Basic Financial Statements with Required Supplementary Information and Supplementary Information

San Jose State University Research Foundation

(a California State University Auxiliary Organization and a Component Unit of San Jose State University)

June 30, 2018

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Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
San Jose State University Research Foundation

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Jose State University) (the "Foundation") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Jose State University) as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 6 – 12 and the Schedule of Post-Employment Health Care Benefits Funding Progress on pages 41 - 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The supplementary information as required by the California State University on pages 52-65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 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 September 19, 2018, on our consideration of the Foundation's 2018 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.

Grant Thornton LLP

San Jose, California
September 19, 2018

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

This section of the San José State University Research Foundation (the "Foundation") annual financial report includes Management's Discussion and Analysis of the financial performance of the Foundation for fiscal year ended June 30, 2018. This discussion should be read in conjunction with the basic 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 for the purpose of providing support services to the San José State University ("SJSU") campus community. These services include:

Sponsored Programs
Sponsored programs represent grants and contracts received from outside sources for research, training, and other activities performed by faculty, staff, and students of SJSU and the Foundation. These research and other activities enable the campus community to further study fields of interest with funding from external sources.

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

Campus Self-support Programs
Campus self-support programs include numerous non-credit programs and activities that supplement and support the SJSU educational mission. These activities benefit the students, faculty, and the surrounding San Jose community.

Board Designated Programs
Board designated programs are Foundation funded programs that are used to supplement and support the SJSU educational mission.

Support Activities – Management and General
The Foundation management and general activities include the Central Office which is composed of Sponsored Program Administration, Finance and Accounting, Information Technology, and Human Resources.

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Introduction to the Financial Statement
The Foundation financial statements include the following:

Statement of Net Position: The statement of net position includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date.

Statement of Revenues, Expenses and Changes in Net Position: The statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows: The schedule of cash flows present the inflows and outflows of cash for the year and are summarized by operating, financing and investing activities. The schedule is prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

These schedules are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

Significant Events – Year Ended June 30, 2018
Change in San Jose State University Management

In December 2017, Research Foundation Senior Director of Sponsored Programs Rajnesh Prasad was named Executive Director of the Research Foundation. He had been serving as Interim Executive Director since April 2017.

In July 2018, San Jose State University Interim Provost and Senior Vice President of Academic Affairs Joan Ficke was named President of the Research Foundation Board of Directors. The previous president of the Research Foundation Board of Directors, SJSU Provost and Senior Vice President of Academic Affairs Andrew Feinstein, resigned his position at SJSU to take a position as President of the University of Northern Colorado.

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Discontinued Operation of a Federal Government Owned Research Vessel (Sponsored Program)

For thirty years, the Foundation received funding to operate the Pt. Sur, a research vessel owned by the National Science Foundation ("NSF"). The Pt. Sur was operated by Moss Landing Marine Laboratory ("MLML"), a satellite campus of SJSU and the Foundation. The operating agreement was a recurrent agreement, renewable approximately every 5 years. In June 2013, NSF notified the Foundation that NSF has decided to terminate the operating agreement and retire the Pt. Sur by the end of calendar year 2014. This decision was made by a joint committee of the NSF, the Office of Naval Research ("ONR"), and University-National Oceanographic Laboratory System ("UNOLS"). Five other vessels in the nation were also facing early retirement.

The Research Vessel Pt. Sur was sold in February 2015, by the Foundation on behalf of NSF to another educational institute. The proceeds from the sale and earned interest as of June 30, 2018 is $898,772, this amount remains with the Research Foundation per an amended agreement with NSF. Subject to NSF's approval, these funds can be used to upgrade MLML marine operations. The Foundation is required to report status of the proceeds to NSF until March 31, 2020.

Financial Overview

The following discussion highlights management's understanding on the key financial aspects of the Foundation's financial activities as of and for the year ended June 30, 2018. Included are analysis of current year's activities and balances in the Foundation's net position.

Restatement of Net Position

As a result of the Foundation applying GASB 75 relating to the other post-employment benefit obligation ("OPEB") Liability, the Foundation's ending net position at June 30, 2017 was restated to reflect the change.
The restatement is as follows:

Net position at June 30, 2017, as previously reported	$17,819,675
Restatement for cumulative effect of change in accounting for OPEB liability (GASB 75)	551,588
Net position at June 30, 2017, as restated	**$18,371,263**

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

A comparison of fiscal year 2018 to 2017 Statement of Net Position is shown below:

Comparison of assets, liabilities and net position

	FY 2018	FY 2017	Increase / (decrease)
Assets:			
Current assets:			
Cash and cash equivalents	$ 981,776	$ 1,442,269	$ (460,493)
Short-term investments	22,398,341	22,450,619	(52,278)
Accounts receivable, net	7,173,562	7,194,331	(20,769)
Prepaid expenses and other assets	131,365	93,918	37,447
Total current assets	30,685,044	31,181,137	(496,093)
Noncurrent assets:			
Restricted cash and cash equivalents	42,270	31,444	10,826
Other long-term investments	1,881,148	1,247,926	633,222
Capital assets, net	10,814,951	10,456,147	358,804
Other assets	63,570	63,570	-
Total noncurrent assets	12,801,939	11,799,087	1,002,852
Total assets	43,486,983	42,980,224	506,759
Deferred outflows of resources:			
Net OPEB Liability	298,286	-	298,286
Total deferred outflows of resources	298,286	-	298,286
Liabilities:			
Current liabilities:			
Accounts payable	2,066,219	2,167,806	(101,587)
Accrued salaries and benefits payable	1,480,908	1,514,171	(33,263)
Accrued compensated absences– current portion	1,344,690	1,341,910	2,780
Unearned revenue	5,273,646	3,453,285	1,820,361
Other liabilities	30,148	6,544	23,604
Total current liabilities	10,195,611	8,483,716	1,711,895
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	227,014	265,872	(38,858)
Depository accounts	285,238	282,042	3,196
Other postemployment benefits obligation	16,513,871	16,104,479	409,392
Other liabilities	151,083	24,440	126,643
Total noncurrent liabilities	17,177,206	16,676,833	500,373
Total liabilities	27,372,817	25,160,549	2,212,268
Deferred inflows of resources:			
Net OPEB Liability	180,181	-	180,181
Total deferred inflows of resources	180,181	-	180,181
Net Position:			
Net investment in capital assets	10,798,511	10,434,591	363,920
Restricted for:			
Nonexpendable – endowments	-	-	-
Expendable:			
Research	29,850	31,272	(1,422)
Capital projects	-	-	-
Unrestricted	5,403,910	7,353,812	(1,949,902)
Total net position	$ 16,232,271	$ 17,819,675	$ (1,587,404)

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Assets: Total assets increased $506,759 from June 30, 2017 to June 30, 2018.

Current Assets decreased $496,093 primarily due to a decrease in cash of $460,493.

Noncurrent assets increased $1,002,852 primarily due to an increase in long term investments of $633,222 and an increase in capital assets of $358,804.

Liabilities: Total liabilities increased $2,212,268 from June 30, 2017 to June 30, 2018.

Current liabilities increased $1,711,895 primarily due to an increase in unearned revenue of $1,820,361 from prepaid grants, tuition and fees, offset by a decrease in accounts payable liabilities of $101,587.

Noncurrent liabilities increased $500,373 primarily due to a $409,392 increase in post-retirement benefit obligation.

Net Position: The total net position decreased $1,587,404 to $16,232,271 as of June 30, 2018.

San Jose State University Research Foundation

Management's Discussion and Analysis (Unaudited)

June 30, 2018

A comparison of fiscal year 2018 to fiscal year 2017 Statement of Revenues, Expenses, and Changes in Net Position is shown below

Comparison of revenues and expenses by functional area

	FY2018	FY2017	Increase / (decrease)
Operating Revenues			
Sponsored Programs	$ 35,128,402	$ 35,524,740	$ (396,338)
Campus Self-support Programs	6,419,789	8,106,325	(1,686,536)
Cost Recovery			
Indirect cost recovery from sponsored programs	7,883,869	7,741,694	142,175
Administrative and program fees	587,048	537,894	49,154
Total operating revenue	50,019,108	51,910,653	(1,891,545)
Operating Expenses			
Sponsored programs	37,460,825	37,977,994	(517,169)
Self-supported programs	9,135,561	8,593,929	541,632
Board designated programs	1,536,137	446,763	1,089,374
Management and general	8,218,190	8,253,424	(35,234)
Other expenses	780,000	730,000	50,000
Total Operating expenses	57,130,713	56,002,110	1,128,603
Operating (loss)	(7,111,605)	(4,091,457)	(3,020,148)
Non-operating revenue/(expenses)			
Financial Aid	3,057,110	3,030,945	26,165
Investment Income	1,159,714	1,928,884	(769,170)
Gifts and Donations (cash and in-kind)	756,539	580,008	176,531
Interest Expense	(750)	(921)	171
Net non-operating revenues	4,972,613	5,538,916	(566,303)
Increase in net position	(2,138,992)	1,447,459	(3,586,451)
Net Position			
Beginning net position as reported previously	17,819,675	16,372,216	1,447,459
Cumulative effect of OPEB Liability GASB 75	551,588	-	551,588
Beginning net position after restatement	18,371,263	16,372,216	1,999,047
Ending balance	$ 16,232,271	$ 17,819,675	$ (1,587,404)

San Jose State University Research Foundation
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Revenue: Total operating revenue decreased by $1,891,545 from fiscal year 2017 to fiscal year 2018. This is primarily due to a decrease in Campus Self Support Programs revenue of 1,686,536 and a decrease in Sponsored Programs revenue of $396,338.

Operating Expenses: Total operating expenses increased $1,128,603 overall from fiscal year 2017 to fiscal year 2018.

The increase was primarily due to an increase in Self-supported program expenditures of $541,632 and an increase in board designated program activity in the amount of $1,089,374, with an offset of $517,169 drop in federal grant and contracts activity.

Non-operating Revenues (Expenses): Non-operating revenues (expenses) come from sources that are not part of the Foundation's primary business functions. Total non-operating activities resulted in a net decrease of $566,303, mostly from a decrease of investment income of $769,170.

San Jose State University Research Foundation

(a California State University Auxiliary Organization and a Component Unit of San Jose State University)

BASIC FINANCIAL STATEMENTS

June 30, 2018

San Jose State University Research Foundation
Statement of Net Position
June 30, 2018

Assets:	
Current assets:	
Cash and cash equivalents	$ 981,776
Short-term investments	22,398,341
Accounts receivable, net	7,173,562
Prepaid expenses and other assets	131,365
Total current assets	30,685,044
Noncurrent assets:	
Restricted cash and cash equivalents	42,270
Other long-term investments	1,881,148
Capital assets, net	10,814,951
Other assets	63,570
Total noncurrent assets	12,801,939
Total assets	43,486,983
Deferred outflows of resources:	
Net OPEB liability	298,286
Total deferred outflows of resources	298,286
Liabilities:	
Current liabilities:	
Accounts payable	2,066,219
Accrued salaries and benefits payable	1,480,908
Accrued compensated absences– current portion	1,344,690
Unearned revenue	5,273,646
Other liabilities	30,148
Total current liabilities	10,195,611
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	227,014
Payable to external agencies	285,238
Other postemployment benefits obligation	16,513,871
Other liabilities	151,083
Total noncurrent liabilities	17,177,206
Total liabilities	27,372,817
Deferred inflows of resources:	
Net OPEB liability	180,181
Total deferred inflows of resources	180,181
Net Position:	
Net investment in capital assets	10,798,511
Restricted for:	
Nonexpendable	-
Expendable:	
Research	29,850
Unrestricted	5,403,910
Total net position	$ 16,232,271

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

Revenues:		
Operating revenues:		
Student tuition and fees	$	3,229,168
Grants and contracts, noncapital:		
Federal		22,454,001
State		6,221,760
Local		2,060,905
Nongovernmental		4,391,736
Indirect cost recovery from sponsored programs		7,883,869
Administrative and program fees		587,048
Other operating revenues		3,190,621
Total operating revenues		50,019,108
Expenses:		
Operating expenses:		
Instruction		10,228,334
Research		30,106,746
Public service		487,221
Academic support		455,248
Student services		801,377
Institutional support		10,383,411
Operation and maintenance of plant		664,240
Student grants and scholarships		3,210,894
Auxiliary enterprise expenses		39
Depreciation and amortization		793,203
Total operating expenses		57,130,713
Operating loss		(7,111,605)
Nonoperating revenues (expenses):		
Federal financial aid grants		1,509,673
State financial aid grants		1,266,344
Local financial aid grants		169,566
Nongovernmental and other financial aid grants, noncapital		111,527
Gifts (including in-kind donation of $751,519)		756,539
Investment income, net		1,159,714
Interest expense		(750)
Net nonoperating revenues		4,972,613
Decrease in net position		(2,138,992)
Net position:		
Net position at beginning of year, as previously reported		17,819,675
Cumulative effect of change in accounting for OPEB liability (GASB 75)		551,588
Beginning net position, as restated		18,371,263
Net position at end of year	$	16,232,271

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Cash Flows
Year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 3,427,978
Federal Grants and Contracts	21,879,827
State Grants and Contracts	8,567,274
Local grants and contracts	1,936,340
Nongovernmental grants and contracts	4,323,040
Payments to suppliers	(16,522,003)
Payments to employees	(35,970,113)
Payments to students	(3,210,894)
Indirect cost recovery from sponsored programs	7,883,869
Administrative and program fees	587,048
Other receipts	3,246,016
Net cash (used in) operating activities	**(3,851,617)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal financial aid grants	1,509,673
State financial aid grants	1,266,344
Local financial aid grants	169,566
Nongovernmental and other financial aid grants	111,527
Gifts and grants received for other than capital purposes	756,539
Deferred rent and other liabilities	131,758
Other noncapital financing activities	35,646
Net cash provided by noncapital financing activities	**3,981,053**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,372,598)
Proceeds from disposition of capital assets	220,591
Principal paid on capital lease	(5,116)
Interest paid on capital lease	(750)
Net cash (used in) capital and related financing activities	**(1,157,873)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	26,492,809
Purchase of investments	(26,974,277)
Investment income	1,060,238
Net cash provided by investing activities	**578,770**
Net decrease in cash and cash equivalents	(449,667)
Cash and cash equivalents - beginning of year	1,473,713
Cash and cash equivalents - end of year	**$ 1,024,046**

See accompanying notes to financial statements.

San Jose State University Research Foundation
Statement of Cash Flows, continued
Year ended June 30, 2018

Summary of cash and cash equivalents at end of year:		
Cash and cash equivalents	$	981,776
Restricted cash and cash equivalents		42,270
Total cash and cash equivalents at end of year	**$**	**1,024,046**
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	$	(7,111,605)
Adjustments to reconcile operating loss to net cash (used in) operating activites:		
Depreciation and amortization		793,203
Change in assets and liabilities:		
Accounts receivables- net		(11,681)
Prepaid expenses and other assets		(37,447)
Deferred outflows of resources		(298,286)
Accounts payable		(101,587)
Accrued salaries and benefits		(33,263)
Accrued compensated absences		(36,078)
Deferred revenue		1,820,361
Other postemployment benefits obligation		960,980
Other liabilities		23,605
Deferred inflows of resources		180,181
Net cash used in operating activities	**$**	**(3,851,617)**
Supplemental disclosure of non-cash investing activity		
Increase in fair value of investments	$	99,476

See accompanying notes to financial statements.

San Jose State University Research Foundation
June 30, 2018

Notes to Financial Statements

Note 1 - Organization

The San Jose State University Research Foundation (the "Foundation"), a non-profit organization incorporated under Internal Revenue Code (the "Code") 501(c) (3) in 1931, serves as an auxiliary organization and is a component unit of San Jose State University (the "University") and the California State University System. The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives, to supplement programs and activities of the University, and to promote and assist the educational services of the University. The Foundation receives funding from various sources, such as the federal and state government, local government, other corporations, and interest groups.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards promulgated by the Governmental Accounting Standards Board ("GASB").

The Foundation uses the full accrual basis of accounting where 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 for the purpose of fulfilling donor restriction 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.

Pronouncements Issued

GASB Statement No. 74, *Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June 2015, GASB issued Statements No. 74 and No. 75. These statements enhance the required the recognition of OPEB expense and OPEB liabilities. GASB 74 applies to financial reporting of Trusts that fund OPEB Plans and was effective for the Foundation's Trust report dated December 31, 2017. GASB Statement No. 75 was effective for fiscal years beginning after June 15, 2017. The Foundation adopted the standard effective July 1, 2017 and recorded a cumulative effect of change in accounting increasing net position at that date by $551,588.

San Jose State University Research Foundation
June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting 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.

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.

Investments
Investments are carried at fair value, as determined by quoted market prices, with realized and unrealized gains and losses included on the statement of revenues, expenses and changes in net position. Dividend and interest income are accrued when earned.

Receivables
Receivables 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.

Capital 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 acquisition. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or to 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, 2018.

Revenue Recognition and Unearned Revenue
Revenue is recognized when earned. Unearned revenue represents funding received in advance of work performed or before revenue is earned for sponsored projects and tuition-based programs.

Revenue from sponsored programs, which is primarily from the US Federal government, state governments, local governments, non-profit organizations and other sponsors, is recognized when work is performed (as expenditures are incurred). Revenue from Campus self-support programs, student tuitions and fees, and Auxiliary enterprise programs and other revenues are recognized when earned. Investment income, realized and unrealized gains and losses from investments, are recorded as revenues when earned. Gifts are recorded as revenue when they are verifiable, measurable, and all applicable requirements have been met.

San Jose State University Research Foundation
June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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, campus self-support programs, facilities and administrative cost recovery (indirect cost recovery), and administrative fees associated with each of the programs. Expenses from Foundation board programs and management and general operation are also included in operating expenses. Certain other transactions are reported as non-operating revenues and expenses, including financial assistance to students, investment income, changes in the fair value of investments, cash and in-kind donations, transfer of assets, and non-periodic post-retirement benefit cost.

Facilities and Administrative Cost Recovery and Administrative Fees
The Foundation charges Facilities and Administrative cost (indirect cost recovery) to recover cost for facilities used and for performing services to projects under its Sponsored Programs. The rates used to charge projects are approved by the US Department of Health and Human Services, the rates 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.

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

Payable to External Agencies
Payable to external agencies represents remaining balance of amounts held by the Foundation on behalf of the State of California, other governmental agencies, and other not-for-profit organizations. Because these activities are custodial in nature and transactions do not represent activities carried out by the Foundation, such transactions have no net effect on the Foundation's activities or net position.

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 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 3 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 3 to 10 years.

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Note 2 - Summary of Significant Accounting Policies (continued)

Depreciation expense was $793,203 for the year ended June 30, 2018, of which $14,488 was for leasehold improvement.

The total cost of assets was $16,943,232, with related accumulated depreciation of $6,128,281 and a net book value of $10,814,951 as of June 30, 2018.

Accrued Vacation
The Foundation accrues vacation benefits for eligible employees at various rates depending on length of service. Employees are paid for unused vacation time at the end of employment. Employees are not paid for unused sick leave at the end of employment. At July 1, 2017, the Foundation had balances of $1,607,782 in its accrued vacation liabilities. During the fiscal year, $1,729.081 accrued vacation was earned and $1,765,159 was used. At June 30, 2018, the Foundation had balances of $1,571,704 in accrued vacation liabilities of which $1,344,690 was current.

Deferred Inflows and Outflows
Deferred resources related to other post-retirement benefits are reported as deferred inflows and outflows. Deferred inflows of resources are acquisitions of net assets that are applicable to a future reporting period. Deferred outflows are a consumption of net assets applicable to a future reporting period.

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 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
All other categories of assets, net of related liabilities. In addition, unrestricted assets may be designated for specific purposes by the Foundation's Board of Directors.

Note 3 –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.

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Note 3 –Investments (continued)

In the table below, please note the last line titled *State of California Local Agency Investment Fund ("LAIF")* refers to a highly liquid investment pool managed by the state of California. The Foundation uses this pool for day-to-day cash needs. The LAIF account is not part of the Investment Policy Statement but does belong in the required disclosures below.

The cost and fair market value of investments as of June 30, 2018 are as follows:

Investment Type	Fair Value	Historical Cost	Cumulative unrealized gain (loss)
Equity securities - Funds	$ 7,817,198	$ 6,091,950	$ 1,725,248
US Fixed Income - Funds	5,782,105	5,831,341	(49,236)
Debt securities - Corporate	705,041	681,260	23,781
U.S. Treasury Securities	1,114,170	1,114,158	12
Agency pass-through	495,649	383,312	112,337
Certificates of deposit	298,930	300,000	(1,070)
Hedge funds	2,226,801	2,175,309	51,492
REIT funds and Real Estate	408,605	400,000	8,605
Private Equity	258,683	262,648	(3,965)
Money market funds	101,515	101,515	-
State of California Local Agency Investment Fund (LAIF)	5,070,792	5,070,792	-
Portfolio total	$ 24,279,489	$ 22,412,285	$ 1,867,204

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.

Investment Type	Average Years Duration
Debt securities - Corporate	0.53
U.S. Treasury Securities	1.45
Certificates of deposit	3.27
Agency pass-through	0.01

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Note 3 –Investments (continued)

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. Financial instruments which potentially subject the Foundation to custodial credit risk generally applies 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. The U.S. Treasury issue, Federally Sponsored Enterprise Issues, and Corporate bonds are 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.

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 policy, all certificates of deposit are FDIC-insured and limited to $250,000 at any one institution.

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 limits 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 GNMA 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 non-investment grade companies.

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Note 3 –Investments (continued)

The table below summarizes the ratings of relevant fixed income investments of the Foundation as of June 30, 2018:

	Credit Risk (Moody's / S&P)					
Investment Type	**Aaa / AAA**	**Aa / AA**	**A / A**	**Baa / BBB**	**Not Investment Grade**	**Not Rated**
Debt securities - Corporate	$ -	$ -	$ -	$ 524,923	$ 180,118	$ -
U.S. Treasury Securities	494,395	-	-	-	-	619,775
Agency pass-through	21,717	-	-	-	-	473,932
Certificates of deposit	-	-	-	-	-	298,930
Portfolio total	$ 516,112	$ -	$ -	$ 524,923	$ 180,118	$ 1,392,637

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 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 has 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Foundations' 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 own data.

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Note 3 –Investments (continued)

Fair Value Measurements (continued)

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 at June 30, 2018. 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 corporate debt securities, exchange traded funds, and mutual funds. 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 results delivered to the independent certified public accountant organization providing this report.

For a large portion of the Foundation's portfolio, the Foundation's custodians generally uses 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 U.S. government and agency obligations, and corporate debt 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, 2018.

The Foundation's Level 3 investments primarily consist of two very illiquid securities. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

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Note 3 –Investments (continued)

Fair Value Measurements (continued)

Money market mutual funds and private California pooled money market funds ("LAIF") investments are of the shortest nature and highest quality of fixed income investments. The underlying assets are tracked by the fund managers and price per share of each fund is listed daily. Shares of the vehicles are redeemable with fund management – not on the open market. Therefore transactions are not listed on traded exchanges. LAIF transactions are limited to 15 per month (deposits and withdrawals).

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.

Alternative investments the Foundation holds are described below:

The commercial real estate financing investment is a limited partnership whose general partner ("GP") provides a service of assisting large banks clear their portfolios of low – or underperforming commercial property mortages.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 attractions is rental income with value change factors having 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 funds. PA2017 brings exposure to the global private equity sectors of buyouts, special situations, Venture Capital, Secondaries, and Co-investment. Distributions to investors' results from the liquidation of underlying holdings of each fund invested.

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Note 3 –Investments (continued)

Fair Value Measurements (continued)

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Net Asset Value	Total
Equity securities - Funds	$ 7,802,438	$ -	$ 14,760	$ -	$ 7,817,198
US Fixed Income - Funds	5,782,105	-	-	-	5,782,105
Debt securities - Corporate	157,773	545,742	1,526	-	705,041
U.S. Treasury Securities		1,114,170			1,114,170
Agency pass-through	-	495,649	-	-	495,649
Certificates of deposit	-	298,930	-	-	298,930
Hedge funds	2,226,801	-			2,226,801
REIT funds and Real Estate	-	-	-	408,605	408,605
Private Equity			-	258,683	258,683
Money market funds			-	101,515	101,515
State of California Local Agency Investment Fund (LAIF)			-	5,070,792	5,070,792
Investment porfolio total	$ 15,969,117	$ 2,454,491	$ 16,286	$ 5,839,595	$24,279,489

Investment-Related Commitments

The Foundation is obligated under several alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table represents significant terms of such agreements for all related alternative investments at June 30, 2018.

Asset	Fair Value	Unfunded Commitments	Remaining Life (Years)	Redemption Terms and Conditions
Rialto Real Estate Fund III Debt, LP	$ 153,006	$ 93,358	0 to 9	Not eligible for redemption
Blackstone Real Estate Income Trust Inc	$ 408,605	$ -	Perpetual Life	After one year lock-up period, Investor can request redemptions monthly
Portfolio Advisors fund 2017	$ 105,677	$ 519,944	0 to 16	Not eligible for redemption

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Note 4 – Accounts Receivable

The Foundation's accounts receivables are primarily from its sponsored programs. As of June 30, 2018, the Foundation has the following receivables:

	2018
Accounts receivable - sponsored programs	$ 7,106,722
Other receivables	66,840
Subtotal accounts receivable	7,173,562
Allowance for doubtful accounts	-
Total accounts receivable, net	$ 7,173,562

Note 5 – Related Parties

The Foundation has routine business transactions with the University and other related auxiliary organizations on campus, such as 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 receivables and accounts payable. As of June 30, 2018, receivables due from and payables due to related parties are as follows:

Receivable from the University	$ 16,315
Payable to the University	$ 527,290
Payable to Spartan Shops, Inc.	$ 13,461
Payable to Student Union	$ -

During the year ended June 30, 2018, amounts paid to the University and related organizations for services were as follows:

The University	$ 5,715,927
Spartan Shops, Inc.	$ 196,322
Associated Students	$ 156,095
Tower Foundation	$ 16,223
Student Union	$ 11,516

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Note 6 - Capital Assets

The Foundation's capital assets consist of the following:

	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land and land improvements	$ 5,176,529	$ -	$ -	$ -	$ 5,176,529
Construction work in progress (CWIP)	123,552	478,451	(87,212)	(36,340)	478,451
Total capital assets not being depreciated	**5,300,081**	**478,451**	**(87,212)**	**(36,340)**	**5,654,980**
Capital assets being depreciated:					
Buildings and building improvements	5,788,905	-	-	-	5,788,905
Leasehold improvements	793,186	-	-	-	793,186
Equipment	3,981,896	894,147	87,212	(257,094)	4,706,161
Software and websites	772,658			(772,658)	-
Total capital assets being depreciated	**11,336,645**	**894,147**	**87,212**	**(1,029,752)**	**11,288,252**
Total capital assets	**16,636,726**	**1,372,598**	**-**	**(1,066,092)**	**16,943,232**
Less accumulated depreciation:					
Buildings and building improvements	(2,620,404)	(208,462)	-	-	(2,828,866)
Leasehold improvements	(684,524)	(14,488)	-	-	(699,012)
Equipment	(2,102,993)	(570,253)	-	72,843	(2,600,403)
Software and websites	(772,658)	-	-	772,658	-
Total accumulated depreciation	**(6,180,579)**	**(793,203)**	**-**	**845,501**	**(6,128,281)**
Net capital assets being depreciated	**5,156,066**	**100,944**	**87,212**	**(184,251)**	**5,159,971**
Net capital assets	**$ 10,456,147**	**$ 579,395**	**$ -**	**$ (220,591)**	**$ 10,814,951**

Note 7 – Commitments

Line of Credit

In April of 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 LOC is payable on demand. During the year ended June 30, 2018, no funds were drawn for operational use and there were no amounts outstanding under the LOC as of June 30, 2018.

Business Credit Card Program

In November of 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 the balance off each month.

Beginning of Year	Increases	Decrease	End of Year
$42,154	$486,544	(446,899)	$81,799

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Note 7 – Commitments (continued)

Lease Arrangements

Change to Operating Lease Obligations

Future minimum lease payments on any non-cancelable operating leases are shown in the table below. The future operating lease obligations include an off-campus office building which the Foundation occupies and shares with the University.

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 6 times and is currently extended to expire on December 31, 2024.

The Foundation subleases space to SJSU under a sublease agreement, and this sublease has been amended 6 times, and currently expires on June 30, 2019. There is no commitment from SJSU to extend this sublease once it expires.

The total leased space has been reduced to 18,269 square feet and the sublease space is approximately 2,338 square feet, or 12.8% of the total lease space. All common occupancy expenses are charged back to SJSU at the same ratio.

Years Ending June 30	Operating Leases	Sublease Income from the University	Net Operating Lease Commitment
2019	$ 504,245	$ (64,543)	$ 439,702
2020	525,993	-	525,993
2021	541,927	-	541,927
2022	558,340	-	558,340
2023	575,245	-	575,245
Thereafter	893,403	-	893,403
Total future minimum lease payments	$ 3,599,152	$ (64,543)	$ 3,534,609

For the year ended June 30, 2018, the total rent expense on this lease was $533,418 and the sublease income was $52,995.

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Note 7 – Commitments (continued)

Lease Arrangements (continued)

Operating Lease Revenues

The Foundation owns a dock in Moss Landing, California, and leases half of the dock to a fishery operation. The lease period is from November 30, 2015 to November 29, 2018 for $8,000 per month. The cost of land and building was $2,470,945, with a net book value of $2,058,625 as of June 30, 2018. Depreciation expense for the year ended June 30, 2018 was $35,596. Future lease revenue is listed in the table below:

Years Ending June 30,	
2019	$ 40,000
2020	-
	$ 40,000

Other Long Term Liabilities

	Beginning of Year	Increase	Decrease	End of Year
Deferred Rent	$ -	$ 131,937	$ -	$ 131,937
Capital lease net of current portion of $5,294	16,440	-	(5,294)	11,146
Tenant's security deposits	8,000			8,000
Total	$ 24,440	$ 131,937	$ (5,294)	$ 151,083

Note 8 - Employee Benefits and Compensation Plans

Defined Contribution Plan

The Foundation contributes to the SJSU Research Foundation Defined Contribution Plan (the “Plan”) for its eligible fully benefited employees. The Plan is administered by the Board of Directors of the Foundation and the Teachers Insurance and Annuity Association – College Retirement Equities Fund (“TIAA-CREF”) 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 (“ERISA”).

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors. For each active employee in the Plan, the Foundation contributes 7 percent 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 into 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, 2018, the Foundation recognized pension expense of $1,076,063 and recorded a liability of $43,498 at June 30, 2018.

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Note 8 - Employee Benefits and Compensation Plans (continued)

Post-Retirement Health Care Benefits
In addition to providing contributions into the defined contribution pension plan, 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 5 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 ("CalPERS") for both its active and the eligible retired employees.

Plan Funding
The Foundation established an Internal Revenue Code Section 115 Trust, the Research Organizations Retiree Medical Trust ("RORMT"), 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 reports for the RORMT; the report is available from the Foundation's office. At the present time, the Foundation pays approximately 87% to 89% of the retiree's monthly medical insurance premiums; in addition the Foundation contributes approximately $450,000 per year to the Trust as an investment towards fully funding the obligation to the employees.

Annual OPEB Cost and Net OPEB Obligation
The Foundation's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the actuarially determined contribution of the employer ("ADC"). The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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, 2017 to fulfill GASB Statement No. 74 for the financial report of the RORMT. The values displayed on the next few pages represent values dated December 2017 from that report unless otherwise labeled. As required by GASB Statement No. 75 transactions recorded in the benefit of the OPEB Plan subsequent to the actuarial measurement date are Plan changes that are reflected in deferred outflows where the effect to total OPEB liability is deferred to the next reporting period. As of June 30, 2018, transactions recorded in the benefit of the OPEB Plan consist of payments from the Foundation to the RORMT on behalf of retiree medical health insurance coverage that occurred between January 1, 2018 through June 30, 2018. Those employer contribution payments amounted to $298,286 and were recorded as deferred outflows on the Foundation Statement of Net Position.

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Note 8 - Employee Benefits and Compensation Plans (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)
The components of the net OPEB liability of the Plan as of December 31, 2017, are as follows:

	2017
Total OPEB liability	$ 21,132,165
Plan fiduciary net position	4,618,294
Net OPEB liability	$ 16,513,871
Deferred outflow of resources	$ 298,286
Deferred inflow of resources	$ 180,181
Plan fiduciary net position as a percentage of the total OPEB liability	21.85%

The total OPEB liability was determined by an actuarial valuation performed by Nicolay Consulting as of December 31, 2017, using the following actuarial assumptions:

Assumptions and other inputs used to measure OPEB liability:

Membership as of valuation date:	
Active employees	249
Eligible retired employees (with 30 covered dependents)	70
Total	319

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Valuation and measurement dates	Actuarial valuation as of February 1, 2016 rolled forward to the measurement date of December 31, 2017
Roll-forward methodology	Liabilities as of the valuation date are rolled forward to the measurement date by adding service cost and interest cost and subtracting benefit payments for the period from the valuation date to the measurement date.
Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets as of the measurement date
Actuarial assumptions:	
Inflation	2.25%
Projected payroll increases	3.25%
Discount rate	6.94%
Administrative expense	$63,674
Health care cost trend rate:	8% graded down to 5% over 12 years for non-Medicare medical plan costs and 5.5% graded down to 5% over 14 years for Medicare medical plan costs
Mortality	The mortality rates used in this valuation are those used in the most recent CalPERS valuations (2014).
Funding policy	The Foundation has elected to contribute annually to the Trust (a) current benefit costs for retirees and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the Plan.

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, 2017, 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	60.00%	5.16%
Fixed Income	40.00%	1.87%

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The discount rate is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield of index or index for 20-year, tax exempt general obligation municipal bonds with an average rating AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	December 31, 2016	December 30, 2017
Discount Rate	6.94%	6.94%
Bond Buyer 20-Bond GO Index	3.78%	3.74%

The discount rate used to measure the total OPEB liability was 6.94% as of December 31, 2017. The projection of cash flows used to determine the discount rate is based on the Foundation's funding policy that the Foundation has elected to contribute annually to the Plan (a) current benefit costs for retirees and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the Plan.

The following presents the net OPEB liability, calculated using the discount rate of 6.94%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease 5.94%	Current Discount 6.94%	1% Increase 7.94%
$ 20,114,657	$ 16,513,871	$ 13,643,179

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
$ 13,407,373	$ 16,513,871	$ 20,474,428

San Jose State University Research Foundation
June 30, 2018

Components of OPEB expense for the year ended June 30, 2018 were:

Service Cost	$	812,945
Interest on the Total OPEB Liability		1,393,018
Changes of Benefit Terms		-
Recognized Differences between Expected and Actual Experience		(1,333)
Recognize Changes of Assumptions		-
Employee Contributions		-
Projected Earnings on OPEB Plan Investments		(273,241)
Recognized Differences between Projected and Actual Earnings on Plan Investments		(41,773)
Administrative Expenses		63,674
Other Changes in Fiduciary Net Position		-
Aggregate OPEB Expense	$	1,953,290

San Jose State University Research Foundation
June 30, 2018

San Jose State University Research Foundation
Schedule of Post-Employment
Health Care Benefits Funding Progress
June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	December 31, 2017
TOTAL OPEB LIABILITY	
Service cost	$ 812,945
Interest	1,393,018
Change of benefit terms	-
Differences between expected and actual experience	(14,523)
Benefit payments	(546,152)
Benefit payments made outside of the Trust - Foundation's retiree implicit rate subsidy	(80,712)
NET CHANGE IN TOTAL OPEB LIABILITY	1,564,576
TOTAL OPEB LIABILITY - BEGINNING	19,567,589
TOTAL OPEB LIABILITY - ENDING (a)	$ 21,132,165
PLAN FIDUCIARY NET POSITION	
Employer contributions	$ 1,081,965
Net investment income	482,106
Retiree health program premiums	(626,864)
Administrative expenses	(63,674)
NET CHANGE IN PLAN NET POSITION	873,533
PLAN FIDUCIARY NET POSITION - BEGINNING	3,744,761
PLAN FIDUCIARY NET POSITION - ENDING (b)	4,618,294
NET OPEB LIABILITY (a) - (b)	$ 16,513,871
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	21.85%
COVERED EMPLOYEE PAYROLL	$ 18,699,084
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	88.83%

San Jose State University Research Foundation
June 30, 2018

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN

Year Ended December 31,	Annual Money Weighted Rate Of Return
2017	13.52%

SCHEDULE OF DEFERRED INFLOWS

Deferred Inflows of Resources		Deferred Inflows
Differences between expected and actual experience in the measurement of total OPEB liability	$	13,089
Net difference between projected and actual earnings of OPEB plan investments		167,092
Totals	$	180,181

Deferred inflows will be recognized in subsequent years as follows:

Fiscal Year Ended June 30		**Inflows of Resources**
2019	$	(43,106)
2020		(43,106)
2021		(43,106)
2022		(43,106)
2023		(1,333)
Thereafter		(6,424)
	$	(180,181)

The Foundation will recognize the contributions made subsequent to the measurement date in the next fiscal year.

San Jose State University Research Foundation
June 30, 2018

Measurements and Established	Initial Amount	Deferred Inflows of Resources as of 12/31/17	Initial Years	Years Left	Deferred Outflows/(Inflows) Recognized in Year Ending 12/31/17
Changes in Assumption					
2017	$ -	$ -	10.8	9.8	$ -
Total					
Difference Between Expected and Actual Plan Experience					
2017	(14,422)	(13,089)	10.8	9.8	(1,333)
Net Difference Between Projected and Actual Earned on Investments					
2017	(208,865)	(167,092)	5	4	(41,773)
Changes in Benefit Terms					
2017	-	-	1.0	0.0	-
Total Deferred Inflows		**$ 180,181**			**$ (43,106)**

San Jose State University Research Foundation
June 30, 2018

Note 9 – Functional Expenses

Functional expenses for the year ended June 30, 2018 were as follows:

Operating expenses:		
Sponsored porgrams	$	37,460,825
Campus self-support programs		9,135,561
Board designated programs		1,536,137
Management and general		8,218,190
Other expenses		780,000
Total operating expenses	$	57,130,713

Note 10 – Net Position Restatement

As a result of the Foundation applying GASB 75 relating to the OPEB Liability, the Foundation's ending net position at June 30, 2017 was restated to reflect the change.
The restatement is as follows:

Net position at June 30, 2017, as previously reported	$17,819,675
Restatement for	
Cumulative effect of OPEB Liability GASB 75	551,588
Net position at June 30, 2017, as restated	$18,371,263

Note 11 – 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 reflected in the financial statements as of June 30, 2018.

Note 12 - Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2018 through September 19, 2018, the date these financial statements were available to be issued.

Required Supplementary Information (UNAUDITED)

San Jose State University Research Foundation
Schedule of Post-Employment
Health Care Benefits Funding Progress
June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	December 31, 2017
TOTAL OPEB LIABILITY	
Service cost	$ 812,945
Interest	1,393,018
Change of benefit terms	-
Differences between expected and actual experience	(14,523)
Benefit payments	(546,152)
Benefit payments made outside of the Trust - Foundation's retiree implicit rate subsidy	(80,712)
NET CHANGE IN TOTAL OPEB LIABILITY	1,564,576
TOTAL OPEB LIABILITY - BEGINNING	19,567,589
TOTAL OPEB LIABILITY - ENDING (a)	$ 21,132,165
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Net investment income	482,106
Retiree health program premiums	(626,864)
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NET CHANGE IN PLAN NET POSITION	873,533
PLAN FIDUCIARY NET POSITION - BEGINNING	3,744,761
PLAN FIDUCIARY NET POSITION - ENDING (b)	4,618,294
NET OPEB LIABILITY (a) - (b)	$ 16,513,871
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	21.85%
COVERED EMPLOYEE PAYROLL	$ 18,699,084
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	88.83%

This 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.

Required Supplementary Information (UNAUDITED)

San Jose State University Research Foundation
Schedule of Post-Employment
Health Care Benefits Funding Progress
June 30, 2018

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 2,111,304	$ 1,081,965	$ 1,029,339	$ 18,699,084	6%

This 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following actuarial methods and assumptions were used to determine the most recent contributions reported in the schedule of contributions:

Valuation and measurement dates	Actuarial valuation as of February 1, 2016 rolled forward to the measurement date of December 31, 2017
Roll-forward methodology	Liabilities as of the valuation date are rolled forward to the measurement date by adding service cost and interest cost and subtracting benefit payments for the period from the valuation date to the measurement date.
Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets as of the measurement date

Required Supplementary Information (UNAUDITED)

San Jose State University Research Foundation
Schedule of Post-Employment
Health Care Benefits Funding Progress
June 30, 2018

Actuarial assumptions:	
Inflation	2.25%
Projected payroll increases	3.25%
Discount rate	6.94%
Administrative expense	$63,674
Health care cost trend rate:	8% graded down to 5% over 12 years for non-Medicare medical plan costs and 5.5% graded down to 5% over 14 years for Medicare medical plan costs.
Mortality	The mortality rates used in this valuation are those used in the most recent CalPERS valuations (2014).
Funding policy	The Foundation has elected to contribute annually to the Trust (a) current benefit costs for retirees and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the Plan.

The total OPEB liability and contributions in relation to actuarially determined contribution 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 $80,712 in 2017, 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, 2017.

	2017
Employer lump sum contributions	$ 455,000
Employer contributions towards blended rate premium	546,253
Implicit rate subsidy toward Foundation's retirees	80,712
Total employer contributions as stated in the statement of changes in fiduciary net position	$ 1,081,965

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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Board of Directors
San Jose State University Research Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of San Jose State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Jose State University) (the "Foundation") , which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2018.

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") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings as items 2018-01 and 2018-02 that we consider to be significant deficiencies in the Foundation's internal control.

Compliance and other matters

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

Foundation's response to findings

The Foundation's views regarding to our findings, which is described in the accompanying schedule of findings along with Management's Corrective Action Plan on page 50 were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Foundation's response.

Intended purpose

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 Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Jose, California
September 19, 2018

San Jose State University Research Foundation
Schedule of Findings
June 30, 2018

Schedule of findings

Item 2018-001 – Accounting for OPEB liability under GASB 75

Criteria or specific requirement:
Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Understanding the accounting treatment of relevant new accounting standards and reflecting those in the financial statements in a timely manner are important elements of a strong control environment over financial reporting.

Condition:
In fiscal 2018, SJSURF adopted GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard changed the actuarial measurement principles for postemployment benefit ("OPEB") obligations and the associated accounting and disclosure for those obligations. This new standard also required retrospective application in the accounting records and financial statements as if the standard had existed all along. Accordingly, the beginning of year net position balance needed adjustment as part of adopting GASB 75.

Management had arranged for an actuarial expert to compute the OPEB obligation using the new rules. Upon receipt of the actuarial report, responsible finance personnel were uncertain of how to record a journal entry in the accounting records to reflect the change to GASB 75. In particular, there were portions of GASB 75 that involved some calculations typically performed by responsible finance personnel, not the actuary, and those were not identified and calculated until we pointed them out. Specifically, the following had not identified:

- which portion of the net GASB 75 adjustment which should have been recorded as a cumulative effect of change in accounting principle thereby increasing SJSURF net position at July 1, 2017. This amount was $551,588.
- the need to capture six months of SJSURF contributions into the OPEB trust between the actuarial measurement date of December 31, 2017 and SJSURF's fiscal year end of June 30, 2018. These contributions totaled $298,286 and were required by GASB 75 to be reflected in the Statement of Net Position as a Deferred Outflow at June 30, 2018.

At our suggestion, these refinements were reflected into the broader journal entry to record the new OPEB obligation and the entry was posted during the audit. Responsible finance personnel were hesitant to record the journal entry until we had completed auditing it along with auditing the inputs and assumptions in the actuarial report. This delay in accounting, in turn, delayed management's completion of the financial statement draft to submit for audit.

San Jose State University Research Foundation
Schedule of Findings
June 30, 2018

Schedule of findings

Item 2018-001 – Accounting for OPEB liability under GASB 75, continued

Context:
The Foundation was responsible for the timely and effective implementation of GASB 75 which included understanding both the role of the actuary and the role of management in compiling the information necessary for recording journal entries and disclosures.

Effect:
Adoption of the new standard was incomplete and would have resulted in errors in the accounting records had these not been identified in the audit. The delay of the process also caused delay in management's preparation of the financial statement draft.

Cause:
There was a lack of understanding within the finance department about all the transition accounting requirements outlined in GASB 75. Further, the process of determining the appropriate accounting was delayed until just before the audit started and continued during the audit.

Recommendation:
We recommend all new accounting standards be evaluated thoroughly well before adoption to ensure understanding, proper accounting and overall successful implementation. Inherent in this is assigning the task to appropriate individuals with the organization and ensuring supervisory review of their work. Over the last two years, there have been many training courses provided on GASB 75 by NACUBO, AICPA, GFOA and even the CSU so taking advantage of those training opportunities along with reading the new standard, its example disclosures and GASB's OPEB implementation guide would have helped ensure a successful adoption in this case. In addition, we continue to welcome and encourage questions on accounting matters where the Foundation would like some input before concluding on treatment. We note management reached out for some feedback well over a year ago on this new standard regarding the timing of actuarial valuations and measurement dates and we provided input. Management also reached out with some specific questions just before the audit which we were happy to answer. In the end, however, there was more to adopting the new standard than identified by responsible finance personnel which resulted in the omissions noted above.

Views of responsible officials (unaudited):
Management concurs with the recommendation.

San Jose State University Research Foundation
Schedule of Findings, continued
June 30, 2018

Schedule of findings

Item 2018-002 – Determining the Fair Value of Alternative Investments and appropriate footnote disclosures

Criteria or specific requirement:
Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Understanding management's responsibility regarding estimating the fair value assigned to private, alternative investments and ensuring any additional resulting disclosures required by GASB Statement 72 *Fair Value Measurement and Application* are reflected in the financial statements are important elements of a strong control environment over financial reporting.

Condition:
During fiscal 2018, SJSURF entered into three new private, alternative investments. Private, alternative investments are non- exchange-traded private funds such as Real Estate Investment Trusts and Private Equity Funds. Aside from an immaterial amount of private, alternative investments that existed in 2017, SJSURF has not had these types of investments before and was not aware of the challenge of supporting the fair market value figures reported in the financial statements or the associated required disclosures. As such, no procedures were undertaken to verify the associated fair value figures reported in the financial statements nor were the financial statement disclosures complete.

Management was under the impression UBS, its investment custodian, had verified the fair value of these investments, similar to UBS's process of valuation for the traded portfolio they hold on behalf of SJSURF. However, as UBS explains in its reporting to investors, they do not determine or verify fair value for alternative investments but, rather, rely on the fair value provided by the fund sponsor. While organizations like UBS may help with due diligence in SJSURF's decision to purchase investments like these, it typically doesn't involve a verification of fair value at their reporting date, and as such it becomes the responsibility of management. At June 30, 2018, the reported fair market value of these alternative investments was $667, 287.

At our suggestion, responsible finance personnel performed a review of the valuation by looking to the results of audited financial statements of the private alternative funds. Further, management incorporated the missing disclosures about alternative investment redemption frequency, redemption notice periods and descriptions of the types of alternative funds in the portfolio into its own financial statements.

San Jose State University Research Foundation

Schedule of Findings, continued
June 30, 2018

Schedule of findings

Item 2018-002 – Valuation of Alternative Investments in accordance with GASB 72, continued

Context:
The Foundation was responsible for reviewing the valuation of the new alternative investment category and ensuring any additional resulting disclosures were reflected in the financial statements.

Effect:
The alternative investment fair value estimate of $667,287 as reported in the broader investment portfolio had not been independently verified by anyone other than the alternative fund sponsors who provided those valuations in the first place.

Cause:
Responsible finance personnel were not aware the fair value for these new investments had not been verified at June 30, 2018. Additionally, management was not aware of the GAAP disclosure requirements as outlined in GASB 72.

Recommendation:
We recommend the fair value of private, alternative investments be verified by management each June 30 and all disclosure information be gathered for inclusion in the footnotes to the financial statements.

Views of responsible officials (unaudited):
Management concurs with the recommendation.

SJSU | RESEARCH FOUNDATION

MANAGEMENT'S CORRECTIVE ACTION PLAN *(unaudited)*

Item 2018-001 – Accounting for OPEB liability under GASB 75

Management is in agreement with the auditor's recommendation.

Management participated in webinars related to GASB 75 from GFOA and from the CSU. Management also worked with its actuarial firm and its Retirement Trust (RORMT) auditor on valuation of OPEB liabilities and presentation. However, the accounting presentation of the GASB 75 for the Research Foundation as the employer of current employees and retirees is exceptionally complex, and despite the trainings it exceeded the day-to-day operations skills of current staff. For future complex accounting pronouncements, the Research Foundation will seek independent assistance as our current audit firm is limited in the type of support it can provide given the necessity of its maintaining its independence.

Item 2018-002 – Determining the Fair Value of Alternative Investments and appropriate footnote disclosures

Management will change its practice to ensure non-marketable investments held by the Foundation will have their audited financial statements matched to the previously reported monthly or quarterly reports to take note of reasonableness of non-audited investment values. Management will update its accounting for investments procedures to ensure non-marketable investments will be properly recorded in financial statements. Finance personnel will attend alternative investment fair value seminars.

San Jose State University Research Foundation

(a California State University Auxiliary Organization and a Component Unit of San Jose State University)

SUPPLEMENTARY INFORMATION

June 30, 2018

San Jose State University Research Foundation
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	$ 981,776
Short-term investments	22,398,341
Accounts receivable, net	7,173,562
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	131,365
Total current assets	30,685,044
Noncurrent assets:	
Restricted cash and cash equivalents	42,270
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	1,881,148
Capital assets, net	10,814,951
Other assets	63,570
Total noncurrent assets	12,801,939
Total assets	43,486,983
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	298,286
Others	—
Total deferred outflows of resources	298,286
Liabilities:	
Current liabilities:	
Accounts payable	2,066,219
Accrued salaries and benefits	1,480,908
Accrued compensated absences, current portion	1,344,690
Unearned revenues	5,273,646
Capital lease obligations, current portion	5,294
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	24,854
Total current liabilities	10,195,611
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	227,014
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	11,146
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	285,238
Net other postemployment benefits liability	16,513,871
Net pension liability	—
Other liabilities	139,937
Total noncurrent liabilities	17,177,206
Total liabilities	27,372,817
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	180,181
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	180,181
Net Position:	
Net investment in capital assets	10,798,511
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	29,850
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	5,403,910
Total net position	$ 16,232,271

San Jose State University Research Foundation

Schedule of Revenues, Expenses, and Changes in Net Position

June 30, 2018

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	$	3,229,168
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		22,454,001
State		6,221,760
Local		2,060,905
Nongovernmental		4,391,736
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		106
Scholarship allowances (enter as negative)		—
Other operating revenues		11,661,432
Total operating revenues		50,019,108
Expenses:		
Operating expenses:		
Instruction		10,228,334
Research		30,106,746
Public service		487,221
Academic support		455,248
Student services		801,377
Institutional support		10,383,411
Operation and maintenance of plant		664,240
Student grants and scholarships		3,210,894
Auxiliary enterprise expenses		39
Depreciation and amortization		793,203
Total operating expenses		57,130,713
Operating income (loss)		(7,111,605)
Nonoperating revenues (expenses):		
State appropriations, noncapital		—
Federal financial aid grants, noncapital		1,509,673
State financial aid grants, noncapital		1,266,344
Local financial aid grants, noncapital		169,566
Nongovernmental and other financial aid grants, noncapital		111,527
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		756,539
Investment income (loss), net		1,159,714
Endowment income (loss), net		—
Interest expense		(750)
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		—
Net nonoperating revenues (expenses)		4,972,613
Income (loss) before other revenues (expenses)		(2,138,992)
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net position		(2,138,992)
Net position:		
Net position at beginning of year, as previously reported		17,819,675
Restatements		551,588
Net position at beginning of year, as restated		18,371,263
Net position at end of year	$	16,232,271

See accompanying independent auditor’s report.

San Jose State University Research Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2018:

Portion of restricted cash and cash equivalents related to endowments	$	—
All other restricted cash and cash equivalents		42,270
Total restricted cash and cash equivalents	$	42,270

2.1 Composition of investments at June 30, 2018:

		Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	$	-	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)		5,070,792	-	5,070,792	-	-	-	5,070,792
Corporate bonds		705,041	-	705,041	-	-	-	705,041
Certificates of deposit		298,930	-	298,930	-	-	-	298,930
Mutual funds		8,445,829	-	8,445,829		1,213,860	1,213,860	9,659,689
Money Market funds		101,515	-	101,515			-	101,515
Repurchase agreements		-	-	-	-		-	-
Commercial paper		-	-	-	-		-	-
Asset backed securities		-	-	-	-		-	-
Mortgage backed securities		-	-	-	-		-	-
Municipal bonds		-	-	-	-		-	-
U.S. agency securities		495,649	-	495,649	-		-	495,649
U.S. treasury securities		1,114,170	-	1,114,170	-		-	1,114,170
Equity securities		117,760	-	117,760			-	117,760
Exchange traded funds (ETFs)		6,048,655	-	6,048,655			-	6,048,655
Alternative investments:							-	
Private equity (including limited partnerships)		-	-	-	258,683		258,683	258,683
Hedge funds		-	-	-			-	-
Managed futures		-	-	-	-		-	-
Real estate investments (including REITs)		-	-	-	408,605		408,605	408,605
Commodities		-	-	-	-		-	-
Derivatives		-	-	-	-		-	-
Other alternative investment types		-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							-	
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Other major investments:							-	
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Add description		-	-	-	-	-	-	-
Total investments		22,398,341	—	22,398,341	667,288	1,213,860	1,881,148	24,279,489
Less endowment investments (enter as negative number)					—	—	—	—
Total investments		22,398,341	—	22,398,341	667,288	1,213,860	1,881,148	24,279,489

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2.2 Investments held by the University under contractual agreements at June 30, 2018:
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :

2.3 Restricted current investments at June 30, 2018 related to:	**Amount**
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	$ —

2.4 Restricted noncurrent investments at June 30, 2018 related to:	**Amount**
Endowment investment	$ —
Scholarships	—
Inflation reserves	—
University projects	—
Funds held for external agencies	285,238
Restricted for research	29,850
Proceeds from sale of asset in custody	898,772
Private Equity Limited Partnership (10 year commitment)	—
Real estate investments (including REITs)	—
Total restricted noncurrent investments at June 30, 2018	$ 1,213,860

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2.5 Fair value hierarchy in investments at June 30, 2018:

		Fair Value Measurements Using			
	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)
State of California Surplus Money Investment Fund (SMIF)	$ —	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	5,070,792	-	-	-	5,070,792
Corporate bonds	705,041	157,773	545,742	1,526	-
Certificates of deposit	298,930	-	298,930		-
Mutual funds	9,659,689	9,659,689	-	-	-
Money Market funds	101,515	-	-	-	101,515
Repurchase agreements	—	-	-	-	-
Commercial paper	—	-	-	-	-
Asset backed securities	—	-	-	-	-
Mortgage backed securities	—	-	-	-	-
Municipal bonds	—	-	-	-	-
U.S. agency securities	495,649	-	495,649	-	-
U.S. treasury securities	1,114,170	-	1,114,170	-	-
Equity securities	117,760	103,000	-	14,760	-
Exchange traded funds (ETFs)	6,048,655	6,048,655	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	258,683	-	-	-	258,683
Hedge funds	—	-	-	-	-
Managed futures	—	-	-	-	-
Real estate investments (including REITs)	408,605	-	-	-	408,605
Commodities	—	-	-	-	-
Derivatives	—	-	-	-	-
Other alternative investment types	—	-	-	-	-
Other external investment pools (excluding SWIFT)					
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Other major investments:					
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Add description	—	-	-	-	-
Total investments	24,279,489	15,969,117	2,454,491	16,286	5,839,595

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3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 5,176,529	—	—	5,176,529	—	—	—	5,176,529
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	123,552	—	—	123,552	478,451	(36,340)	(87,212)	478,451
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	5,300,081	—	—	5,300,081	478,451	(36,340)	(87,212)	5,654,980
Depreciable/amortizable capital assets:								
Buildings and building improvements	5,788,905	—	—	5,788,905	—	—	—	5,788,905
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	793,186	—	—	793,186	—	—	—	793,186
Personal property:								
Equipment	3,981,896	—	—	3,981,896	894,147	(257,094)	87,212	4,706,161
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	772,658	—	—	772,658	—	(772,658)	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	772,658	—	—	772,658	—	(772,658)	—	—
Total depreciable/amortizable capital assets	11,336,645	—	—	11,336,645	894,147	(1,029,752)	87,212	11,288,252
Total capital assets	16,636,726	—	—	16,636,726	1,372,598	(1,066,092)	—	16,943,232

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3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Less accumulated depreciation/amortization:								
Buildings and building improvements	(2,620,404)	—	—	(2,620,404)	(208,462)	—		(2,828,866)
Improvements, other than buildings	—	—	—	—	—	—		—
Infrastructure	—	—	—	—	—	—		—
Leasehold improvements	(684,524)	—	—	(684,524)	(14,488)	—		(699,012)
Personal property:								
Equipment	(2,102,993)	—	—	(2,102,993)	(570,253)	72,843		(2,600,403)
Library books and materials	—	—	—	—	—	—		—
Intangible assets:								
Software and websites	(772,658)	—	—	(772,658)	—	772,658		—
Rights and easements	—	—	—	—	—	—		—
Patents, copyright and trademarks	—	—	—	—	—	—		—
Licenses and permits	—	—	—	—	—	—		—
Other intangible assets:								
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Total intangible assets	(772,658)	—	—	(772,658)	—	772,658	—	—
Total accumulated depreciation/amortization	(6,180,579)	—	—	(6,180,579)	(793,203)	845,501	—	(6,128,281)
Total capital assets, net	$ 10,456,147	—	—	10,456,147	579,395	(220,591)	—	10,814,951

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	$ 793,203
Amortization expense related to other assets	—
Total depreciation and amortization	$ 793,203

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4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	$ 1,607,782	—	—	1,607,782	1,729,081	(1,765,159)	1,571,704	1,344,690	227,014
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	21,556	—	—	21,556	—	(5,116)	16,440	5,294	11,146
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	21,556	—	—	21,556	—	(5,116)	16,440	5,294	11,146
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	$ 1,629,338	—	—	1,629,338	1,729,081	(1,770,275)	1,588,144	1,349,984	238,160

See accompanying independent auditor’s report.

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5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**
Year ending June 30:									
2019	—	—	—	5,294	571	5,865	5,294	571	5,865
2020	—	—	—	5,478	387	5,865	5,478	387	5,865
2021	—	—	—	5,668	197	5,865	5,668	197	5,865
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	16,440	1,155	17,595	16,440	1,155	17,595
Less amounts representing interest									(1,155)
Present value of future minimum lease payments									16,440
Unamortized net premium (discount)									—
Total capital lease obligations									16,440
Less: current portion									(5,294)
Capital lease obligations, net of current portion									$ 11,146

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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**
Year ending June 30:									
2019	$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum payments									—
Unamortized net premium (discount)									—
Total long-term debt obligations									—
Less: current portion									—
Long-term debt obligations, net of current portion									$ —

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7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	$	10,814,951
Capital lease obligations, current portion		(5,294)
Capital lease obligations, net of current portion		(11,146)
Long-term debt obligations, current portion		—
Long-term debt obligations, net of current portion		—
Portion of outstanding debt that is unspent at year-end (enter as positive ı		—
Other adjustments: (please list)		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Net investment in capital assets	$	10,798,511

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	$	—
Endowment investments		—
Other adjustments: (please list)		
Restricted expendable endowments		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Restricted for nonexpendable - endowments	$	—

8 Transactions with related entities:

		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$	1,385,722
Payments to University for other than salaries of University personnel		1,245,194
Payments received from University for services, space, and programs		515,931
Gifts-in-kind to the University from discretely presented component units		—
Gifts (cash or assets) to the University from discretely presented component units		3,085,010
Accounts (payable to) University (enter as negative number)		(527,290)
Other amounts (payable to) University (enter as negative number)		—
Accounts receivable from University (enter as positive number)		16,315
Other amounts receivable from University		—

See accompanying independent auditor’s report.

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9 Other postemployment benefits (OPEB) liability
Intentionaly left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

Description		Amount
Add description	$	—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Total pollution remediation liabilities	$	—
Less: current portion		—
Pollution remedition liabilities, net of current portion		—

11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

	Net Position Class		Amount Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		$	17,819,675
Prior period adjustments:			
1 Cumulative effect of OPEB Liability GASB 75			551,588
2 (list description of each adjustment)			—
3 (list description of each adjustment)			—
4 (list description of each adjustment)			—
5 (list description of each adjustment)			—
6 (list description of each adjustment)			—
7 (list description of each adjustment)			—
8 (list description of each adjustment)			—
9 (list description of each adjustment)			—
10 (list description of each adjustment)			—
Net position as of June 30, 2017, as restated		$	18,371,263

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Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net position class:_Unrestricted		
1 Cumulative effect of OPEB Liability GASB 75		
OPEB liability	$ 551,588	
Unrestricted Net Position		551,588
Net position class:______________________		
2 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
3 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
4 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
5 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
6 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
7 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
8 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
9 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
10 (breakdown of adjusting journal entry)		
	—	
		—

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12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	5,880,255.00	1,526,103.00	-	2,821,976.00	-	10,228,334.00
Research	17,093,833.00	4,873,518.00	-	8,139,395.00	-	30,106,746.00
Public service	147,473.00	30,472.00	-	309,276.00	-	487,221.00
Academic support	195,549.00	47,096.00	-	212,603.00	-	455,248.00
Student services	248,673.00	66,619.00	-	486,085.00	-	801,377.00
Institutional support	4,265,992.00	2,368,064.00	-	3,749,355.00	-	10,383,411.00
Operation and maintenance of plant	-	-	-	664,240.00	-	664,240.00
Student grants and scholarships	-	-	3,210,894.00	-	-	3,210,894.00
Auxiliary enterprise expenses	-	-	-	39.00	-	39.00
Depreciation and amortization	-	-	-	-	793,203.00	793,203.00
Total	27,831,775	8,911,872	3,210,894	16,382,969	793,203	57,130,713