

**San José State University
Research Foundation
(A Component Unit of
California State University)**

Financial and Compliance Report
For the Year Ended June 30, 2023

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Independent Auditor's Report

RSM US LLP

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), a component unit of California State University, as of and for the year ended June 30, 2023, 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 and the report of the other auditor's, 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, 2023, and the respective changes in financial 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.

We did not audit the financial statements of the Research Organizations Retiree Medical Trust (the Trust) which represents 100% of the assets, net position, and additions of the fiduciary activities as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust, is based solely on the report of the other auditors.

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 (*Government Auditing Standards*). 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*.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Governmental Accounting Standards Board (GASB) Statement 96, *Subscription-Based Information Technology Arrangements* (SBITA) as of July 1, 2022, which resulted in a restatement of July 1, 2022 capital assets and SBITA liabilities. Our opinions are not modified with respect to this matter.

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.

Auditor's 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 auditing standards generally accepted in the United States of America. In our opinion, the SEFA and the supplementary information 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 November 10, 2023, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

RSM US LLP

San Jose, California
November 10, 2023

**San José State University Research Foundation
(A Component Unit of California State University)**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2023**

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, 2023. 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 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 SJSU 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 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 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, 2023. Included are analyses of current year's activities and balances in the Foundation's net position.

**San José State University Research Foundation
(A Component Unit of California State University)**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2023**

Condensed Summary of Net Position

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

	2023	2022	Change	
			Amount	%
Assets:				
Current assets	\$ 33,436,143	\$ 32,721,175	\$ 714,968	2.2%
Capital assets, net	13,717,267	14,867,262	(1,149,995)	-7.7%
Other noncurrent assets	2,037,219	2,332,969	(295,750)	-12.7%
Total assets	<u>\$ 49,190,629</u>	<u>\$ 49,921,406</u>	<u>\$ (730,777)</u>	<u>-1.5%</u>
Deferred outflows of resources	<u>\$ 10,267,170</u>	<u>\$ 10,905,254</u>	<u>\$ (638,084)</u>	<u>-5.9%</u>
Liabilities:				
Current liabilities	\$ 10,051,530	\$ 11,906,968	\$ (1,855,438)	-15.6%
Noncurrent liabilities	13,237,188	20,034,264	(6,797,076)	-33.9%
Total liabilities	<u>\$ 23,288,718</u>	<u>\$ 31,941,232</u>	<u>\$ (8,652,514)</u>	<u>-27.1%</u>
Deferred inflows of resources	<u>\$ 16,586,177</u>	<u>\$ 11,746,782</u>	<u>\$ 4,839,395</u>	<u>41.2%</u>
Net position:				
Net investment in capital assets	\$ 11,095,584	\$ 11,702,239	\$ (606,655)	-5.2%
Restricted for:				
Expendable:				
Research	26,562	26,562	-	0.0%
Unrestricted	8,460,758	5,409,845	3,050,913	56.4%
Total net position	<u>\$ 19,582,904</u>	<u>\$ 17,138,646</u>	<u>\$ 2,444,258</u>	<u>14.3%</u>

Assets: Total assets decreased by \$0.7 million or 1.5% from fiscal year (FY) 2022 to FY 2023.

Current assets increased by \$0.7 million primarily due to 1) a \$3.3 million increase in short-term investments, because of the increase of investment market value in FY 2023; 2) an \$0.8 million increase in cash and cash equivalents; and 3) a \$0.1 million increase in prepaid expenses and other current assets, offset by a decrease of \$3.7 million in accounts receivable.

Noncurrent assets decreased by \$1.4 million or 7.1% primarily due to the depreciation and amortization of capital assets.

Liabilities: Total liabilities decreased by \$8.7 million or 27.1% from FY 2022 to FY 2023.

Current liabilities decreased by \$1.9 million or 15.6% primarily due to a decrease of \$1.9 million in unearned revenues, and a decrease of \$0.4 million in accrued salaries and benefits payable, partially offset by an increase of \$0.4 million in accounts payable.

**San José State University Research Foundation
(A Component Unit of California State University)**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2023**

Noncurrent liabilities decreased by \$6.8 million primarily due to a decrease of \$0.6 million in the noncurrent portion of lease liabilities, and a decrease in Other Post-Employment Benefits (OPEB) liabilities of \$6.2 million. The decrease in OPEB liabilities was a result of the increased discount rate used in calculating actuarial value, from 4.7% in FY 2022 to 5.5% in FY 2023.

As a result of the actuarial valuation for 2023, the deferred outflows of resources decreased by \$0.6 million, and deferred inflows of resources increased by \$4.8 million.

Net position: The total net position increased from \$17.1 million to \$19.6 million as of June 30, 2023. 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-support programs.

	2023	2022	Change	
			Amount	%
Operating revenues:				
Program fees	\$ 3,285,150	\$ 2,104,693	\$ 1,180,457	56.1%
Grants and contracts	48,530,099	46,410,415	2,119,684	4.6%
Administrative and program fees	438,413	350,952	87,461	24.9%
Other operating revenues	3,741,132	3,390,193	350,939	10.4%
Total operating revenues	55,994,794	52,256,253	3,738,541	7.2%
Operating expenses	59,131,535	54,477,037	4,654,498	8.5%
Operating loss	(3,136,741)	(2,220,784)	(915,957)	41.2%
Nonoperating revenues	6,118,761	2,658,275	3,460,486	130.2%
Nonoperating expenses	37,762	2,033,453	(1,995,691)	-98.1%
Total revenues	62,113,555	54,914,528	7,199,027	13.1%
Total expenses	59,169,297	56,510,490	2,658,807	4.7%
Increase (decrease) in net position before capital contributions	2,944,258	(1,595,962)	4,540,220	270%
Contributions to the University, capital	500,000	500,000	-	0.0%
Increase (decrease) in net position	2,444,258	(2,095,962)	4,540,220	270.0%
Net position at beginning of year	17,138,646	19,234,608	(2,095,962)	-10.9%
Net position at end of year	\$ 19,582,904	\$ 17,138,646	\$ 2,444,258	14.3%

**San José State University Research Foundation
(A Component Unit of California State University)**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2023**

Revenues: Total operating revenues increased by \$3.7 million or 7.2% from FY 2022 to FY 2023. This was primarily due to 1) an increase in grants and contracts revenue of \$2.1 million; 2) an increase in program fees of \$1.2 million; and 3) an increase of \$0.4 million in other operating revenues.

Total nonoperating revenues and expenses increased by \$3.5 million or 130.2% from FY 2022 to FY 2023. This was primarily due to 1) an increase of \$4.0 million in investment income; 2) an increase of \$0.8 million in federal and federal pass-through financial aid grants; and 3) an increase of \$0.7 million in gifts in-kind.

Expenses: Total operating expenses increased by \$4.7 million or 8.5% from FY 2022 to FY 2023. The change was primarily due to 1) an increase of \$2.0 million in research expenses; 2) an increase of \$1.4 million in instruction expenses; 3) an increase of \$0.8 million in student grants scholarships; 4) an increase of \$0.7 million in institutional support. and 5) an increase of \$0.5 million in student services, offset by a decrease of \$0.7 million in operation and maintenance of plant expenses.

Total nonoperating revenues and expenses decreased by \$1.9 million or 78.8% from FY 2022 to FY 2023. This was primarily due to investment returns.

Changes in net position: The result of current year's revenues and expenses was a surplus of \$2.4 million, compared to prior year's deficit of \$2.1 million, an increase of \$4.5 million. Many events drove the current year's surplus. Management has identified three key factors contributing to the increase as follows: (1) decrease in OPEB liabilities of \$6.2 million, (2) an increase in investment income of \$4.0 million, and (3) the aggregated result of sponsored program and campus program operations.

Factors Impacting Future Periods

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 José State University Research Foundation
(A Component Unit of California State University)**

**Statement of Net Position
June 30, 2023**

Assets	
Current assets:	
Cash and cash equivalents	\$ 2,156,897
Short-term investments	25,331,156
Grant and other receivables	5,491,050
Lease receivable	88,588
Prepaid expenses and other assets	368,452
Total current assets	<u>33,436,143</u>
Noncurrent assets:	
Restricted cash and cash equivalents	46,575
Lease receivable, net of current portion	46,139
Other long-term investments	1,944,505
Capital assets, net	13,717,267
Total noncurrent assets	<u>15,754,486</u>
Total assets	<u>49,190,629</u>
Deferred outflows of resources:	
Deferred outflows—Other Post-Employment Benefits (OPEB)	<u>10,267,170</u>
Liabilities	
Current liabilities:	
Accounts payable	3,270,909
Accrued salaries and benefits payable	1,807,655
Accrued compensated absences, current portion	1,359,693
Lease liabilities, current portion	564,904
Unearned revenue	3,017,703
Other liabilities	30,666
Total current liabilities	<u>10,051,530</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	90,720
Payable to external agencies	196,699
Lease liabilities, net of current portion	2,056,779
Net OPEB obligation	10,776,734
Other liabilities	116,256
Total noncurrent liabilities	<u>13,237,188</u>
Total liabilities	<u>23,288,718</u>
Deferred inflows of resources:	
Deferred inflows—OPEB	16,467,853
Deferred inflows—leases	118,324
Total deferred inflows of resources	<u>16,586,177</u>
Net position:	
Net investment in capital assets	11,095,584
Restricted for:	
Expendable:	
Research	26,562
Unrestricted	8,460,758
Total net position	<u>\$ 19,582,904</u>

See notes to financial statements.

**San José State University Research Foundation
(A Component Unit of California State University)**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023**

Revenues:	
Operating revenues:	
Program fees	\$ 3,285,150
Grants and contracts:	
Federal	33,146,437
State	9,629,486
Local	2,356,108
Nongovernmental	3,398,068
Administrative fees	438,413
Other operating revenues	3,741,132
Total operating revenues	<u>55,994,794</u>
Expenses:	
Operating expenses:	
Instruction	7,825,821
Research	36,843,771
Public services	1,791
Academic support	331,566
Student services	1,238,286
Institutional support	7,600,278
Operation and maintenance of plant	636,165
Student grants and scholarships	2,582,630
Depreciation and amortization	2,071,227
Total operating expenses	<u>59,131,535</u>
Operating loss	<u>(3,136,741)</u>
Nonoperating revenues (expenses):	
Federal and federal pass-through financial aid grants	2,061,076
State financial aid grants	443,125
Nongovernmental and other financial aid grants	47,591
Gifts in-kind	1,509,001
Lease revenue	78,649
Lease interest income	5,190
Lease interest expense	(37,500)
Subscription interest expense	(262)
Investment income, net	1,974,129
Net nonoperating revenues (expenses)	<u>6,080,999</u>
Increase in net position before capital contributions	2,944,258
Contributions to the University, capital	<u>(500,000)</u>
Increase in net position	2,444,258
Net position at beginning of year	<u>17,138,646</u>
Net position at end of year	<u>\$ 19,582,904</u>

See notes to financial statements.

**San José State University Research Foundation
(A Component Unit of California State University)**

**Statement of Cash Flows
Year Ended June 30, 2023**

Cash flows from operating activities:	
Program fees	\$ 3,285,150
Federal grants and contracts	35,078,777
State grants and contracts	9,206,967
Local grants and contracts	2,010,859
Nongovernmental grants and contracts	3,591,847
Payments to suppliers	(13,134,600)
Payments to employees	(40,731,650)
Payments to students	(2,582,630)
Administrative fees	438,413
Other receipts	4,278,494
Net cash provided by operating activities	1,441,627
Cash flows from noncapital financing activities:	
Federal financial aid grants	2,061,076
State financial aid grants	443,125
Nongovernmental and other financial aid grants	47,591
Contributions made for capital purposes	(500,000)
Other liabilities	(36,798)
Other noncapital financing activities	1,112
Net cash provided by noncapital financing activities	2,016,106
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(905,854)
Principal received on leases	62,270
Principal paid on leases	(543,340)
Principal paid on subscription liability	(7,898)
Interest received on leases	5,195
Interest paid on leases	(34,692)
Interest paid on subscription liability	(262)
Net cash used in capital and related financing activities	(1,424,581)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	6,921,286
Purchase of investments	(8,592,406)
Investment income proceeds	458,958
Net cash used in investing activities	(1,212,162)
Net increase in cash and cash equivalents	820,990
Cash and cash equivalents—beginning of year	1,382,482
Cash and cash equivalents—end of year	\$ 2,203,472
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 2,156,897
Restricted cash and cash equivalents	46,575
Total cash and cash equivalents at end of year	\$ 2,203,472

(Continued)

**San José State University Research Foundation
(A Component Unit of California State University)**

**Statement of Cash Flows (Continued)
Year Ended June 30, 2023**

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (3,136,741)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,071,227
In-kind salary contributions	1,509,001
Change in assets and liabilities:	
Accounts receivable	3,757,907
Prepaid expenses and other assets	(116,341)
Other assets	63,570
Deferred outflows of resources	638,084
Accounts payable	469,561
Accrued salaries and benefits	(423,166)
Accrued compensated absences	(7,926)
Deferred revenue	(1,861,153)
OPEB obligation	(6,252,571)
Other liabilities	(1,041)
Deferred inflows of resources	4,731,216
	<u>4,731,216</u>
Net cash provided by operating activities	\$ <u>1,441,627</u>
Supplemental disclosure of noncash capital related financing activity:	
New leases as lessor	<u>\$ 186,828</u>

See notes to financial statements.

San José State University Research Foundation
(A Component Unit of California State University)

Statement of Fiduciary Net Position—Research Organizations Retirement Medical Trust
December 31, 2022

Assets

Cash	\$	49,946
Investments, at fair value:		
Exchange traded funds		1,877,069
Mutual funds		<u>6,823,464</u>
Total assets		<u><u>8,750,479</u></u>

Liabilities

Prepaid premiums		2,582
Accounts payable		<u>7,107</u>
Total liabilities		<u><u>9,689</u></u>

Net position restricted for OPEB	\$	<u><u>8,740,790</u></u>
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See notes to financial statements.

**San José State University Research Foundation
(A Component Unit of California State University)**

**Statement of Changes in Fiduciary Net Position—Research Organizations Retirement Medical Trust
Year Ended December 31, 2022**

Net additions:	
Employer contributions	\$ 1,721,526
Decrease in fair value of investments	(1,680,103)
Interest and dividends	232,065
Investment fees	(11,913)
Total net additions	<u>261,575</u>
Deductions:	
Benefit payments	921,123
Administrative expenses	106,417
Total deductions	<u>1,027,540</u>
Change in fiduciary net position	(765,965)
Net position restricted for OPEB:	
Beginning of year	<u>9,506,755</u>
End of year	<u>\$ 8,740,790</u>

See notes to financial statements.

**San José State University Research Foundation
(A Component Unit of California State University)**

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 for San José State University (University) and is a component unit of the California State University System (CSU). CSU consists of 23 campuses, including the University. 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 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 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. Separate financial statements for the Plan can be obtained by writing to the San José State University Research Foundation at 210 North First St., San Jose CA 95112.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 84, *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 is a direct support of the San José State University and has met all of the financial accountability criteria necessary to be considered a component unit of CSU.

**San José State University Research Foundation
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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: Restricted cash 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 long-term investments.

Accounts 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, 2023.

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
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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, 2023.

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 Retiree Health Benefit Plan of the Research Organizations Retiree Medical Trust (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: 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 subscription IT arrangements: 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 subscription IT arrangements 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 an intangible right-to-use lease and 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 into depreciation expense 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 subscription IT amounts: 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 into depreciation expense on a straight-line basis over the shorter of the subscription term or the useful life of the asset.

**San José State University Research Foundation
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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 nonoperating 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
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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 \$2,071,227 for the year ended June 30, 2023, 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 2023, \$1,255,633 accrued vacation was earned and \$1,263,559 was used. At June 30, 2023, the Foundation had a total of \$1,450,413 in accrued compensated absences liabilities of which \$1,359,693 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 assets that apply to a future reporting period. Deferred outflows of resources are consumption of net assets applicable to a future reporting period.

**San José State University Research Foundation
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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, 2022, 2021 and 2020, 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, 2022.

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 sent first when an expense is incurred for which both restricted and unrestricted resources are available.

Recent accounting pronouncement adopted: Effective July 1, 2022, the Foundation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires similar treatment as the lease for subscription-based information technology arrangements (SBITA). This statement results in recording a right-to-use subscription asset and subscription liability if the SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets. The adoption of this standard increased assets by \$15,378 and liabilities by \$7,898, as of July 1, 2022. The difference between assets and liabilities was immaterial and included in FY2023 expenses.

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

GASB Statement No. 99, *Omnibus 2022*, has provisions effective for the year ending June 30, 2024 relating to financial guarantees and the classification and reporting of derivative instruments.

**San José State University Research Foundation
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Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the fiscal year ending June 30, 2024. The Statement 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.

GASB Statement No. 101, *Compensated Absences*, is effective for the fiscal year ending June 30, 2025. This Statement requires alignment of the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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 the board of directors, the finance and investment committee, and Foundation 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 Local Investment Advisory Board provides oversight for LAIF. The Board consists of five members as designated by California statute with the State Treasurer serving as Chair. There are no limitations or restrictions on withdrawals.

The fair market value of the Foundation's investments as of June 30, 2023, is as follows:

Investment Type	Fair Value
Money market funds	\$ 718,186
U.S. agency securities	15,724
U.S. treasury securities	911,489
Corporate bonds	1,705,343
Asset backed securities	29,008
Mutual funds	3,913,266
Exchange traded funds (ETFs)	2,575,523
Equity securities	8,952,877
Real estate investments (including REITs)	1,076,439
Private equity (including limited partnerships)	926,698
Portfolio total	20,824,553
LAIF, at amortized cost	3,264,817
Total investments	\$ 24,089,370

**San José State University Research Foundation
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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	\$ 25,331,156
Other long-term investments	1,944,505
Total investments	<u>\$ 27,275,661</u>

The fair value of investments for the Plan as of December 31, 2022, is as follows:

Investment Type	Fair Value
Fixed income ETFs	\$ 1,025,668
U.S. equities ETFs	851,401
Fixed income mutual funds	2,499,900
U.S. equities mutual funds	4,323,564
Total investments	<u>\$ 8,700,533</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, 2023:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years
Money market	\$ 961,967	\$ 961,967	\$ -	\$ -
US agency securities	10,022	9	-	10,013
U.S. treasury securities	759,699	39,680	440,660	279,359
Corporate bonds	1,519,040	8,028	300,694	1,210,318
Asset backed securities	52,672	52,672	-	-
Fixed income mutual funds	4,202,529	4,202,529	-	-
Total	<u>\$ 7,505,929</u>	<u>\$ 5,264,885</u>	<u>\$ 741,354</u>	<u>\$ 1,499,690</u>

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The following table represents maturities for fixed income investments held by the Plan as of December 31, 2022:

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	\$ 3,525,568	\$ 811,271	\$ 961,371	\$ 821,654	\$ 803,833	\$ 127,439

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'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, 2023, \$1,832,528 of the Foundation's bank balances were exposed to custodial credit risk as it was uninsured and uncollateralized.

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 creditworthiness 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, 2023 in individual issuers that exceeded 5% of the investment portfolio.

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The table below summarizes the ratings of fixed-income investments of the Foundation as of June 30, 2023:

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	\$ 1,571,712	\$ -	\$ -	\$ 114,325	\$ 458,088	\$ 473,055	\$ 526,244	
U.S. treasury securities	759,699	759,699	-	-	-	-	-	
U.S. agency securities	10,022	10,022	-	-	-	-	-	
Portfolio total	<u>\$ 2,341,433</u>	<u>\$ 769,721</u>	<u>\$ -</u>	<u>\$ 114,325</u>	<u>\$ 458,088</u>	<u>\$ 473,055</u>	<u>\$ 526,244</u>	

The fixed income mutual funds totaling \$4,202,529 were not rated.

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, 2023:

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	150,694	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).

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.

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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 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 during June 30, 2023. 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.

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, 2023.

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.

**San José State University Research Foundation
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Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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 fund of 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.

The Foundation's investments at June 30, 2023, are categorized as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Net Asset Value	Total
Money market funds	\$ 961,967	\$ -	\$ -	\$ -	\$ 961,967
U.S. Agency securities	-	10,022	-	-	10,022
U.S. Treasury securities	-	759,699	-	-	759,699
Debt securities—corporate	987,144	531,896	-	-	1,519,040
Asset backed securities	-	52,672	-	-	52,672
Mutual funds—fixed income	4,202,529	-	-	-	4,202,529
Exchange traded funds	3,795,353	-	-	-	3,795,353
Equity investments	9,458,180	-	-	-	9,458,180
REIT fund	-	-	-	1,048,836	1,048,836
Private equity	-	-	-	679,788	679,788
Other alternative investments	-	-	-	215,881	215,881
	<u>\$ 19,405,173</u>	<u>\$ 1,354,289</u>	<u>\$ -</u>	<u>\$ 1,944,505</u>	<u>22,703,967</u>
LAIF, at amortized cost					4,571,694
Total investments					<u>\$ 27,275,661</u>

**San José State University Research Foundation
(A Component Unit of California State University)**

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The Plan's fair value of investments as of December 31, 2022, is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Total
	(Level 1)		
Fixed income ETFs	\$ 1,025,668	\$	1,025,668
U.S. equities ETFs	851,401		851,401
Fixed income mutual fund	2,499,900		2,499,900
U.S. equities mutual fund	4,323,564		4,323,564
Total investments	<u>\$ 8,700,533</u>	<u>\$</u>	<u>8,700,533</u>

Note 4. Accounts Receivable

As of June 30, 2023, the Foundation has the following receivables:

Accounts receivable—sponsored programs	\$ 5,159,560
Other receivables	331,490
Total accounts receivable	<u>\$ 5,491,050</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 accounts receivable and accounts payable. As of June 30, 2023, receivables due from and payables due to related parties are as follows:

Receivables and Payables	Amount
Receivable from the University	\$ 328,784
Payable to the University	988,530
Payable to other campus auxiliaries	94,666

Transactions with the University and related organizations are recorded on the statement of revenues, expenses and changes in net position as institutional support. During the year ended June 30, 2023, amounts paid to the University and related organizations for services were as follows:

Entity	Total Paid
The University	\$ 5,943,126
Associated Students	312,213
Tower Foundation	84,948

**San José State University Research Foundation
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Notes to Financial Statements

Note 5. Related Parties (Continued)

Additionally, the Foundation received gifts in-kind from the university of \$1.5 million which was primarily salary payments for individuals working on Foundation activities.

In the fall of 2018, the University formally launched its strategic support of research, scholarly and creative activities by 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, 2023, which is recorded on the statement of revenues, expenses and changes in net position as a component of other operating revenue. 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, 2023, total \$2,500,000. If the contingency requirement is met each year, the remaining \$13 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 SJSU for the year ended June 30, 2023.

Note 6. Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year, as restated	Additions	Transfers	End of Year
Capital assets not being depreciated:				
Land and land improvements	\$ 5,176,529	\$ -	\$ -	\$ 5,176,529
Construction work in progress	282,774	905,854	(611,924)	576,704
Total capital assets not being depreciated	5,459,303	905,854	(611,924)	5,753,233
Capital assets being depreciated/amortized:				
Buildings and building improvements	10,378,661	-	-	10,378,661
Leasehold improvements	812,626	-	-	812,626
Equipment	10,198,542	-	611,924	10,810,466
Subscription IT asset	15,378	-	-	15,378
Total capital assets being depreciated/amortized	21,405,207	-	611,924	22,017,131
Total capital assets	26,864,510	905,854	-	27,770,364
Less accumulated depreciation/amortization:				
Buildings and building improvements	(4,383,607)	(942,780)	-	(5,326,387)
Leasehold improvements	(761,176)	(15,784)	-	(776,960)
Equipment	(6,837,087)	(1,104,833)	-	(7,941,920)
Subscription IT asset	-	(7,830)	-	(7,830)
Total accumulated depreciation and amortization	(11,981,870)	(2,071,227)	-	(14,053,097)
Net capital assets	\$ 14,882,640	\$ (1,165,373)	\$ -	\$ 13,717,267

**San José State University Research Foundation
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Notes to Financial Statements

Note 7. Leases and SBITAs

The Foundation as a lessor:

1. The Foundation owns a piece of land adjacent to the campus and leased the land to Associated Students (AS) in November 2013 for the operation of a community garden as part of academic learning and environmental sustainability. The lease requires Associated Students to provide a \$3,000 security deposit to the Foundation and pay all operating expenses of the property. This lease provided no rental income to the Foundation.

In May 2021, the Foundation and the AS mutually agreed to amend this lease to include a monthly property use fee of \$850 beginning on July 1, 2021, and ending on June 30, 2023. The Foundation recognized \$10,146 in lease revenue and \$26 in interest revenue during the current fiscal year related to the sublease. As of June 30, 2023, the Foundation's receivable for sublease payments was \$0. 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, 2023, the balance of the deferred inflow of resources was \$0.

2. The Foundation subleased an office space at 210 North Fourth Street, San Jose, California to Mineta Transportation Institute of SJSU 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, 2023, the Foundation's receivable for sublease payments was \$134,727. 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, 2023, the balance of the deferred inflow of resources was \$118,324.

The Foundation as a lessee:

1. The Foundation has a master lease at 210 North Fourth Street, San Jose, 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 capital assets with a net book value of \$3,673,185 on July 1, 2021. As of June 30, 2023, the accumulated depreciation was \$1,130,210 and the net book value was \$2,542,975.

2. 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.

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 a capital asset with a net book value of \$5,756 at July 1, 2021. As of June 30, 2023, the accumulated depreciation was \$4,581 and the net book value was \$1,175.

**San José State University Research Foundation
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Notes to Financial Statements

Note 7. Leases and SBITAs (Continued)

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 a capital asset with a net book value of \$9,315 at July 1, 2021. As of June 30, 2023, the accumulated depreciation was \$6,494 and the net book value was \$2,821.

3. 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 subscription IT liabilities activity for the year ended June 30, 2023, are as follows:

	Beginning of Year	Additions	Payments	End of Year
Leased office space	\$ 3,155,733	\$ -	\$ (537,726)	\$ 2,618,007
Leased equipment	9,290	-	(5,614)	3,676
Subscription IT lease liability	7,898	-	(7,898)	-
Total	<u>\$ 3,172,921</u>	<u>\$ -</u>	<u>\$ (551,238)</u>	<u>\$ 2,621,683</u>

The future minimum lease obligations as of June 30, 2023, are as follows:

	Principal Payments	Interest Payments	Total
Years ending June 30:			
2024	\$ 564,904	\$ 30,875	\$ 595,779
2025	578,083	23,412	601,495
2026	585,678	15,814	601,492
2027	593,373	8,119	601,492
2028	299,645	1,142	300,787
Total future minimum lease payments	<u>\$ 2,621,683</u>	<u>\$ 79,362</u>	<u>\$ 2,701,045</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 FY2023.

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, 2023 was 6.93%. The LOC is payable on demand. During the year ended June 30, 2023, no funds were drawn for operational use and no amounts were outstanding under the LOC as of June 30, 2023. 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, 2023.

**San José State University Research Foundation
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Notes to Financial Statements

Note 8. Risk Management and Commitments (Continued)

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 \$750,000. The Foundation pays off the balance each month. At June 30, 2023, the amount outstanding of \$138,763 is recorded on the statement of net position within accounts payable. For the year ended June 30, 2023, the activity under the business credit card program is as follows:

June 30, 2022 Balance	Increase	Decrease	June 30, 2023 Balance
\$ 84,534	\$ 845,037	\$ (790,808)	\$ 138,763

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 record-keeper 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. 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, 2023, the Foundation recognized contribution expense of \$1,162,712.

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>

**San José State University Research Foundation
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Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The health benefits program provides benefits based on blended premiums that are the same for all covered individuals regardless of whether they are active or inactive employees (eligible retirees). An eligible retiree is required to reimburse the cost at the amount set by the Foundation. For the year ended December 31, 2022, the age-adjusted premiums for the eligible retirees of the Foundation were \$921,526, which consisted of \$735,180 of the blended premiums due and paid to CalPERS, plus \$186,346 implicit rate subsidy based on the actuarial determination, and minus \$105,351 that was reimbursed from retirees.

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, 2023.

Annual OPEB cost and net OPEB obligation (OPEB Plan): The 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, 2022, 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, 2023, 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, 2023 and June 30, 2023. 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.

The components of the net OPEB liability of the Plan as of June 30, 2023, are as follows:

Total OPEB liability	\$ 19,477,497
Plan fiduciary net position	8,700,763
Net OPEB liability	<u>\$ 10,776,734</u>
Deferred outflow of resources	\$ 10,267,170
Deferred inflow of resources	16,467,853
Plan fiduciary net position as a percentage of the total OPEB liability	44.67%

**San José State University Research Foundation
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Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

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, 2023:

Total OPEB Liability at June 30, 2022	<u>\$ 26,536,060</u>
Service cost	1,138,422
Benefit payments	(921,526)
Interest cost	1,279,045
Differences between expected and actual experience	(6,208,876)
Assumption changes	<u>(2,345,628)</u>
Total OPEB Liability at June 30, 2023	<u><u>\$ 19,477,497</u></u>

The following are the components of OPEB expense for the year ended June 30, 2023:

Service cost	<u>\$ 1,138,422</u>
Interest cost	1,279,045
Expected earnings on assets	(575,725)
Administrative expenses	96,900
Recognition of deferred outflows:	
Assumption changes	1,694,627
Plan experience	-
Investment experience	527,815
Recognized deferred resource items:	
Assumption changes	(1,078,456)
Plan experience	(1,754,423)
Investment experience	<u>(358,711)</u>
OPEB expense	<u><u>\$ 969,494</u></u>

**San José State University Research Foundation
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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, 2022, using the following actuarial assumptions:

Valuation date	December 31, 2020
Measurement date	December 31, 2021
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	5.84%
Discount rate	4.70%, blended rate between long term rate of return of
Administrative expense	\$85,860
Health care cost trend	5.80% and slowly decreasing to 4.00% by 2076 and thereafter
Mortality	MacLeod Watts Scale2020 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 changes since the last actuarial valuation: The long term return on assets changed from 5.84% to 6.00%, the discount rate changed from 4.70% to 5.50%. and the health care cost trend rate in the previous year was 5.80% and slowly decreasing to 4.00% by 2076 and thereafter.

The Foundation reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience in the measurement of total OPEB liability	\$ -	\$ (10,051,530)
Change in assumptions	8,764,691	(6,416,323)
Net difference between projected and actual earnings of OPEB plan investments	925,304	-
Contribution to OPEB plan after measurement date	577,175	-
Total	<u>\$ 10,267,170</u>	<u>\$ (16,467,853)</u>

**San José State University Research Foundation
(A Component Unit of California State University)**

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The amounts reported as deferred outflows of resources related to OPEB resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Years Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2024	\$ (1,080,001)
2025	(953,970)
2026	(872,446)
2027	(721,287)
2028	(1,049,308)
Thereafter	(2,100,846)
Total	<u>\$ (6,777,858)</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, 2022, 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, 2022. 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 will be sufficient to fund approximately 73% of all future benefit payments. As a result, the discount rate is a blended rate of the long-term rate of return of 6.0% until assets are depleted, and an index rate of 3.72 % (high quality municipal bond rate) thereafter, resulting in a blended rate of 5.5%.

**San José State University Research Foundation
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Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

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 Rate 5.50%	1% Increase 6.50%
\$ 13,544,348	\$ 10,776,734	\$ 8,507,137

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
\$ 8,257,862	\$ 10,776,734	\$ 13,935,295

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, 2023.

Note 11. Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2023, through November 10, 2023, 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
(A Component Unit of California State University)
Required Supplementary Information**

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:

	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	\$ 1,138,422	\$ 860,609	\$ 1,748,038	\$ 1,123,991	\$ 812,945	\$ 812,945
Cost of plan changes	-	-	(142,864)	-	-	-
Interest	1,279,045	1,268,715	968,839	1,097,418	1,499,946	1,393,018
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)	(14,523)
Benefit payments	(921,526)	(920,541)	(920,212)	(797,221)	(664,106)	(626,864)
Net change in total OPEB liability	(7,058,563)	4,481,269	(6,467,717)	6,851,595	538,748	1,564,576
Total OPEB liability—beginning	26,536,060	22,054,791	28,522,508	21,670,913	21,132,165	19,567,589
Total OPEB liability—ending (a)	\$ 19,477,497	\$ 26,536,060	\$ 22,054,791	\$ 28,522,508	\$ 21,670,913	\$ 21,132,165
Plan fiduciary net position:						
Employer contributions	\$ 1,721,526	\$ 1,919,600	\$ 1,340,212	\$ 1,779,721	\$ 712,123	\$ 1,081,965
Net investment income	(1,509,092)	1,213,456	798,868	965,101	(234,184)	482,106
Retiree health program premiums	(921,526)	(920,541)	(920,212)	(797,221)	(664,106)	(626,864)
Administrative expenses	(96,900)	(85,860)	(85,401)	(72,470)	(60,625)	(63,674)
Net change in plan net position	(805,992)	2,126,655	1,133,467	1,875,131	(246,792)	873,533
Plan fiduciary net position—beginning	9,506,755	7,380,100	6,246,633	4,371,502	4,618,294	3,744,761
Plan fiduciary net position—ending (b)	8,700,763	9,506,755	7,380,100	6,246,633	4,371,502	4,618,294
Net OPEB liability (a) - (b)	\$ 10,776,734	\$ 17,029,305	\$ 14,674,691	\$ 22,275,875	\$ 17,299,411	\$ 16,513,871
Plan fiduciary net position as a percentage of total OPEB liability	44.67%	35.83%	33.46%	21.90%	20.17%	21.85%
Net OPEB liability as a percentage of covered payroll	56.38%	90.32%	78.17%	119.12%	94.75%	88.31%
Covered payroll	\$ 19,113,714	\$ 18,853,765	\$ 18,772,064	\$ 18,699,654	\$ 18,257,949	\$ 18,699,084

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 changed since the last actuarial valuation: The long term return on assets changed from 5.84% to 6.00%, the discount rate changed from 4.70% to 5.50% and the health care cost trend rate in the previous year was 5.80% and slowly decreasing to 4.00% by 2076 and thereafter.

**San José State University Research Foundation
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Required Supplementary Information**

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
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.

Methods and assumptions used to determine contributions:

Actuarial cost method	EAN
Amortization method	Level dollar
Amortization period	20 year closed
Asset valuation method	Market
Inflation	5.8% in 2021 fluctuating down to 4% by 2076
Salary increases	3%
Investment rate of return	5.84%
Retirement age	from 55 to 75
Mortality	CALPERS 2017, MW Scale 2020

**San José State University Research Foundation
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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 \$186,346 in 2022, which was recognized both as employer contribution and benefit payments in the statement of changes in fiduciary net position for the year ended December 31, 2022.

Employer lump-sum contribution	\$ 1,535,180
Implicit rate subsidy	186,346
Total employer contributions	<u>\$ 1,721,526</u>

**San José State University Research Foundation
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**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Cluster Title/Federal Grantor/Pass-Through Grantor	Program Title/Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Research Development Cluster:					
Department of Agriculture:					
Direct:					
U.S. Forest Service	Research Joint Venture and Cost Reimbursable Agreements	10.707	-	\$ -	\$ 88,540
U.S. Forest Service	Research Joint Venture and Cost Reimbursable Agreements	10.707	-	-	41,251
Total U.S. Forest Service and					
Total Department of Agriculture				-	129,791
Department of Commerce:					
Direct:					
National Oceanic and Atmospheric Administration	NOAA Mission-related Education Awards	11.008	-	-	26,044
National Oceanic and Atmospheric Administration	Fisheries Dev and Utilization Research and Dev Grants and Coop Agreements Program	11.427	-	-	218,084
National Oceanic and Atmospheric Administration	Marine Mammal Data Program	11.439	-	-	49,482
National Oceanic and Atmospheric Administration	Applied Meteorological Research	11.468	-	-	26,538
National Oceanic and Atmospheric Administration	Congressionally Identified Awards and Projects	11.469	-	-	60,793
Total Direct				-	380,940
Pass-through:					
Monterey Bay Aquarium Res Institute	Integrated Ocean Observing System	11.012	2111114	-	66,017
UC, San Diego	Sea Grant Support	11.417	704280	-	37,074
UC, San Diego	Sea Grant Support	11.417	102318494 -SEA 6970-	-	10,706
UC, San Diego	Sea Grant Support	11.417	KR 704279	-	14,961
UC, San Diego	Sea Grant Support	11.417	704336_A/EA-28C	-	38,391
UC, San Diego	Sea Grant Support	11.417	704337	-	29,929
UC, San Diego	Sea Grant Support	11.417	705180	-	42,209
UC, San Diego	Sea Grant Support	11.417	705179- R/AQ-160	-	128,446
UC, San Diego	Sea Grant Support	11.417	705562- PROJECT R/AQ	-	78,420
Kashia Band of Pomo Indians	Fisheries Dev and Utilization Research and Dev Grants and Coop Agreements Program	11.427	KBPI-4270160-01	-	4,451
University of Miami	National Oceanic and Atmospheric Administration Cooperative Institutes	11.432	OS00000568 _ SPC-001	-	2,172,792
UC, Santa Cruz	Marine Mammal Data Program	11.439	A21-0049-S001	-	6,518
UC, Santa Cruz	Marine Mammal Data Program	11.439	A22-0041-S001	-	6,667
UC, San Diego	Unallied Science Program	11.472	704427	-	14,103
Howard University	Educational Partnership Program	11.481	0008971-1000066103	-	19,644
Howard University	Educational Partnership Program	11.481	GRT000392-10012448	-	14,774
Total Pass-through				-	2,685,102
Total Department of Commerce				-	3,066,042
Department of Defense:					
Direct:					
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	12,423	34,883
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	42,841
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	39,982
Office of Naval Research	Basic and Applied Scientific Research	12.300	-	-	45,018

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Cluster Title/Federal Grantor/Pass-Through Grantor	Program Title/Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Dept of the Army	Military Medicine Research and Development	12.420	-	\$ 75,698	\$ 105,995
Total Direct				<u>88,121</u>	<u>268,719</u>
Pass-through:					
UC, San Diego	Basic and Applied Scientific Research	12.300	KR704623	-	83,174
University of Notre Dame	Basic and Applied Scientific Research	12.300	203349SJSURF	-	60,104
West Chester University	Basic and Applied Scientific Research	12.300	21-001	-	2,234
Naval Postgraduate School	Basic and Applied Scientific Research	12.300	N00244-19-2-0005	-	16,558
Regents of the Univ of California	Military Medicine Research and Development	12.420	A21-0549-A001	-	3,699
Total Pass-through				<u>-</u>	<u>165,769</u>
Total Department of Defense				<u>88,121</u>	<u>434,488</u>
Department of Intelligence:					
Direct:					
Office of the Director of National Intelligence	National Security & Intelligence Scholars Research Program	12.598	-	-	25,000
Total Department of Intelligence				<u>-</u>	<u>25,000</u>
Department of Interior:					
Direct:					
US Fish and Wildlife Service	National Resource Damage Assessment and Restoration	15.658	-	-	1,557
U.S. Geological Survey	U.S. Geological Survey Research and Data Collection	15.808	-	-	164,270
U.S. Geological Survey	U.S. Geological Survey Research and Data Collection	15.808	-	-	120,978
Department of Interior	National Cooperative Geologic Mapping	15.810	-	-	12,555
Department of Interior	National Cooperative Geologic Mapping	15.810	-	-	12,593
Department of Interior	National Cooperative Geologic Mapping	15.810	-	-	10,148
Total Direct				<u>-</u>	<u>322,101</u>
Pass-Through:					
Regents of The Univ of California	Assistance to State Water Resources Research Institute	15.805	SA21-5650-01	-	16,816
Total Department of Interior				<u>-</u>	<u>338,917</u>
Department of Justice:					
Direct:					
Department of Justice	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	-	-	52,164
Total Department of Justice				<u>-</u>	<u>52,164</u>
Department of Transportation:					
Direct:					
Department of Transportation	University Transportation Centers Program	20.701	-	492,848	1,136,692
Total Department of Transportation:				<u>492,848</u>	<u>1,136,692</u>

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National Aeronautics and Space Administration:					
Direct:					
National Aeronautics and Space Administration	Science	43.001	-	\$ -	\$ 19,194
National Aeronautics and Space Administration	Science	43.001	-	-	230,458
National Aeronautics and Space Administration	Science	43.001	-	18,084	108,727
National Aeronautics and Space Administration	Science	43.001	-	-	14,738
National Aeronautics and Space Administration	Science	43.001	-	-	36,523
National Aeronautics and Space Administration	Science	43.001	-	-	66,052
National Aeronautics and Space Administration	Aeronautics	43.002	-	16,962	4,118,130
National Aeronautics and Space Administration	Aeronautics	43.002	-	21,446	8,742,667
National Aeronautics and Space Administration	Mission Support	43.009	-	129,681	2,814,850
Total Direct				186,173	16,151,339
Pass-through:					
Bay Area Environmental Res Inst	Science	43.001	CONTRACT	-	51,485
Brown University	Science	43.001	00001996	-	28,294
Colorado State University	Science	43.001	G-01869-03	-	29,584
Colorado State University	Science	43.001	G-30123-02	-	13,771
Columbia University	Science	43.001	SAPO G16253_1(GG016	-	30,233
Jet Propulsion Laboratory	Science	43.001	1666003	-	2,056
Jet Propulsion Laboratory	Science	43.001	1672989	-	1,452
Jet Propulsion Laboratory	Science	43.001	1690184	-	1,969
Jet Propulsion Laboratory	Science	43.001	1623362	-	1,461
Jet Propulsion Laboratory	Science	43.001	1671126	-	12,251
Jet Propulsion Laboratory	Science	43.001	RSA NO 1694133- YEA	-	11,420
Jet Propulsion Laboratory	Science	43.001	1685860	-	63,858
Jet Propulsion Laboratory	Science	43.001	1696381	-	12,315
KBR Wyle Services, LLC	Science	43.001	SMS0001602	-	61,384
Space Telescope Sci Institute	Science	43.001	JWST-GO-01591.010-A	-	78,306
Space Telescope Sci Institute	Science	43.001	HST-GO-15235.002-A	-	25,287
Space Telescope Sci Institute	Science	43.001	HST-GO-15992.010-A	-	118
Space Telescope Sci Institute	Science	43.001	HST-GO-16459.002-A	-	11,371
Space Telescope Sci Institute	Science	43.001	HST-GO-16912.004-A	-	34,602
Space Telescope Sci Institute	Science	43.001	HST-GO-17149.001-A	-	7,528
University of Miami	Science	43.001	SPC-001521-OS0000014	-	557,794
Univ of Maryland Baltimore County	Science	43.001	NASA0098-02	-	10,160
Univ Space Research Assoc.	Science	43.001	SOFIA 08-0056	-	7,000
Univ Space Research Assoc.	Science	43.001	09-0115	-	251
Total Pass-through				-	1,053,950
Total National Aeronautics and Space Administration				186,173	17,205,289

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National Science Foundation:					
Direct:					
National Science Foundation	Engineering	47.041	-	\$ -	\$ 196,182
National Science Foundation	Engineering	47.041	-	-	4,516
National Science Foundation	Engineering	47.041	-	-	164,392
National Science Foundation	Engineering	47.041	-	-	49,562
National Science Foundation	Engineering	47.041	-	-	90,848
National Science Foundation	Engineering	47.041	-	-	97,051
National Science Foundation	Engineering	47.041	-	-	103,720
National Science Foundation	Engineering	47.041	-	-	60,061
National Science Foundation	Engineering	47.041	-	-	57,286
National Science Foundation	Engineering	47.041	-	-	130,727
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	13,307
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	22,101
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	112,499
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	41,225
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	56,532
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	19,949
National Science Foundation	Mathematical and Physical Sciences	47.049	-	11,757	45,920
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	19,874
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	84,979
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	61,756
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	17,069
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	39,629
National Science Foundation	Mathematical and Physical Sciences	47.049	-	-	2,035

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National Science Foundation	Geosciences	47.050	-	\$ -	\$ 126,401
National Science Foundation	Geosciences	47.050	-	-	40,854
National Science Foundation	Geosciences	47.050	-	-	42,043
National Science Foundation	Geosciences	47.050	-	-	53,535
National Science Foundation	Geosciences	47.050	-	-	115,256
National Science Foundation	Geosciences	47.050	-	-	150,145
National Science Foundation	Geosciences	47.050	-	-	253,537
National Science Foundation	Geosciences	47.050	-	-	41,609
National Science Foundation	Geosciences	47.050	-	-	80,116
National Science Foundation	Geosciences	47.050	-	-	103,967
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	46,751
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	18,738
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	1,851
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	20,600
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	121,431
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	2,651
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	9,220
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	5,676
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	45,560
National Science Foundation	Computer and Information Science and Engineering	47.070	-	-	18,135
National Science Foundation	Biological Sciences	47.074	-	-	13,202
National Science Foundation	Biological Sciences	47.074	-	-	63,850
National Science Foundation	Biological Sciences	47.074	-	-	37,162
National Science Foundation	Biological Sciences	47.074	-	30,687	64,121
National Science Foundation	Social, Behavioral, and Economic Sciences	47.075	-	-	63,883
National Science Foundation	STEM Education	47.076	-	-	51,618
National Science Foundation	STEM Education	47.076	-	-	35,729
National Science Foundation	STEM Education	47.076	-	-	2,505
National Science Foundation	STEM Education	47.076	-	-	3,122
National Science Foundation	STEM Education	47.076	-	-	25,186
National Science Foundation	STEM Education	47.076	-	-	222,187
National Science Foundation	STEM Education	47.076	-	-	54,221
National Science Foundation	STEM Education	47.076	-	-	37,684
National Science Foundation	STEM Education	47.076	-	-	120,000
National Science Foundation	STEM Education	47.076	-	-	105,926
National Science Foundation	STEM Education	47.076	-	-	227,087
National Science Foundation	STEM Education	47.076	-	130,592	248,571
National Science Foundation	STEM Education	47.076	-	-	79,130

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Cluster Title/Federal Grantor/Pass-Through Grantor	Program Title/Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
National Science Foundation	STEM Education	47.076	-	\$ -	\$ 8,833
National Science Foundation	Polar Programs	47.078	-	-	318,270
National Science Foundation	Polar Programs	47.078	-	-	96,604
Total Direct				173,036	4,668,187
Pass-through:					
Virginia Tech	Engineering	47.041	419645-19E94	-	87,961
University of So California	Geosciences	47.050	SCON-00003967	-	30,000
Columbia University	Geosciences	47.050	44C (GG009393-04)	-	9,151
Portland State University	Social, Behavioral, and Economic Sciences	47.075	PSU	-	585
University of Maine	Social, Behavioral, and Economic Sciences	47.075	UMS1227	-	2,971
Calif State University Fresno	STEM Education	47.076	SC330590-21-02	-	22,154
Calif State University Fresno	STEM Education	47.076	351056-01-PSA	-	6,043
CSU, Sacramento	STEM Education	47.076	533015-A5	-	20,600
Total Pass-through				-	179,465
Total National Science Foundation				173,036	4,847,652
Environmental Protection Agency:					
Direct:					
Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	66.509	-	7,040	269,458
Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	66.509	-	-	76,961
Total Direct				7,040	346,419
Pass-through:					
Washington Dept of Fish & Wildlife	Geographic Programs-Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	20-15401	-	69,407
San Jose State University	Regional Wetland Program Development Grants	66.461	CD-99T92901-0	-	54,893
State Coastal Conservancy	Regional Wetland Program Development Grants	66.461	22-091	-	8,774
Total Pass-through				-	133,074
Total Environmental Protection Agency				7,040	479,493
Nuclear Regulatory Commission:					
Direct:					
Nuclear Regulatory Commission	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	-	-	103,535
Total Nuclear Regulatory Commission				-	103,535
Department of Energy:					
Direct:					
Department of Energy	Office of Science Financial Assistance Program	81.049	-	4,868	118,058
Department of Energy	Office of Science Financial Assistance Program	81.049	-	-	43,240
Department of Energy	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	-	-	188,595
Total Direct				4,868	349,893

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Pass-through:					
Texas A&M University	Office of Science Financial Assistance Program	81.049	M2202685	\$ -	\$ 12,665
University of Tennessee	Office of Science Financial Assistance Program	81.049	A22-0491-S001	-	78,330
University of Tennessee	Nuclear Energy Research, Development and Demonstration	81.121	A21-0451-S001	-	56,173
Lawrence Livermore Natl Lab	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	B650931	-	27,675
Lawrence Livermore Natl Lab	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	B655140	-	30,440
Lawrence Livermore Natl Lab	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	B656572	-	6,261
Lawrence Livermore Natl Lab	The Lawrence Livermore National Laboratory	81.DE-AC	B656972	-	36,173
UC, Berkeley	Advanced Research Projects Agency - Energy	81.135	00010579	-	80,391
Lawrence Berkeley Natl Laboratories	Hybrid Models and Algorithm	81.RD	7625627	-	129,475
Total Pass-through				-	<u>457,583</u>
Total Department of Energy				4,868	807,476
Department of Education:					
Direct:					
Department of Education	Higher Education Institutional Aid	84.031C	-	28,765	713,913
Department of Education	Trio McNair Post-Baccalaureate Achievement	84.217A	-	-	131,336
Department of Education	Trio McNair Post-Baccalaureate Achievement	84.217A	-	-	147,412
Department of Education	Child Care Access Means Parents in School	84.335A	-	-	288,676
Total Direct				<u>28,765</u>	<u>1,281,337</u>
Total Department of Education				28,765	1,281,337
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	-	13,459
Sourcewise	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	20231402.00	-	66,532
Total Department of Health and Human Services				-	79,991
National Institutes of Health:					
Direct:					
National Institutes of Health	Alcohol Research Programs	93.273	-	-	118,699
National Institutes of Health	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	-	-	21,219
National Institutes of Health	Minority Health and Health Disparities Research	93.307	-	166,245	223,696
National Institutes of Health	Cardiovascular Diseases Research	93.837	-	-	347,784
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	-	-	14,175
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	-	-	77,381
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	-	-	29,198
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	158,530
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	138,371

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National Institutes of Health	Biomedical Research and Research Training	93.859	-	\$ -	\$ 42,898
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	99,085
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	87,831
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	158,849
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	156,545
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	83,246
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	129,059
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	2,160
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	118,091
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	108,688
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	292,908
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	43,206
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	140,168
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	141,982
National Institutes of Health	Biomedical Research and Research Training	93.859	-	-	1,874
Total Direct				166,245	2,735,643
Pass-through:					
Ohio State University	Enhance Safety of Children Affected by Substance Abuse	93.087	60079187	-	43,816
UserWise	Food and Drug Administration Research	93.103	1530355	-	11,258
UC, San Francisco	Research Related to Deafness and Communication Disorders	93.173	10803SC	-	130,741
Ohio State University	Alcohol Research Programs	93.273	SPC000005591 / GR125	-	3,891
UC Santa Barbara	Alcohol Research Programs	93.273	KK2321	-	6,140
Yale University	Alcohol Research Programs	93.273	CON-80004100(GR11888	-	9,466
Emory University	Trans-NIH Research Support	93.310	PO# A556575	-	50,643
UC, Berkeley	Mental and Behavioral Health Education and Training Grants	93.732	00009669	-	73,285
UC, San Francisco	Extramural Research Programs in th Neurosciences and Neurological Disorders	93.853	11578SC	-	151,749
Ohio State University	Aging Research	93.866	GR127024/PO-SPC10000	-	553
Total Pass-through				-	481,542
Total Department of Health and Human Services				166,245	3,217,185
Total Research and Development Cluster				1,147,096	33,205,052
CDBG Entitlement Grants Cluster:					
Department of Housing & Urban Development:					
Pass-through:					
City of San Jose	Community Development Block Grants/Entitlement Grants	14.218	CPS-16-014F	-	77,241
Total Department of Housing & Urban Development and CDBG Entitlement Grants Cluster				-	77,241

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Department of Treasury:					
Pass-through:					
CaliforniaVolunteers	COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	CCSFRF012	\$ -	\$ 178,873
CaliforniaVolunteers	COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	CCSFRF012	-	920,713
Total Department of Treasury				-	1,099,586
National Endowment for the Arts:					
Direct:					
Ntl Endowment for the Arts	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	6,175
Ntl Endowment for the Arts	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	7,713
Ntl Endowment for the Humanities	Promotion of the Humanities Fellowships and Stipends	45.160			1,210
Total National Endowment for the Arts				-	15,098
National Endowment for the Humanities					
Direct:					
National Endowment for the Humanities	Promotion of the Humanities Professional Development	45.163	Not available	-	140,877
National Endowment for the Humanities	Promotion of the Humanities Professional Development	45.163	Not available	-	96,162
Total Direct				-	237,039
Pass-through:					
American Library Association	Promotion of the Humanities Public Programs	45.164	-	-	10,000
Social Sci Research Council	Promotion of the Humanities Public Programs	45.164	-	-	44,168
Total National Endowment for the Humanities				-	54,168
Institute of Museum and Library Services:					
Direct:					
Inst of Museum & Library Serv	Laura Bush 21st Century Librarian Program	45.313	-	-	31,918
Total Direct				-	31,918
Pass-through:					
Cal Humanities	Promotion of the Humanities Federal/State Partnership	45.129	HFAP19-58	-	6
Cal Humanities	Promotion of the Humanities Federal/State Partnership	45.129	HFAP22-120	-	3,650
Institute of Museum & Library Services	National Leadership Grants	45.312	Not available	-	39,737
Institute of Museum & Library Services	National Leadership Grants	45.312	Not available	-	93,382
Loyola Marymount University	Laura Bush 21st Century Librarian Program	45.313	21072	-	17,891
Total Institute of Museum and Library Services				-	186,584
Small Business Administration:					
Pass-through:					
Humboldt State University	Small Business Development Centers	59.037	F3262	-	221,773
Humboldt State University	Small Business Development Centers	59.037	F3316	-	143,902
Total Small Business Administration				-	365,675
Department of Energy:					
Pass-through:					
City University of New York	Office of Science Financial Assistance Program	81.049	CM00004803-03	-	135,604
Total Department of Energy				-	135,604

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Year Ended June 30, 2023
(Continued)**

Cluster Title/Federal Grantor/Pass-Through Grantor	Program Title/Description	Federal Assistance Listing Number	Grant Identification Number/Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
TRIO Cluster:					
Department of Education:					
Direct:					
Department of Education	TRIO Student Support Services	84.042A	-	\$ -	\$ 482,485
Total TRIO Cluster				<u>-</u>	<u>482,485</u>
Department of Education	Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	-	-	50,100
Total Direct				<u>-</u>	<u>532,585</u>
Pass-through:					
Santa Clara University	English Language Acquisition State Grants	84.365Z	EDU026-01	-	48,532
Regents of The Univ of California	Supportive Effective Instruction State Grants	84.367A	ESSA22-CMP-SAN JOSE	-	24,223
Regents of The Univ of California	Supporting Effective Instruction State Grants	84.367A	ESSA21-CWP-SAN JOSE	-	(559)
Regents of The Univ of California	Supporting Effective Instruction State Grants	84.367A	ESSA22-CWP-SAN JOSE	-	22,668
Total Pass-through				<u>-</u>	<u>94,864</u>
Total Department of Education				<u>-</u>	<u>627,449</u>
Department of Health and Human Services:					
Direct:					
Dept of Health and Human Services	Congressional Directives	93.493	-	-	216,282
Total Direct				<u>-</u>	<u>216,282</u>
Pass-through:					
San Jose State University	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Not available	-	130,325
UC, Berkeley	Foster Care Title IV-E	93.658	00010509	-	2,814
UC, Berkeley	Foster Care Title IV-E	93.658	00011219	-	1,164,067
Total Pass-through				<u>-</u>	<u>1,297,206</u>
Total Department of Health and Human Services				<u>-</u>	<u>1,515,488</u>
Corporation for National and Community Service:					
Pass-through:					
CaliforniaVolunteers	AmeriCorps State and National	94.006	20AFHY27-F200	-	(2,788)
Total Corporation for National and Community Service				<u>-</u>	<u>(2,788)</u>
Total Other Programs				<u>-</u>	<u>4,311,144</u>
Total Federal Expenditures				<u>\$ 1,147,096</u>	<u>\$ 37,516,196</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**San José State University Research Foundation
(A California State University Component Unit)**

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, 2023. 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.

**San José State University Research Foundation
(A California State University Component Unit)**

Notes to Schedule of Expenditures of Federal Awards

Totals presented by Assistance Listing Number (ALN):		Total Federal Expenditures
ALN No.	Federal Program or Cluster	
Research & Development Cluster		
10.707	Research Joint Venture and Cost Reimbursable Agreements	\$ 129,791
11.008	NOAA Mission-related Education Awards	26,044
11.012	Integrated Ocean Observing System	66,017
11.417	Sea Grant Support	380,136
11.427	Fisheries Dev and Utilization Research and Dev Grants and Coop Agreements Program	222,535
11.432	National Oceanic and Atmospheric Administration Cooperative Institutes	2,172,792
11.439	Marine Mammal Data Program	62,667
11.468	Applied Meteorological Research	26,538
11.469	Congressionally Identified Awards and Projects	60,793
11.472	Unallied Science Program	14,103
11.481	Educational Partnership Program	34,418
12.300	Basic and Applied Scientific Research	324,794
12.420	Military Medicine Research and Development	109,694
12.598	National Security & Intelligence Scholars Research Program	25,000
15.658	National Resource Damage Assessment and Restoration	1,557
15.805	Assistance to State Water Resources Research Institute	16,816
15.808	U.S. Geological Survey Research and Data Collection	285,248
15.810	National Cooperative Geologic Mapping	35,296
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	52,164
20.701	University Transportation Centers Program	1,136,692
43.001	Science	1,529,642
43.002	Aeronautics	12,860,797
43.009	Safety, Security and Mission Services	2,814,850
47.041	Engineering	1,042,306
47.049	Mathematical and Physical Sciences	536,875
47.050	Geosciences	1,046,614
47.070	Computer and Information Science and Engineering	290,613
47.074	Biological Sciences	178,335
47.075	Social, Behavioral, and Economic Sciences	67,439
47.076	STEM Education	1,270,596
47.078	Polar Programs	414,874
66.123	Geographic Programs-Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	69,407
66.461	National Estuary Program	63,667
66.509	Science To Achieve Results (STAR) Research Program	346,419
77.008	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	103,535
81.049	Office of Science Financial Assistance Program	252,293
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	188,595
81.121	Nuclear Energy Research, Development and Demonstration	56,173
81.123	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	64,376
81.135	Advanced Research Projects Agency - Energy	80,391
81.DE-AC	The Lawrence Livermore National Laboratory	36,173
81.RD	Hybrid Models and Algorithm	129,475
84.031C	Higher Education Institutional Aid	713,913
84.217A	Trio McNair Post-Baccalaureate Achievement	278,748
84.335A	Child Care Access Means Parents in School	288,676

(Continued)

**San José State University Research Foundation
(A California State University Component Unit)**

Notes to Schedule of Expenditures of Federal Awards

Totals presented by Assistance Listing Number (ALN) - Continued:		Total Federal Expenditures
ALN No.	Federal Program or Cluster	
Research & Development Cluster (Continued)		
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	\$ 79,990
93.087	Enhance Safety of Children Affected by Substance Abuse	43,816
93.103	Food and Drug Administration Research	11,258
93.173	Research Related to Deafness and Communication Disorders	130,741
93.273	Alcohol Research Programs	138,196
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	21,219
93.307	Minority Health and Health Disparities Research	223,696
93.310	Trans-NIH Research Support	50,643
93.732	Mental and Behavioral Health Education and Training Grants	73,285
93.837	Cardiovascular Diseases Research	347,784
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	165,924
93.855	Allergy and Infectious Diseases Research	106,579
93.859	Biomedical Research and Research Training	1,903,491
93.866	Aging Research	553
	Total research and development cluster	33,205,052
CDBG Entitlement Grants Cluster		
14.218	Community Development Block Grants/Entitlement Grants	77,241
	Total CDBG Entitlement Grants Cluster	77,241
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds	1,099,586
45.163	Promotion of the Humanities Professional Development	237,039
45.024	Promotion of the Arts Grants to Organizations and Individuals	13,888
45.160	Promotion of the Humanities Fellowships and Stipends	1,210
45.164	Promotion of the Humanities Public Programs	54,168
45.129	Promotion of the Humanities Federal/State Partnership	3,656
45.312	National Leadership Grants	133,119
45.313	Laura Bush 21st Century Librarian Program	49,809
59.037	Small Business Development Centers	365,675
81.049	Office of Science Financial Assistance Program	135,604
TRIO Cluster		
84.042A	TRIO Student Support Services	482,485
	Total TRIO Cluster	482,485
84.325K	Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	50,100
84.365Z	English Language Acquisition State Grants	48,532
84.367A	Supportive Effective Instruction State Grants	46,332
93.493	Congressional Directives	218,282
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	130,325
93.658	Foster Care Title IV-E	1,166,881
94.006	AmeriCorps State and National	(2,788)
	Total expenditures of federal awards	\$ 37,516,196

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

Independent Auditor's Report

Board of Directors
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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of San José State University Research Foundation (the Foundation), a component unit of California State University, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 10, 2023. Our report includes a reference to other auditors who audited the financial statements of the Research Organizations Retiree Medical Trust (the Trust), as described in our report on the Foundation's financial statements. Our report includes an emphasis of matter paragraph for the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The financial statements of the Trust were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Trust.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

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 auditor 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 questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements 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 Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

San Jose, California
November 10, 2023

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

Independent Auditor's Report

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 José State University Research Foundation's (the Foundation), a component unit of California State University, 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 each of the Foundation's major federal programs for the year ended June 30, 2023. The Foundation's major federal programs are 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 each of its major federal programs for the year ended June 30, 2023.

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 Auditor's 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 each 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 programs.

Auditor's 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 Auditor's 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.

RSM US LLP

San Jose, California
November 10, 2023

**San José State University Research Foundation
(A Component Unit of the California State University)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? X Yes _____ None Reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.658	Foster Care Title IV-E
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,125,486

Auditee qualified as low-risk auditee? _____ Yes X No

**San José State University Research Foundation
(A Component Unit of the California State University)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

II. Financial Statement Findings

Finding No. 2023-001 – Certain Expenses not Recognized in the Proper Period
Significant Deficiency

Criteria: Expenses should be recognized when incurred as required by U.S. generally accepted accounting principles (US GAAP).

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

Cause: This condition results from the estimation process for expenses incurred wherein an invoice is not received from the vendor or subcontractor in a timely fashion.

Effect or Potential Effect: The effect of this condition caused immaterial uncorrected misstatements within accounts payable and operating expenses within the Foundation's basic financial statements.

Recommendation: We recommend that the Foundation augment their internal control procedures surrounding expense recognition and cutoff of expenses. This may include establishing additional controls to determine the completeness of invoices received around fiscal year end as well as policies and procedures to estimate expenses where an invoice has not yet been received but expenses are known to have been incurred.

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

III. Findings and Questioned Costs for Federal Awards

No matters to report.

**San José State University Research Foundation
(A Component Unit of the California State University)**

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2023**



Research Foundation

San José State University
410 N. 4th Street, Third Floor
San José, CA 95118

TEL: 408-924-1400
researchfoundation@sjsu.edu
www.sjsu.edu/researchfoundation

Finding: 2022-001 – Year End Closing Procedures

Status: Corrective action was taken in fiscal year 2023.

November 10, 2023

**San Jose State University Research Foundation
Corrective Action Plan
Year Ended June 30, 2023**

Identifying Number: 2023-001 – Certain Expenses not Recognized in the Proper Period

Finding: During our auditor's test work, they identified invoices that were not properly recognized in the proper period. This resulted in a factual error of \$176,413 and a projected error of \$129,513.

Corrective Actions Taken or Planned: We plan to fortify our control environment around the invoice intake process at fiscal year-end. This will include strengthened processes and procedures around determination of the completeness of invoices obtained from subcontractors and subrecipients. We also plan to use historical and budgetary data to estimate costs if invoices are not received timely. We plan to implement this corrective action in fiscal year 2024.

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

San José State University Research Foundation
Schedule of Net Position
June 30, 2023
(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	2,156,897
Short-term investments	25,107,894
Accounts receivable, net	5,491,050
Lease receivable, current portion	88,588
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	368,452
Total current assets	33,212,881

Noncurrent assets:

Restricted cash and cash equivalents	46,575
Accounts receivable, net	-
Lease receivable, net of current portion	46,139
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	2,167,767
Capital assets, net	13,717,267
Other assets	-
Total noncurrent assets	15,977,748
Total assets	49,190,629

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	10,267,170
Leases	-
P3	-
Others	-
Total deferred outflows of resources	10,267,170

(Continued)

San José State University Research Foundation
Schedule of Net Position (Continued)
June 30, 2023
(for inclusion in the California State University Financial Statements)

Liabilities:

Current liabilities:

Accounts payable	3,270,909
Accrued salaries and benefits	1,807,655
Accrued compensated absences, current portion	1,359,693
Unearned revenues	3,017,703
Lease liabilities, current portion	564,904
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	30,666
Total current liabilities	10,051,530

Noncurrent liabilities:

Accrued compensated absences, net of current portion	90,720
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	2,056,779
SBITA liabilities, net of current portion	-
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	196,699
Net other postemployment benefits liability	10,776,734
Net pension liability	-
Other liabilities	116,256
Total noncurrent liabilities	13,237,188
Total liabilities	23,288,718

Deferred inflows of resources:

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	16,467,853
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	118,324
P3	-
Others	-
Total deferred inflows of resources	16,586,177

(Continued)

San José State University Research Foundation
Schedule of Net Position (Continued)
June 30, 2023
(for inclusion in the California State University Financial Statements)

Net position:

Net investment in capital assets	11,095,584
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	26,562
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	8,460,758
Total net position	<u>19,582,904</u>

San José State University Research Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2023
(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		33,146,437
State		9,629,486
Local		2,356,108
Nongovernmental		3,398,068
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		-
Scholarship allowances (enter as negative)		-
Other operating revenues		7,464,695
Total operating revenues		<u><u>55,994,794</u></u>

Expenses:

Operating expenses:

Instruction		7,825,821
Research		36,843,771
Public service		1,791
Academic support		331,566
Student services		1,238,286
Institutional support		7,600,278
Operation and maintenance of plant		636,165
Student grants and scholarships		2,582,630
Auxiliary enterprise expenses		-
Depreciation and amortization		2,071,227
Total operating expenses		<u><u>59,131,535</u></u>
Operating income (loss)		<u><u>(3,136,741)</u></u>

Nonoperating revenues (expenses):

State appropriations, noncapital		-
Federal financial aid grants, noncapital		2,061,076
State financial aid grants, noncapital		443,125
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		47,591
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		1,509,001
Investment income (loss), net		1,974,129
Endowment income (loss), net		-
Interest expense		(37,762)
Other nonoperating revenues (expenses)		83,839
Net nonoperating revenues (expenses)		<u><u>6,080,999</u></u>
Income (loss) before other revenues (expenses)		<u><u>2,944,258</u></u>

State appropriations, capital		-
Grants and gifts, capital		(500,000)
Additions (reductions) to permanent endowments		-
Increase (decrease) in net position		<u><u>2,444,258</u></u>

Net position:

Net position at beginning of year, as previously reported		17,138,646
Restatements		-
Net position at beginning of year, as restated		<u><u>17,138,646</u></u>
Net position at end of year		<u><u>\$ 19,582,904</u></u>

San José State University Research Foundation
(A Component Unit of the California State University)

Other Information

1 Cash and cash equivalents:

All other restricted cash and cash equivalents	\$ 46,575
Noncurrent restricted cash and cash equivalents	46,575
Current cash and cash equivalents	2,156,897
Total	\$ 2,203,472

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 961,967	\$ -	\$ 961,967
U.S. agency securities	10,022	-	10,022
U.S. treasury securities	759,699	-	759,699
Corporate bonds	1,045,468	-	1,045,468
Asset-backed securities	52,672	-	52,672
Mutual funds	5,040,361	-	5,040,361
Exchange-traded funds	3,431,093	-	3,431,093
Equity securities	9,234,918	223,262	9,458,180
Alternative investments:			
Private equity (including limited partnerships)	-	679,788	679,788
Real estate investments (including REITs)	-	1,048,836	1,048,836
Other alternative investments	-	215,881	215,881
State of California Local Agency Investment Fund (LAIF)	4,571,694	-	4,571,694
Total investments	25,107,894	2,167,767	27,275,661
Total investments, net of endowments	\$ 25,107,894	\$ 2,167,767	\$ 27,275,661

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	\$ 961,967	\$ 961,967	\$ -	\$ -	-
U.S. agency securities	10,022		10,022		
U.S. treasury securities	759,699		759,699		
Corporate bonds	1,045,468	513,572	531,896		
Asset-backed securities	52,672		52,672		
Mutual funds	5,040,361	5,040,361			
Exchange-traded funds	3,431,093	3,431,093			
Equity securities	9,458,180	9,458,180			
Alternative investments:					
Private equity (including limited partnerships)	679,788				679,788
Real estate investments (including REITs)	1,048,836				1,048,836
Other alternative investments	215,881				215,881
State of California Local Agency Investment Fund (LAIF)	4,571,694				4,571,694
Total investments	\$ 27,275,661	\$ 19,405,173	\$ 1,354,289	\$ -	\$ 6,516,199

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2.3 Investments held by the University under contractual agreements: Not Applicable

3.1 Capital Assets, excluding ROU assets:

<u>Composition of capital assets, excluding ROU assets:</u>	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 5,176,528	\$ -	\$ -	\$ -	\$ 5,176,528	\$ -	\$ -		\$ 5,176,528
Construction work in progress (CWIP)	282,775				282,775	905,854		(611,924)	576,705
Total non-depreciable/non-amortizable capital assets	5,459,303	-	-	-	5,459,303	905,854	-	(611,924)	5,753,233
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	10,183,193				10,183,193			611,924	10,795,117
Total depreciable/amortizable capital assets	17,701,295	-	-	-	17,701,295	-	-	611,924	18,313,219
Total capital assets	23,160,598	-	-	-	23,160,598	905,854	-	-	24,066,452
Less accumulated depreciation/amortization:									
Buildings and building improvements	(3,818,499)				(3,818,499)	(377,675)			(4,196,174)
Leasehold improvements	(761,176)				(761,176)	(15,784)			(776,960)
Personal property:									
Equipment	(6,831,536)				(6,831,536)	(1,099,034)			(7,930,570)
Total accumulated depreciation/amortization	(11,411,211)	-	-	-	(11,411,211)	(1,492,493)	-	-	(12,903,704)
Total capital assets, net excluding ROU assets	\$ 11,749,387	\$ -	\$ -	\$ -	\$ 11,749,387	\$ (586,639)	\$ -	\$ -	\$ 11,162,748

Capital Assets, Right of Use

<u>Composition of capital assets - Lease ROU, net:</u>	Balance June 30, 2022	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Depreciable/Amortizable lease assets:									
Buildings and building improvements	\$ 3,673,185	\$ -	\$ -	\$ -	\$ 3,673,185	\$ -	\$ -	\$ -	\$ 3,673,185
Personal property:									
Equipment	15,349				15,349				15,349
Total depreciable/amortizable lease assets	3,688,534	-	-	-	3,688,534	-	-	-	3,688,534
Less accumulated depreciation/amortization:									
Buildings and building improvements	(565,106)				(565,106)	(565,106)			(1,130,212)
Personal property:									
Equipment	(5,553)				(5,553)	(5,799)			(11,352)
Total accumulated depreciation/amortization	(570,659)	-	-	-	(570,659)	(570,905)	-	-	(1,141,564)
Total capital assets - lease ROU, net	\$ 3,117,875	\$ -	\$ -	\$ -	\$ 3,117,875	\$ (570,905)	\$ -	\$ -	\$ 2,546,970

<u>Composition of capital assets - SBITA ROU, net</u>	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Depreciable/Amortizable SBITA assets:									
Software	\$ 15,378				\$ 15,378				\$ 15,378
Total depreciable/amortizable SBITA assets	15,378	-	-	-	15,378	-	-	-	15,378
Less accumulated depreciation/amortization:									
Software	-				-	(7,829)			(7,829)
Total accumulated depreciation/amortization	-	-	-	-	-	(7,829)	-	-	(7,829)
Total capital assets - SBITA ROU, net	\$ 15,378	\$ -	\$ -	\$ -	\$ 15,378	\$ (7,829)	\$ -	\$ -	\$ 7,549

Total capital assets, net including ROU assets

\$ 13,717,267

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3.2 **Detail of depreciation and amortization expense:**
 Depreciation and amortization expense - capital assets, excluding ROU assets \$ 1,492,493
 Amortization expense - Leases ROU 570,905
 Amortization expense - SBITA ROU 7,829
Total depreciation and amortization \$ 2,071,227

4 **Long-term liabilities:**

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,458,339	\$ -	\$ 1,458,339	\$ 1,255,633	\$ (1,263,559)	\$ 1,450,413	\$ 1,359,693	\$ 90,720
5. Lease, SBITA, P3 liabilities:								
	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Lease liabilities	\$ 3,165,023	-	7,898	\$ -	\$ (543,340)	\$ 2,621,683	\$ 564,904	\$ 2,056,779
SBITA liabilities	-	-	-	-	(7,898)	-	-	-
P3 liabilities - SCA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
Sub-total P3 liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Lease, SBITA, P3 liabilities	\$ 3,165,023	\$ -	\$ 7,898	\$ -	\$ (551,238)	\$ 2,621,683	\$ 564,904	\$ 2,056,779
Total long-term liabilities						\$ 4,072,096	\$ 1,924,597	\$ 2,147,499

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

	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:												
2024	\$ 564,904	\$ 30,885	\$ 595,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564,904	\$ 30,885	\$ 595,789
2025	578,083	23,409	601,492	-	-	-	-	-	-	578,083	23,409	601,492
2026	585,678	15,814	601,492	-	-	-	-	-	-	585,678	15,814	601,492
2027	593,373	8,119	601,492	-	-	-	-	-	-	593,373	8,119	601,492
2028	299,645	1,142	300,787	-	-	-	-	-	-	299,645	1,142	300,787
Total minimum payments	\$ 2,621,683	\$ 79,369	\$ 2,701,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,621,683	\$ 79,369	\$ 2,701,052
Less: amounts representing interest												(79,369)
Present value of future minimum payments												<u>2,621,683</u>
Total Leases, SBITA, P3 liabilities												<u>2,621,683</u>
Less: current portion												(564,904)
Leases, SBITA, P3 liabilities, net of current portion												<u>\$ 2,056,779</u>

6 **Future minimum payments schedule - Long-term debt obligations:** Not Applicable

7 **Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,921,263
Payments to University for other than salaries of University personnel	1,438,309
Payments received from University for services, space, and programs	1,663,241
Gifts (cash or assets) to the University from discretely presented component units	2,583,555
Accounts payable to University	(988,530)
Accounts receivable from University	\$ 328,784

8 **Restatements** Not Applicable

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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	\$ 4,305,637	\$ 1,111,900	\$ -	\$ -	\$ -	2,408,284	\$ -	\$ 7,825,821
Research	22,410,793	4,619,502	-	969,494	-	8,843,982	-	36,843,771
Public service	477	40	-	-	-	1,274	-	1,791
Academic support	226,396	45,837	-	-	-	59,333	-	331,566
Student services	330,587	86,482	-	-	-	821,217	-	1,238,286
Institutional support	4,650,290	1,006,139	1,162,712	-	-	781,137	-	7,600,278
Operation and maintenance of plant	-	-	-	-	-	636,165	-	636,165
Student grants and scholarships	-	-	-	-	2,582,630	-	-	2,582,630
Depreciation and amortization	-	-	-	-	-	-	2,071,227	2,071,227
Total operating expenses	\$ 31,924,180	\$ 6,869,900	\$ 1,162,712	\$ 969,494	\$ 2,582,630	\$ 13,551,392	\$ 2,071,227	\$ 59,131,535

Select type of pension plan >>

Defined Contribution Plan

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - net OPEB liability	10,267,170
Total deferred outflows of resources	\$ 10,267,170

2. Deferred Inflows of Resources

Deferred inflows - net OPEB liability	16,467,853
Deferred inflows - leases	118,324
Total deferred inflows of resources	\$ 16,586,177

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ 83,839
Other nonoperating (expenses)	-
Total other nonoperating revenues (expenses)	\$ 83,839