-end June 30, 2024.

The person responsible for correcting this finding is Shailendra Baghel, Director of Finance and Accounting.

Schedule of Net Position

June 30, 2024

(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	\$ 2,095,647
Short-term investments	26,157,408
Accounts receivable, net	11,094,958
Lease receivable, current portion	46,642
P3 receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	406,469
Total current assets	39,801,124

Noncurrent assets:

Restricted cash and cash equivalents	25,392
Accounts receivable, net	—
Lease receivable, net of current portion	—
P3 receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	3,108,017
Capital assets, net	15,594,807
Other assets	—
Total noncurrent assets	18,728,216
Total assets	58,529,340

Deferred outflows of resources:

Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	8,259,310
Leases	—
P3	—
Others	—
Total deferred outflows of resources	8,259,310

(Continued)

Schedule of Net Position

June 30, 2024

(for inclusion in the California State University Financial Statements)

Liabilities:

Current liabilities:

Accounts payable	4,930,322
Accrued salaries and benefits	1,989,633
Accrued compensated absences, current portion	1,446,357
Unearned revenues	7,765,880
Lease liabilities, current portion	307,698
SBITA liabilities - current portion	1,344,753
P3 liabilities - current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	89,446
Total current liabilities	17,874,089

Noncurrent liabilities:

Accrued compensated absences, net of current portion	99,071
Unearned revenues	—
Grants refundable	—
Lease liabilities, net of current portion	—
SBITA liabilities, net of current portion	1,612,461
P3 liabilities, 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	139,347
Net other postemployment benefits liability	9,449,266
Net pension liability	—
Other liabilities	52,717
Total noncurrent liabilities	11,352,862
Total liabilities	29,226,951

(Continued)

Schedule of Net Position

June 30, 2024

(for inclusion in the California State University Financial Statements)

Deferred inflows of resources:	
P3 service concession arrangements	—
Net pension liability	—
Net OPEB liability	13,635,698
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Lease	37,366
P3	—
Others	—
Total deferred inflows of resources	<u>13,673,064</u>
Net position:	
Net investment in capital assets	15,287,109
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	19,176
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	<u>8,582,350</u>
Total net position	<u><u>\$ 23,888,635</u></u>

Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2024
(for inclusion in the California State University Financial Statements)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$	---
Scholarship allowances (enter as negative)		---
Grants and contracts, noncapital:		
Federal		48,721,562
State		7,719,717
Local		1,368,287
Nongovernmental		2,407,157
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		—
Scholarship allowances (enter as negative)		—
Lease revenue		80,959
Lease interest income		3,643
Other operating revenues		6,891,521
Total operating revenues		<u>67,192,846</u>

Expenses:

Operating expenses:

Instruction		9,810,754
Research		42,656,005
Public service		8,175
Academic support		324,964
Student services		922,138
Institutional support		7,656,668
Operation and maintenance of plant		529,633
Student grants and scholarships		3,165,248
Auxiliary enterprise expenses		—
Interest expense		109,787
Depreciation and amortization		2,393,217
Total operating expenses		<u>67,576,589</u>
Operating income (loss)		<u>(383,743)</u>

(Continued)

Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2024
(for inclusion in the California State University Financial Statements)

Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	2,348,100
State financial aid grants, noncapital	752,511
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	49,855
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	1,694,924
Investment income (loss), net	2,609,170
Endowment income (loss), net	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	7,454,560
Income (loss) before other revenues (expenses)	7,070,817
State appropriations, capital	—
Grants and gifts, capital	—
Contributions to the University, capital	(500,000)
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	6,570,817
Net position:	
Net position at beginning of year, as previously reported	19,582,904
Restatements	(2,265,086)
Net position at beginning of year, as restated	17,317,818
Net position at end of year	\$ 23,888,635

San José State University Research Foundation

Other Information

San Jose State University Research Foundation
Other Information
June 30, 2024
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$ 25,392
All other restricted cash and cash equivalents	
Noncurrent restricted cash and cash equivalents	<u>25,392</u>
Current cash and cash equivalents	<u>2,095,647</u>
Total	<u>\$ 2,121,039</u>

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 916,747		\$ 916,747
U.S. treasury securities	3,905,525		3,905,525
Corporate bonds	4,924,570		4,924,570
Mutual funds	1,993,375		1,993,375
Exchange traded funds	1,100,912		1,100,912
Equity securities	9,169,555		9,169,555
Alternative investments:			
Private equity (including limited partnerships)		\$ 2,374,038	2,374,038
Real estate investments (including REITs)		733,979	733,979
State of California Local Agency Investment Fund (LAIF)	4,146,724		4,146,724
State of California Surplus Money Investment Fund (SMIF)			-
Total investments	<u>26,157,408</u>	<u>3,108,017</u>	<u>29,265,425</u>
Less endowment investments (enter as negative number)	-	-	-
Total investments, net of endowments	<u>\$26,157,408</u>	<u>\$ 3,108,017</u>	<u>\$29,265,425</u>

San José State University Research Foundation

Other Information

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	\$ 916,747	\$ 916,747			
U.S. treasury securities	3,905,525		\$ 3,905,525		
Corporate bonds	4,924,570	100,181	4,824,389		
Mutual funds	1,993,375	1,993,375			
Exchange traded funds	1,100,912	1,100,912			
Equity securities	9,169,555	9,169,555			
Alternative investments:					
Private equity (including limited partnerships)	2,374,038				\$ 2,374,038
Real estate investments (including REITs)	733,979				733,979
State of California Local Agency Investment Fund (LAIF)	4,146,724	-	-	-	4,146,724
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Total other investments:	-	-	-	-	-
Total investments	\$ 29,265,425	\$ 13,280,770	\$ 8,729,914	\$ —	\$ 7,254,741

2.3 Investments held by the University under contractual agreements:

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

San José State University Research Foundation

Other Information

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:

	Balance June 30, 2023	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2023	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2024
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 5,176,528				\$ 5,176,528				\$ 5,176,528
Works of art and historical treasures	-				-				-
Construction work in progress (CWIP)	576,705				576,705	1,425,113		(553,049)	1,448,769
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	5,753,233	-	-	-	5,753,233	1,425,113	-	(553,049)	6,625,297
Depreciable/Amortizable capital assets:									
Buildings and building improvements	6,705,476				6,705,476				6,705,476
Leasehold improvements	812,626				812,626				812,626
Personal property:									
Equipment	10,795,117				10,795,117	973,859	(256,794)	553,049	12,065,231
Intangible assets:									
Total depreciable/amortizable capital assets	18,313,219	-	-	-	18,313,219	973,859	(256,794)	553,049	19,583,333
Total capital assets	24,066,452	-	-	-	24,066,452	2,398,972	(256,794)	-	26,208,630
negative number, except for reductions enter as positive number)									
Buildings and building improvements	(4,196,174)				(4,196,174)	(377,675)			(4,573,849)
Leasehold improvements	(776,960)				(776,960)	(15,784)			(792,744)
Personal property:									
Equipment	(7,930,570)				(7,930,570)	(1,134,815)	252,413		(8,812,972)
Total accumulated depreciation/amortization	(12,903,704)	-	-	-	(12,903,704)	(1,528,274)	252,413	-	(14,179,565)
Total capital assets, net excluding ROU assets	\$11,162,748	\$ -	\$ -	\$ -	\$11,162,748	\$ 870,698	\$ (4,381)	\$ -	\$ 12,029,065

San José State University Research Foundation

Other Information

Capital Assets, Right of Use

Composition of capital assets - Lease ROU, net:	Balance June 30, 2023	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2023	Additions	Remeasure ments	Reductions	Balance June 30, 2024
Non-depreciable/Non-amortizable lease assets:									
Land and land improvements	\$ -				\$ -				\$ -
Total non-depreciable/non-amortizable lease assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable lease assets:									
Land and land improvements	-				-				-
Buildings and building improvements	3,673,185			(1,692,247)	1,980,938				1,980,938
Personal property:									
Equipment	15,349				15,349	8891	311		24,551
Total depreciable/amortizable lease assets	3,688,534	-	-	(1,692,247)	1,996,287	8,891	311	-	2,005,489
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Land and land improvements	-				-				-
Buildings and building improvements	(1,130,212)				(1,130,212)	(565,105)			(1,695,317)
Personal property:									
Equipment	(11,352)				(11,352)	(5,196)			(16,548)
Total accumulated depreciation/amortization	(1,141,564)	-	-	-	(1,141,564)	(570,301)	-	-	(1,711,865)
Total capital assets - lease ROU, net	\$ 2,546,970	\$ -	\$ -	\$ (1,692,247)	\$ 854,723	\$ (561,410)	\$ 311	\$ -	\$ 293,624
Composition of capital assets - SBITA ROU, net									
	Balance June 30, 2023	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2023	Additions	Remeasure ments	Reductions	Balance June 30, 2024
Depreciable/Amortizable SBITA assets:									
Software	\$ 15,378				\$ 15,378	\$ 3,565,325	\$ (185)		\$ 3,580,518
Total depreciable/amortizable SBITA assets	15,378	-	-	-	15,378	3,565,325	(185)	-	3,580,518
Less accumulated depreciation/amortization:									
Software	(7,829)				(7,829)	(300,571)			(308,400)
Total accumulated depreciation/amortization	(7,829)	-	-	-	(7,829)	(300,571)	-	-	(308,400)
Total capital assets - SBITA ROU, net	\$ 7,549	\$ -	\$ -	\$ -	\$ 7,549	\$ 3,264,754	\$ (185)	\$ -	\$ 3,272,118
Total capital assets, net including ROU assets									\$ 15,594,807

San José State University Research Foundation

Other Information

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 1,522,345
Amortization expense - Leases ROU	570,301
Amortization expense - SBITA ROU	300,571
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	
Total depreciation and amortization	<u>\$ 2,393,217</u>

4 Long-term liabilities:

	Balance June 30, 2023	Prior Period Adjustments/ Reclassifications	Balance June 30, 2023 (Restated)	Additions	Reductions	Balance June 30, 2024	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,450,413		\$ 1,450,413	\$ 1,307,971	\$(1,212,956)	\$ 1,545,428	\$ 1,446,357	\$ 99,071

San José State University Research Foundation

Other Information

	Balance June 30, 2023	Prior Period Adjustments/ Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2024	Current Portion	Noncurrent Portion
5. Lease, SBITA, P3 liabilities:								
Lease liabilities	2,621,683	(1,754,234)	8,891		(568,642)	307,698	307,698	-
SBITA liabilities	-		3,565,325		(608,111)	2,957,214	1,344,753	1,612,461
P3 liabilities - SCA	-					-	-	-
P3 liabilities - non-SCA	-					-	-	-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 2,621,683	(1,754,234)	3,574,216	-	(1,176,753)	3,264,912	1,652,451	1,612,461

Total long-term liabilities

\$ 4,810,340 \$ 3,098,808 \$ 1,711,532

5 Future minimum payments schedule - leases, SBITA, P3:

Year ending June 30:	Lease Liabilities			SBITA liabilities			Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2025	307,698	823	308,521	1,344,753	117,568	1,462,321	-	-	-	1,652,451	118,391	1,770,842
2026	-	-	-	512,847	76,269	589,116	-	-	-	512,847	76,269	589,116
2027	-	-	-	537,104	52,012	589,116	-	-	-	537,104	52,012	589,116
2028	-	-	-	562,510	26,607	589,117	-	-	-	562,510	26,607	589,117
2029	-	-	-	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 307,698	823	308,521	2,957,214	272,456	3,229,670	-	-	-	3,264,912	273,279	3,538,191
Less: amounts representing interest												(273,279)
Present value of future minimum lease payments												3,264,912
Total Leases, SBITA, P3 liabilities												3,264,912
Less: current portion												(1,652,451)
Leases, SBITA, P3 liabilities, net of current portion												\$ 1,612,461

6 Future minimum payments schedule - Long-term debt obligations:

San José State University Research Foundation

Other Information

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	3,132,582
Payments to University for other than salaries of University personnel	\$	2,389,221
Payments received from University for services, space, and programs	\$	3,678,023
Gifts-in-kind to the University from discretely presented component units	\$	-
Gifts (cash or assets) to the University from discretely presented component units	\$	3,500,016
Accounts (payable to) University (enter as negative number)	\$	(922,245)
Other amounts (payable to) University (enter as negative number)	\$	-
Accounts receivable from University (enter as positive number)	\$	347,798
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:

Note: Additional account details can be found in the Table of Object Codes and CSU Fund Definitions

Restatement #1	Enter transaction description	Debit/ (Credit)
Error Correction		
	90100 Cur Operatng(UN)	\$ 2,306,625
	01200 State Sp Program	(1,973,908)
	01310 Other SP-(UN)	(332,717)
		<u>\$ -</u>
Restatement #2	Enter transaction description	
Error Correction		
713811 Net investment in capital assets	76500 Lease Ob (<1 Yr)	\$ 275,580
	76500 Lease Ob (>1 Yr)	1,478,654
	72800 Other Acc Liabil	1,964
	47800 Cap Lease-Proptry	(1,692,247)
	35200 Interest Expense	(22,412)
	90100 Cur Operatng(UN)	(41,539)
		<u>\$ -</u>

San José State University Research Foundation

Other Information

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	\$ 5,364,347	\$ 1,585,044	\$ -	\$ -	\$ -	\$ 2,861,363	\$ -	\$ 9,810,754
Research	22,743,611	5,267,993	-	238,636	-	14,405,765	-	42,656,005
Public service	-	-	-	-	-	8,175	-	8,175
Academic support	205,121	53,958	-	-	-	65,885	-	324,964
Student services	98,933	11,792	-	-	-	811,413	-	922,138
Institutional support	4,684,862	105,876	1,349,735	-	-	1,516,195	-	7,656,668
Operation and maintenance of plant	-	-	-	-	-	529,633	-	529,633
Student grants and scholarships	-	-	-	-	3,165,248	-	-	3,165,248
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Lease interest expense	-	-	-	-	-	101,627	-	101,627
Subscription interest expense	-	-	-	-	-	8,160	-	8,160
Depreciation and amortization	-	-	-	-	-	-	2,393,217	2,393,217
Total operating expenses	\$ 33,096,874	\$ 7,024,663	\$ 1,349,735	\$ 238,636	\$ 3,165,248	\$ 20,308,216	\$ 2,393,217	\$ 67,576,589

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - net OPEB liability	\$ 8,259,310
Total deferred outflows of resources	\$ 8,259,310

2. Deferred Inflows of Resources

Deferred inflows - net OPEB liability	\$ 13,635,698
Deferred inflows - leases	37,366
Total deferred inflows of resources	\$ 13,673,064

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ -
Other nonoperating (expenses)	(500,000)
Total other nonoperating revenues (expenses)	\$ (500,000)