

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

Financial and Compliance Report
June 30, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of business-type activities and fiduciary activities of San José State University Research Foundation (the Foundation), component unit of the California State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Foundation as of June 30, 2022, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7, schedule of changes in the net OPEB liability on page 33, and schedule of employer contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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 an opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of expenditures of federal awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and supplementary information on pages 53-63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA 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 December 9, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

RSM US LLP

San José, California
December 9, 2022

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

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Management's Discussion and Analysis

This section of the San José State University Research Foundation (the Foundation) annual financial report includes Management's Discussion and Analysis (MD&A) of the financial performance of the Foundation for the fiscal year ended June 30, 2022. This discussion should be read in conjunction with the financial statements and notes.

Introduction to San José State University Research Foundation

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

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

Introduction to the Financial Statements

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

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

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

Statement of cash flows: The statement of cash flows presents the inflows and outflows of cash and cash equivalents for the year and are summarized by operating, financing and investing activities. These statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

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

Financial overview: The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities as of and for the year ended June 30, 2022. Included are analyses of current year's activities and balances in the Foundation's net position.

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

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Condensed Summary of Net Position

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

| | <u>2022</u> | 2021 | Change |
|----------------------------------|----------------------|----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 32,721,175 | \$ 34,616,745 | \$ (1,895,570) |
| Other noncurrent assets | 17,200,231 | 13,143,839 | 4,056,392 |
| Total assets | <u>\$ 49,921,406</u> | <u>\$ 47,760,584</u> | <u>\$ 2,160,822</u> |
| Deferred outflows of resources | <u>\$ 10,905,254</u> | <u>\$ 9,330,864</u> | <u>\$ 1,574,390</u> |
| Liabilities: | | | |
| Current liabilities | \$ 11,906,968 | \$ 9,561,697 | \$ 2,345,271 |
| Noncurrent liabilities | 20,034,264 | 15,222,450 | 4,811,814 |
| Total liabilities | <u>\$ 31,941,232</u> | <u>\$ 24,784,147</u> | <u>\$ 7,157,085</u> |
| Deferred inflows of resources | <u>\$ 11,746,782</u> | <u>\$ 13,072,693</u> | <u>\$ (1,325,911)</u> |
| Net position: | | | |
| Net investment in capital assets | \$ 11,702,239 | \$ 11,656,726 | \$ 45,513 |
| Restricted for: | | | |
| Expendable: | | | |
| Research | 26,562 | 28,307 | (1,745) |
| Unrestricted | 5,409,845 | 7,549,575 | (2,139,730) |
| Total net position | <u>\$ 17,138,646</u> | <u>\$ 19,234,608</u> | <u>\$ (2,095,962)</u> |

Assets: Total assets increased by \$2.1 million from fiscal year (FY) 2021 to FY 2022.

Current assets decreased by \$1.9 million primarily due to the decrease in short-term investments, as a result of the decline of investment market value in FY 2022.

Noncurrent assets increased by \$4.1 million primarily due to the increase in right-to-use lease assets by \$3.1 million related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Liabilities: Total liabilities increased by \$6.8 million from FY 2021 to FY 2022.

Current liabilities increased by \$2.3 million primarily due to an increase of \$1.7 million in unearned revenues, an increase of \$0.6 million in accounts payable, and an increase of \$0.5 million in the current portion of lease liabilities, offset by a decrease of \$0.5 million in accrued salaries and benefits payable. The increase in the current portion of lease liabilities is related to the adoption of GASB 87, *Leases*.

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

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Noncurrent liabilities increased by \$4.8 million primarily due to an increase of \$2.6 million in the noncurrent portion of lease liabilities related to the adoption of GASB 87, *Leases*, and an increase in Other Postemployment Benefits (OPEB) liabilities of \$2.4 million. The increase in OPEB liabilities was a result of the decreased discount rate used in calculating actuarial value, from 5.65% in FY 2021 to 4.70% in FY 2022.

As a result of the actuarial valuation for 2022, the deferred outflows of resources increased by \$1.6 million, and deferred inflows of resources decreased by \$1.3 million.

Net position: The total net position decreased from \$19.2 million to \$17.5 million as of June 30, 2022. The changes in revenues, expenses and changes in net position are explained below.

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

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|--|----------------------|--------------------|------------------|
| Operating revenues: | | | |
| Program fees | \$ 2,104,693 | \$ 581,029 | \$ 1,523,664 |
| Grants and contracts | 46,410,415 | 45,513,280 | 897,135 |
| Administrative and program fees | 350,952 | 269,704 | 81,248 |
| Other operating revenues | 3,390,193 | 3,735,076 | (344,883) |
| Total operating revenues | 52,256,253 | 50,099,089 | 2,157,164 |
| Operating expenses | 54,477,037 | 52,653,766 | 1,823,271 |
| Operating loss | (2,220,784) | (2,554,677) | 333,893 |
| Nonoperating revenues | 124,822 | 4,994,482 | (4,869,660) |
| (Decrease) Increase in net position | (2,095,962) | 2,439,805 | (4,535,767) |
| Net position at beginning of year | 19,234,608 | 16,794,803 | 2,439,805 |
| Net position at end of year | \$ 17,138,646 | \$ 19,234,608 | \$ (2,095,962) |

Revenues: Total revenues increased by \$2.6 million from FY 2021 to FY 2022. This was primarily due to an increase in grants and contracts revenue of \$0.9 million and an increase in program fees of \$1.5 million.

Expenses: Total expenses increased by \$1.8 million from FY 2021 to FY 2022. The change was primarily due to an increase of \$0.8 million in operation and maintenance of plant expenses, an increase of \$0.6 million in depreciation and amortization, attributed to the implementation of GASB 87, *Leases*, an increase of \$0.5 million in student services expenses, offset by a decrease of \$0.9 million in institutional support expenses. Contributions to SJSU decreased by \$2.0 million as a result of the Foundation's contribution of \$2 million in FY 2021 to ease the state budget shortage at SJSU.

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

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Changes in net position: The result of current year's revenues and expenses was a deficit of \$1.7 million, compared to prior year's surplus of \$2.4 million, a difference of \$4.1 million. Many events drove composed the current year's deficit. Management has identified three key factors (1) decrease in investment income of \$6.5 million, (2) implementation of GASB 87, *Leases* and (3) the aggregated result of sponsored program and campus program operations.

Factors Impacting Future Periods

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

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

**Statement of Net Position
June 30, 2022**

Assets

Current assets:

| | |
|-----------------------------------|-------------------|
| Cash and cash equivalents | \$ 1,338,370 |
| Short-term investments | 21,864,083 |
| Accounts receivable, net | 9,248,957 |
| Lease receivable, current | 10,174 |
| Prepaid expenses and other assets | 259,591 |
| Total current assets | 32,721,175 |

Noncurrent assets:

| | |
|--------------------------------------|-------------------|
| Restricted cash and cash equivalents | 44,112 |
| Other long-term investments | 2,225,287 |
| Capital assets, net | 14,867,262 |
| Other assets | 63,570 |
| Total noncurrent assets | 17,200,231 |

| | |
|---------------------|-------------------|
| Total assets | 49,921,406 |
|---------------------|-------------------|

Deferred outflows of resources:

| | |
|--|------------|
| Deferred outflows- other post-employment benefits (OPEB) | 10,905,254 |
|--|------------|

Liabilities

Current liabilities:

| | |
|---|-------------------|
| Accounts payable | 2,801,348 |
| Accrued salaries and benefits payable | 2,230,821 |
| Accrued compensated absences, current portion | 1,428,188 |
| Lease liabilities, current portion | 542,825 |
| Unearned revenue | 4,878,856 |
| Other liabilities | 24,930 |
| Total current liabilities | 11,906,968 |

Noncurrent liabilities:

| | |
|--|-------------------|
| Accrued compensated absences, net of current portion | 30,151 |
| Payable to external agencies | 195,587 |
| Lease liabilities, net of current portion | 2,622,198 |
| OPEB obligation | 17,029,305 |
| Other liabilities | 157,023 |
| Total noncurrent liabilities | 20,034,264 |

| | |
|--------------------------|-------------------|
| Total liabilities | 31,941,232 |
|--------------------------|-------------------|

Deferred inflows of resources:

| | |
|--|-------------------|
| Deferred inflows- OPEB | 11,736,637 |
| Deferred inflows- leases | 10,145 |
| Total deferred inflows of resources | 11,746,782 |

Net position:

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 11,702,239 |
| Restricted for: | |
| Expendable: | |
| Research | 26,562 |
| Unrestricted | 5,409,845 |
| Total net position | \$ 17,138,646 |

See notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

| | |
|---|----------------------|
| Revenues: | |
| Operating revenues: | |
| Program fees | \$ 2,104,693 |
| Grants and contracts: | |
| Federal | 33,496,904 |
| State | 8,102,050 |
| Local | 2,088,593 |
| Nongovernmental | 2,722,868 |
| Administrative fees | 350,952 |
| Other operating revenues | 3,390,193 |
| Total operating revenues | <u>52,256,253</u> |
| Expenses: | |
| Operating expenses: | |
| Instruction | 6,407,926 |
| Research | 34,817,988 |
| Public services | 15,064 |
| Academic support | 259,069 |
| Student services | 790,776 |
| Institutional support | 6,871,077 |
| Operation and maintenance of plant | 1,348,845 |
| Student grants and scholarships | 1,804,718 |
| Depreciation and amortization | 2,161,574 |
| Total operating expenses | <u>54,477,037</u> |
| Operating loss | <u>(2,220,784)</u> |
| Nonoperating revenues (expenses): | |
| Federal and federal pass-through financial aid grants | 1,266,252 |
| State financial aid grants | 421,441 |
| Nongovernmental and other financial aid grants | 107,013 |
| Gifts in-kind | 853,341 |
| Contributions to SJSU, capital | (500,000) |
| Lease revenue | 10,145 |
| Lease interest income | 83 |
| Lease interest expense | (44,413) |
| Investment income (loss), net | (1,989,040) |
| Net nonoperating revenues | <u>124,822</u> |
| Decrease in net position | (2,095,962) |
| Net position at beginning of year | <u>19,234,608</u> |
| Net position at end of year | <u>\$ 17,138,646</u> |

See notes to financial statements.

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

**Statement of Cash Flows
Year Ended June 30, 2022**

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Program fees | \$ 2,104,693 |
| Federal grants and contracts | 33,384,189 |
| State grants and contracts | 8,240,374 |
| Local grants and contracts | 2,394,549 |
| Nongovernmental grants and contracts | 3,281,917 |
| Payments to suppliers | (13,007,583) |
| Payments to employees | (38,012,632) |
| Payments to students | (1,917,701) |
| Administrative fees | 350,952 |
| Other receipts | 4,030,050 |
| Net cash provided by operating activities | 848,808 |
| Cash flows from noncapital financing activities: | |
| Federal financial aid grants | 1,266,252 |
| State financial aid grants | 421,441 |
| Nongovernmental and other financial aid grants | 107,013 |
| Contributions made for capital purposes | (500,000) |
| Other liabilities | (13,091) |
| Other noncapital financing activities | (13,629) |
| Net cash provided by noncapital financing activities | 1,267,986 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (834,391) |
| Proceeds from disposition of capital assets | 5,000 |
| Principal received on leases | 10,121 |
| Principal paid on leases | (523,233) |
| Interest received on leases | 78 |
| Interest paid on leases | (41,247) |
| Net cash used in capital and related financing activities | (1,383,672) |
| Cash flows from investing activities: | |
| Proceeds from sales and maturities of investments | 13,335,322 |
| Purchase of investments | (15,521,543) |
| Investment income proceeds | 1,595,744 |
| Net cash used in investing activities | (590,477) |
| Net increase in cash and cash equivalents | 142,645 |
| Cash and cash equivalents - beginning of year | 1,239,837 |
| Cash and cash equivalents - end of year | \$ 1,382,482 |
| Summary of cash and cash equivalents at end of year: | |
| Cash and cash equivalents | \$ 1,338,370 |
| Restricted cash and cash equivalents | 44,112 |
| Total cash and cash equivalents at end of year | \$ 1,382,482 |

(Continued)

San Jose State University Research Foundation
(A California State University Auxiliary Organization)

Statement of Cash Flows (Continued)
Year Ended June 30, 2022

| | |
|---|-------------------|
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (2,220,784) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 2,161,574 |
| Change in assets and liabilities: | |
| Accounts receivable | (174,461) |
| Prepaid expenses and other assets | (21,569) |
| Deferred outflows of resources | (1,574,390) |
| Accounts payable | 620,572 |
| Accrued salaries and benefits | (477,597) |
| Accrued compensated absences | (188,029) |
| Deferred revenue | 1,702,371 |
| OPEB obligation | 2,354,614 |
| Other liabilities | 2,563 |
| Deferred inflows of resources | (1,336,056) |
| | <u>848,808</u> |
| Net cash provided by operating activities | \$ 848,808 |
| Supplemental disclosure of noncash investing activity: | |
| Leases | <u>10,145</u> |

See notes to financial statements.

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

Statement of Fiduciary Net Position—Research Organizations Retirement Medical Trust
December 31, 2021

Assets

| | | |
|----------------------------|----|-------------------------|
| Cash | \$ | 72,869 |
| Receivables | | 841 |
| Investments, at fair value | | <u>9,439,069</u> |
| Total assets | | <u><u>9,512,779</u></u> |

Liabilities

| | | |
|--------------------------|--|---------------------|
| Prepaid premiums | | 1,267 |
| Accounts payable | | <u>4,757</u> |
| Total liabilities | | <u><u>6,024</u></u> |

Net position restricted for OPEB and other purposes \$ 9,506,755

See notes to financial statements.

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

**Statement of Changes in Fiduciary Net Position—Research Organizations Retirement Medical Trust
Year Ended December 31, 2021**

| | |
|--|---------------------|
| Net additions: | |
| Employer contributions | \$ 1,919,600 |
| Net appreciations of investments | 865,174 |
| Interest and dividends | 358,207 |
| Investment fees | (9,924) |
| Total net additions | <u>3,133,057</u> |
| Deductions: | |
| Benefit payments | 920,542 |
| Administrative expenses | 85,860 |
| Total deductions | <u>1,006,402</u> |
| Net additions | 2,126,655 |
| Net position restricted for OPEB and other purposes: | |
| Beginning of year | <u>7,380,100</u> |
| End of year | <u>\$ 9,506,755</u> |

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Organization

The San José State University Research Foundation (the Foundation), a nonprofit organization incorporated under Internal Revenue Code (the Code) 501(c)(3) in 1931, serves as an auxiliary organization and is a component unit of San José State University (the University) and the California State University System (CSU). The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives: supplement programs and activities of the University, and promote and assist the educational services of the University. The Foundation receives funding from various sources, such as the federal, state governments and local governments, other corporations, and interest groups. The Foundation holds and administers assets for the organization's retiree medical trust (the Plan) and as such is a component unit and fiduciary fund of the Foundation. The Research Organization Retiree Medical Trust provides major medical coverage for eligible retired employees through the Research Organizations Retiree Medical Trust (the Plan). The Plan's year-end is December 31 and the Plan's audited statements of net position and changes in net position as of and for the year ended December 31, 2021, may be found on pages 12 and 13 of this report.

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 to fulfill donor restrictions or funds held on behalf of external agencies. Liabilities that can be reasonably expected, in the course of normal operations, to be liquidated within 12 months of the statement of net position are considered current. All other assets and liabilities are considered to be noncurrent.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets 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.

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

Investments: Investments are carried at fair value, as determined by quoted market prices, with 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. The Foundation classifies its investments that are for current operation use as short-term investments. Investments that are designated to support long-term commitments and investments that are not readily available for liquidation are classified as long-term investments.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable: 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. Management has determined that no allowance is necessary as of June 30, 2022.

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

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

Capital assets (excluding intangible right-to-use lease): Purchased assets are recorded at cost. Assets acquired through grants in which title vests with the Foundation during the grant period are capitalized. Donated assets are recorded at acquisition value at the date of donation. The carrying value of all long-lived assets is evaluated periodically to determine if adjustment to the useful life or the carrying value is warranted. Asset impairment is recorded whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No asset impairments were recognized during the year ended June 30, 2022.

Leases (Lessee): The Foundation is a lessee for various noncancellable leases of buildings and equipment.

Short-term leases: For leases with a maximum possible term of 12 months or less at commencement, the Foundation recognizes expense/expenditure based on the provisions of the lease contract.

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

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

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Payable to external agencies: Payable to external agencies represents the 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 the acquisition date. Real estate costs have been allocated to individual building units based on a specific-identification method. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is included on the statement of revenues, expenses and changes in net position.

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

Depreciation and amortization expense was \$2,161,574 for the year ended June 30, 2022, of which \$15,784 was for leasehold improvements.

Compensated absences: The Foundation accrues vacation benefits for eligible employees at various rates depending on the length of service. Employees are paid for unused vacation time but are not paid for unused sick leave at the end of employment. During fiscal year 2022, \$1,166,296 accrued vacation was earned and \$1,354,325 was used. At June 30, 2022, the Foundation had a total of \$1,458,339 in accrued compensated absences liabilities of which \$1,428,188 was current.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Tax-exempt status and income taxes: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Foundation's management has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2021, 2020 and 2019, are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Foundation also filed Form 990-T for the year ended June 30, 2021.

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

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

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

Unrestricted: 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.

Recent accounting pronouncement adopted: Effective July 1, 2021, the Foundation implemented GASB Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities that previously were classified as operating leases. It establishes a single module for lease accounting based on the foundational principle that leases are financings on the right to use an underlying asset. Under this statement, the lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Foundation's leasing activities. The adoption of this standard increased lease receivables and deferred inflows by \$20,290 and capital assets and lease liabilities by \$3,688,256, as of July 1, 2021. Net position was not effected by this adoption.

Accounting pronouncement in future years: GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is effective for the fiscal year ended June 30, 2023. It requires similar treatment as the lease for subscription-based information technology arrangements (SBITA). This statement results in recording a right-to-use subscription asset and subscription liability if the SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets. Management is still evaluating the effect this standard will have on their financial statements.

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

Note 3. Deposits and Investments

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

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

The fair market value of the Foundation's investments as of June 30, 2022, is as follows:

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

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

The fair value of investments for the Plan as of December 31, 2021, is as follows:

| Investment Type | Fair Value |
|----------------------------|--------------|
| U.S. equities | \$ 1,703,797 |
| Fixed income mutual funds | 3,466,541 |
| U.S. equities mutual funds | 4,268,731 |
| Total investments | \$ 9,439,069 |

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

Note 3. Deposits and Investments (Continued)

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

The following table represents maturities for fixed-income investments held by the Foundation as of June 30, 2022:

| Investment Type | Total Fair Value | Less Than 1 Year | 1-5 Years | More Than 5 Years |
|--------------------------|---------------------|---------------------|-------------------|----------------------|
| Money market | \$ 718,186 | \$ 718,186 | \$ - | \$ - |
| US agency securities | 15,724 | - | 193 | 15,531 |
| U.S. treasury securities | 911,489 | 98,860 | 483,387 | 329,242 |
| Corporate bonds | 1,705,343 | 66,735 | 481,478 | 1,157,130 |
| Total | <u>\$ 3,350,742</u> | <u>\$ 883,781</u> | <u>\$ 965,058</u> | <u>\$ 1,501,903</u> |

The following table is related fixed income investments held by the Plan as of December 31, 2021:

| Investment Type | Total Fair Value | Less Than 3 Years | 3 to 7 Years | 7 to 10 Years | More Than 10 Years | Not classified |
|---------------------------|---------------------|----------------------|---------------------|-------------------|-----------------------|-------------------|
| Fixed Income—Mutual funds | <u>\$3,466,541</u> | <u>\$ 486,742</u> | <u>\$ 1,403,784</u> | <u>\$ 824,134</u> | <u>\$ 631,872</u> | <u>\$ 120,009</u> |

Custodial credit risk: Custodial credit risk is the risk that funds deposited in a financial institution may become unrecoverable due to insolvency of the financial institution or of a counterparty to an investment transaction in a way that the Foundation would not be able to recover its investment. Financial instruments that potentially subject the Foundation to custodial credit risk generally apply only to funds on deposit and direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. U.S. Treasury issues, federally sponsored enterprise issues, and corporate bonds 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. As of June 30, 2022, \$1,178,677 of the Foundation's bank balances were exposed to custodial credit risk as it was uninsured and uncollateralized.

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

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

Note 3. Deposits and Investments (Continued)

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 limit on the amount of money that can be invested in fixed-income investments, in general, and limits the amount that can be invested in the different risk profiles of fixed-income securities based on independent ratings. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments.

Concentration of investment credit risk: Concentration of investment credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Foundation's investment policy contains limitations as to how much can be invested with any one issuer. The Foundation's investment policy permits an unlimited portion of the portfolio to be invested in U.S. Government Treasury bonds and Government National Mortgage Association obligations. The maximum commitment of funds to any other entity is limited to a maximum of 5% of the portfolio for investment grade corporate names and only 2% for noninvestment grade companies.

The Foundation has the following investments that comprise 5% or more of the portfolio:

| | | |
|---|--------------|--------|
| Delaware Diversified Floating Rate Class I | \$ 2,575,522 | 10.69% |
| Brandywine Global- Global Opportunities Bond Fund Class I | 1,666,785 | 6.92% |

The table below summarizes the ratings of fixed-income investments of the Foundation as of June 30, 2022:

| Investment Type | Total | Credit Risk (Moody's/S&P) | | | | | Not Investment Grade | Not Rated |
|---|---------------------|---------------------------|-------------|-------------------|-------------------|-------------------|----------------------|-----------|
| | | Aaa/AAA | Aa/AA | A/A | Baa/BBB | | | |
| Corporate bonds and asset backed securities | \$ 1,734,351 | \$ - | \$ - | \$ 107,374 | \$ 339,202 | \$ 739,979 | \$ 547,796 | |
| U.S. treasury securities | 911,489 | 911,489 | - | - | - | - | - | |
| U.S. agency securities | 15,724 | 15,531 | - | - | - | - | 193 | |
| Portfolio total | <u>\$ 2,661,564</u> | <u>\$ 927,020</u> | <u>\$ -</u> | <u>\$ 107,374</u> | <u>\$ 339,202</u> | <u>\$ 739,979</u> | <u>\$ 547,989</u> | |

Investment-related commitments: The Foundation is obligated under several alternative investment agreements to advance additional funding up to specified levels over several years. The following table represents significant terms of such agreements for all related alternative investments at June 30, 2022:

| Assets | Fair Value | Total Commitments | Unfunded Commitments | Remaining Life (Years) | Redemption Terms and Conditions |
|--|------------|-------------------|----------------------|------------------------|---|
| Rialto Real Estate Fund III Debt, LP (RREF III) | \$ 211,367 | \$ 250,000 | \$ - | 0 to 6 | Not eligible for redemption |
| Blackstone Real Estate Income Trust, Inc | 1,076,439 | 895,000 | - | Perpetual Life | Initial 1 year lock-up period expired; can be redeemed monthly |
| Portfolio Advisor Fund 2017 (PA 2017) | 715,331 | 635,000 | 241,513 | 0 to 13 | Not eligible for redemption |

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

Note 3. Deposits and Investments (Continued)

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 and Plan have the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

The following is a description of the valuation methods and assumptions used by the Foundation to estimate the fair value of its investments. There have been no changes in the methods and assumptions used as at June 30, 2022. 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.

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

Note 3. Deposits and Investments (Continued)

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

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

The Foundation's Level 2 investments primarily consist of investments in Agency pass through, U.S. Treasury securities corporate debt securities, and asset backed securities that did not trade on the Foundation's fiscal year-end date. Inputs are prices or yields of similar securities or the same security but as of a date other than June 30, 2022.

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

The Foundation's NAV investments are described below:

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

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

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

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

Note 3. Deposits and Investments (Continued)

The Foundation's investments at June 30, 2022, are categorized as follows:

| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Net Asset Value | Total |
|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|-------------------|
| Money market funds | \$ 718,186 | \$ - | \$ - | | \$ 718,186 |
| Agency pass-through | - | 15,724 | - | - | 15,724 |
| U.S. Treasury securities | - | 911,489 | - | - | 911,489 |
| Debt securities—corporate | - | 1,705,343 | - | - | 1,705,343 |
| Asset backed securities | - | 29,008 | - | - | 29,008 |
| Mutual funds—fixed income | 3,913,266 | - | - | - | 3,913,266 |
| Exchange traded funds | 2,575,523 | - | - | - | 2,575,523 |
| Equity investments | 8,952,877 | - | - | - | 8,952,877 |
| REIT fund | - | - | - | 1,076,439 | 1,076,439 |
| Private equity | - | - | - | 926,698 | 926,698 |
| | <u>\$ 16,159,852</u> | <u>\$ 2,661,564</u> | <u>\$ -</u> | <u>\$ 2,003,137</u> | <u>20,824,553</u> |

| | | |
|-------------------------|--|----------------------|
| LAIF, at amortized cost | | 3,264,817 |
| Total investments | | <u>\$ 24,089,370</u> |

The Plan's fair value of investments as of December 31, 2021, is as follows:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Total |
|---------------------------|--|---------------------|
| U.S. equities | \$ 1,703,797 | \$ 1,703,797 |
| Fixed income mutual fund | 3,466,541 | 3,466,541 |
| U.S. equities mutual fund | 4,268,731 | 4,268,731 |
| Total investments | <u>\$ 9,439,069</u> | <u>\$ 9,439,069</u> |

Note 4. Accounts Receivable

As of June 30, 2022, the Foundation has the following receivables:

| | |
|--|---------------------|
| Accounts receivable - sponsored programs | \$ 8,905,180 |
| Other receivables | 343,777 |
| Total accounts receivable | <u>\$ 9,248,957</u> |

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

Note 5. Related Parties

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

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as a component of accounts receivable and accounts payable. As of June 30, 2022, receivables due from and payables due to related parties are as follows:

| Receivables and Payables | Amount |
|-------------------------------------|-----------|
| Receivable from the University | \$ 29,857 |
| Payable to the University | 386,021 |
| Payable to other campus auxiliaries | 80,086 |

Transactions with the University and related organizations are recorded on the statement of revenues, expenses and changes in net position as institutional support. During the year ended June 30, 2022, amounts paid to the University and related organizations for services were as follows:

| Total Paid | Amount |
|---------------------|--------------|
| The University | \$ 4,718,067 |
| Associated Students | 305,771 |
| Tower Foundation | 53,187 |

In the fall of 2018, the University formally launched its strategic support of research, scholarly and creative activities by University faculty. As a part of that initiative, the University agreed to provide \$1,000,000 in pre-award funding support to the Foundation during the year ended June 30, 2022, which is recorded on the statement of revenues, expenses and changes in net position as other operating revenue. Each year, the University will evaluate its ability to provide additional funding, which could be as much as \$1,000,000 per year.

Additionally, the Foundation has agreed to contribute \$15.0 million toward the new Interdisciplinary Science Building that the University is constructing. These contributions are considered a voluntary non-exchange transaction that is contingent on the University's ability to provide the additional funding as described above. If that funding is not received, the Foundation will not be obligated to execute this contribution. Accumulated contributions made by the Foundation through June 30, 2022 total \$2,000,000. If the contingency requirement is met each year, the remaining \$13 million is to be paid annually in an amount of \$500,000 over the remaining 27 years, from July 2022 through June 2048. \$500,000 was recorded as contributions to SJSU for the year ended June 30, 2022.

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

Note 6. Capital Assets

The Foundation's capital assets consist of the following:

| | Beginning of Year, as restated | Additions | Transfers | Retirements and Other | End of Year |
|--|-----------------------------------|-------------|-------------|--------------------------|----------------|
| Capital assets not being depreciated: | | | | | |
| Land and land improvements | \$ 5,176,529 | \$ - | \$ - | \$ - | \$ 5,176,529 |
| Construction work in progress | 1,203,362 | 1,094,446 | (2,015,034) | - | 282,774 |
| Total capital assets not being depreciated | 6,379,891 | 1,094,446 | (2,015,034) | - | 5,459,303 |
| Capital assets being depreciated/amortized: | | | | | |
| Buildings and building improvements | 9,462,090 | - | 916,571 | - | 10,378,661 |
| Leasehold improvements | 812,626 | - | - | - | 812,626 |
| Equipment | 8,547,744 | 593,286 | 1,098,463 | (40,951) | 10,198,542 |
| Total capital assets being depreciated/amortized | 18,822,460 | 593,286 | 2,015,034 | (40,951) | 21,389,829 |
| Total capital assets | 25,202,351 | 1,687,732 | - | (40,951) | 26,849,132 |
| Less accumulated depreciation/amortization: | | | | | |
| Buildings and building improvements | (3,972,940) | (410,667) | - | - | (4,383,607) |
| Leasehold improvements | (745,392) | (15,784) | - | - | (761,176) |
| Equipment | (5,662,325) | (1,211,557) | - | 36,795 | (6,837,087) |
| Total accumulated depreciation and amortization | (9,857,091) | (1,638,008) | - | 36,795 | (11,981,870) |
| Net capital assets | \$ 15,345,260 | \$ 49,724 | \$ - | \$ (4,156) | \$ 14,867,262 |

Note 7. Leases

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

In May 2021, the Foundation and the AS mutually agreed to amend this lease to include a monthly property use fee of \$850 beginning on July 1, 2021 and ending on June 30, 2023. Future lease revenue is \$10,200 for the year ending June 30, 2023. The Foundation recognized \$10,146 of inflows of resources from the lease.

The Foundation as a lessee:

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

The lease liability is measured at a discount rate of 1.31%, the lease IBR. As a result of the lease, the Foundation recorded capital assets with a net book value of \$3,673,185 on July 1, 2021.

2. The Foundation has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

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

Notes to Financial Statements

Note 7. Leases (Continued)

The first agreement was executed in January 2019, to lease a postage meter and requires 20 quarterly payments of \$562. There are no variable payment components of the lease. As a result of the lease, the Foundation has recorded a capital asset with a net book value of \$5,756 at July 1, 2021.

The second agreement was executed in January 2021, to lease a folding machine and requires 13 quarterly payments of \$855. There are no variable payment components of the lease. As a result of the lease, the Foundation recorded a capital asset with a net book value of \$9,315 at July 1, 2021.

Lease liabilities for the year ended June 30, 2022 are as follows:

| | Beginning of Year | Additions | Payments | End of Year |
|-------------------------|----------------------|-------------|---------------------|---------------------|
| Leased office space | \$ 3,673,185 | \$ - | \$ (517,452) | \$ 3,155,733 |
| Leased equipment | 15,071 | - | (5,781) | 9,290 |
| Total lease liabilities | <u>\$ 3,688,256</u> | <u>\$ -</u> | <u>\$ (523,233)</u> | <u>\$ 3,165,023</u> |

The future minimum lease obligations as of June 30, 2022, are as follows:

| | Principal Payments | Interest Payments | Total |
|-------------------------------------|-----------------------|----------------------|---------------------|
| Years ending June 30: | | | |
| 2023 | \$ 542,825 | \$ 39,168 | \$ 581,993 |
| 2024 | 565,460 | 30,875 | 596,335 |
| 2025 | 578,083 | 23,412 | 601,495 |
| 2026 | 585,678 | 15,814 | 601,492 |
| 2027 | 593,373 | 8,119 | 601,492 |
| Thereafter | 299,604 | 1,142 | 300,746 |
| Total future minimum lease payments | <u>\$ 3,165,023</u> | <u>\$ 118,530</u> | <u>\$ 3,283,553</u> |

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

Notes to Financial Statements

Note 8. Commitments

Line of credit: In April 2010, the Foundation entered into a \$5,000,000 variable rate line of credit (LOC) with UBS Bank USA, pledging the Foundation's investments held at UBS Financial Services as collateral. The interest rate for the year ended June 30, 2022 was \$ 2.9% . The LOC is payable on demand. During the year ended June 30, 2022, no funds were drawn for operational use and no amounts were outstanding under the LOC as of June 30, 2022. This line of credit currently has no expiration date. Investments in the amount of \$935,565 have been pledged as collateral on this line of credit at June 30, 2022.

Business credit card program: In November 2014, the Foundation entered into a commercial card consortium program with US Bank. The program has a maximum credit limit of \$750,000. The Foundation pays off the balance each month. The amount outstanding is recorded on the statement of net position within accounts payable as described below:

| June 30, 2021 Balance | Increase | Decrease | June 30, 2022 Balance |
|-----------------------|-------------------|---------------------|-----------------------|
| <u>\$ 88,009</u> | <u>\$ 698,310</u> | <u>\$ (701,785)</u> | <u>\$ 84,534</u> |

Note 9. Employee Benefits and Compensation Plans

Defined contribution pension plan:

Plan description: 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 the Foundation and the Teachers Insurance and Annuity Association - College Retirement Equities Fund serves as custodian and record-keeper of the Plan. The Foundation, in conjunction with legal counsel, has determined that the Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

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

For the year ended June 30, 2022, the Foundation recognized contribution expense of \$1,084,753.

Post-retirement health care plan:

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

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

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

Membership as of valuation date:

| | |
|---|------------|
| Active employees | 186 |
| Eligible retired employees (with 59 covered dependents) | 84 |
| Total | <u>270</u> |

Plan assets: The Foundation established a Code Section 115 Trust, to accept and hold employer contributions to pay administrative expenses related to post-retirement health benefits and to fund the post-retirement health benefits for current and retired participants. There is an annual independent audit of the financial statements of the Plan; the report is available from the Foundation's office. At present, the Foundation pays approximately 85% to 89% of the retiree's monthly medical insurance premiums. The Foundation made contributions of \$1,919,600 to the Plan for the year ended June 30, 2022.

Annual OPEB cost and net OPEB obligation (OPEB Plan): The Plan's annual OPEB cost (expense) is calculated based on the actuarially determined contribution (ADC) of the employer. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a given period of time. The Actuarial Report is performed with a measurement date of December 31, 2021, to fulfill GASB Statement No. 74 for the financial report of the Plan. As required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, transactions recorded in the benefit of the OPEB Plan subsequent to the actuarial measurement date are OPEB Plan changes that are reflected in deferred outflows and deferred inflows where the effect to total OPEB liability is deferred to the next reporting period. As of June 30, 2022, transactions recorded in the benefit of the OPEB Plan consist of payments from the Foundation to the Plan on behalf of retiree medical health insurance coverage that occurred between January 1, 2021 and June 30, 2022. Those employer contribution payments, made subsequent to the measurement date, amounted to \$445,936 and were recorded as deferred outflows on the Foundation's statement of net position.

The components of the net OPEB liability of the Plan as of June 30, 2022, are as follows:

| | |
|---|----------------------|
| Total OPEB liability | \$ 26,536,060 |
| Plan fiduciary net position | 9,506,755 |
| Net OPEB liability | <u>\$ 17,029,305</u> |
| Deferred outflow of resources | \$ 10,905,254 |
| Deferred inflow of resources | 11,736,637 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 35.83% |

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

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The following is the Foundation's change in total OPEB liability, plan fiduciary net position and the net OPEB liability for the year ended June 30, 2022:

| | |
|---------------------------------------|-----------------------------|
| Total OPEB Liability at June 30, 2021 | <u>\$ 22,054,791</u> |
| Service cost | 860,609 |
| Benefit payments | (920,541) |
| Interest cost | 1,268,715 |
| Assumption changes | 3,272,486 |
| Total OPEB Liability at June 30, 2022 | <u><u>\$ 26,536,060</u></u> |

The following are the components of OPEB expense for the year ended June 30, 2022:

| | |
|-------------------------------------|----------------------------|
| Service cost | <u>\$ 860,609</u> |
| Interest cost | 1,268,715 |
| Expected earnings on assets | (457,663) |
| Administrative expenses | 85,860 |
| Recognized deferred resource items: | |
| Assumption changes | 898,777 |
| Plan experience | (1,006,366) |
| Investment experience | (289,633) |
| OPEB expense | <u><u>\$ 1,360,299</u></u> |

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions:

| | |
|-------------------------------|--|
| Valuation date | December 31, 2020 |
| Measurement date | December 31, 2021 |
| Actuarial cost method | Entry age normal, level % of pay |
| Asset valuation method | Market value of asset as of measurement date |
| Actuarial assumptions: | |
| Inflation | 2.50% |
| Projected prior year increase | 3.00% |
| Assumed wage inflation | 3.25% |
| Long-term return on assets | 5.84% |
| Discount rate | 4.70%, blended rate between long term rate of return of \$5.84% and bond index of 2.06% |
| Administrative expense | \$85,860 |
| Health care cost trend | 5.80% and slowly decreasing to 4.00% by 2076 and thereafter |
| Mortality | MacLeod Watts Scale2020 applied generationally |
| Medicare eligibility | Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65 |
| Funding policy | The Foundation has elected to contribute annually to the Plan (a) current cost, (b) annual additional amount determined annually |

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

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

| | Deferred Outflows | Deferred Inflows |
|--|----------------------|----------------------|
| Difference between expected and actual experience in the measurement of total OPEB liability | \$ - | \$ 5,597,077 |
| Change in assumptions | 10,459,318 | 5,149,151 |
| Net difference between projected and actual earnings of OPEB plan investments | - | 990,409 |
| Contribution to OPEB plan after measurement date | 445,936 | - |
| Total | <u>\$ 10,905,254</u> | <u>\$ 11,736,637</u> |

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

| For the Fiscal Years Ending June 30, | Recognized Net Deferred Outflows (Inflows) of Resources |
|--------------------------------------|---|
| 2023 | \$ (355,448) |
| 2024 | (466,301) |
| 2025 | (340,270) |
| 2026 | (258,746) |
| 2027 | (107,589) |
| Thereafter | 251,035 |
| Total | <u>\$ (1,277,319)</u> |

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

At December 31, 2021, 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 | 57% | 5.00% |
| Fixed Income | 40% | 1.00% |
| REIT | 3% | 3.00% |

The discount rate used to measure the total OPEB liability is 4.70% as of December 31, 2021. The projection of cash flows used to determine the discount rate is based on the Foundation's funding policy that the Foundation has elected to contribute annually to the Plan (a) current benefit costs for retirees, and (b) an additional dollar amount determined annually. These amounts in the aggregate are intended to be sufficient to fully fund all future benefit payments under the OPEB Plan.

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

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plans (Continued)

The following presents the net OPEB liability, calculated using the discount rate of 4.70%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| 1% Decrease 3.70% | Current Discount 4.70% | 1% Increase 5.70% |
|----------------------|---------------------------|----------------------|
| \$ 21,271,593 | \$ 17,029,305 | \$ 13,601,949 |

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 |
|---------------|---------------|---------------|
| \$ 13,507,830 | \$ 17,029,305 | \$ 21,484,094 |

Note 10. Contingencies

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

The Foundation administers federal government-funded programs which are subject to audit by cognizant governmental agencies. The Foundation's management believes that the outcome of such matters will not have a significant impact on the financial position or results of activities of the Foundation. Thus, no reserve for potential disallowances has been recorded in the financial statements as of June 30, 2022.

Note 11. Subsequent Events

The Foundation has evaluated all events occurring subsequent to the year ended June 30, 2022, through December 9, 2022, the date these financial statements were available to be issued, and nothing has occurred outside the normal course of business operations that would require disclosure in these financial statements.

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

Schedule of Changes in the Net OPEB Liability

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total OPEB liability: | | | | | |
| Service cost | \$ 860,609 | \$ 1,748,038 | \$ 1,123,991 | \$ 812,945 | \$ 812,945 |
| Cost of plan changes | - | (142,864) | - | - | - |
| Interest | 1,268,715 | 968,839 | 1,097,418 | 1,499,946 | 1,393,018 |
| Change of assumptions | 3,272,486 | (6,740,851) | 6,405,304 | 5,709,233 | - |
| Differences between expected and actual experience | - | (1,380,667) | (977,897) | (6,819,270) | (14,523) |
| Benefit payments | (920,541) | (920,212) | (797,221) | (664,106) | (626,864) |
| Net change in total OPEB liability | 4,481,269 | (6,467,717) | 6,851,595 | 538,748 | 1,564,576 |
| Total OPEB liability - beginning | 22,054,791 | 28,522,508 | 21,670,913 | 21,132,165 | 19,567,589 |
| Total OPEB liability - ending (a) | \$ 26,536,060 | \$ 22,054,791 | \$ 28,522,508 | \$ 21,670,913 | \$ 21,132,165 |
| Plan fiduciary net position: | | | | | |
| Employer contributions | \$ 1,919,600 | \$ 1,340,212 | \$ 1,779,721 | \$ 712,123 | \$ 1,081,965 |
| Net investment income | 1,213,456 | 798,868 | 965,101 | (234,184) | 482,106 |
| Retiree health program premiums | (920,541) | (920,212) | (797,221) | (664,106) | (626,864) |
| Administrative expenses | (85,860) | (85,401) | (72,470) | (60,625) | (63,674) |
| Net change in plan net position | 2,126,655 | 1,133,467 | 1,875,131 | (246,792) | 873,533 |
| Plan fiduciary net position - beginning | 7,380,100 | 6,246,633 | 4,371,502 | 4,618,294 | 3,744,761 |
| Plan fiduciary net position - ending (b) | 9,506,755 | 7,380,100 | 6,246,633 | 4,371,502 | 4,618,294 |
| Net OPEB liability (a) - (b) | \$ 17,029,305 | \$ 14,674,691 | \$ 22,275,875 | \$ 17,299,411 | \$ 16,513,871 |
| Plan fiduciary net position as a percentage of total OPEB liability | 35.83% | 33.46% | 21.90% | 20.17% | 21.85% |
| Net OPEB liability as a percentage of covered payroll | 92.38% | 77.54% | 120.58% | 93.64% | 88.31% |
| Covered payroll | \$ 18,853,765 | \$ 18,433,843 | \$ 18,925,008 | \$ 18,474,300 | \$ 18,699,084 |

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

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

Schedule of Employer Contributions

| Years Ended June 30, | Actuarial Determined Contributions | Contributions in Relation to Actuarial Determined Contributions | Contributions Deficiency | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|----------------------|--|--|-----------------------------|--------------------|---|
| 2022 | \$ 2,027,800 | \$ 1,916,131 | \$ 111,669 | \$ 18,682,806 | 10% |
| 2021 | 1,961,380 | 1,366,172 | 595,208 | 18,433,843 | 7% |
| 2020 | 1,949,222 | 1,382,980 | 566,242 | 18,925,008 | 7% |
| 2019 | 1,936,755 | 1,234,023 | 702,732 | 18,474,300 | 7% |
| 2018 | 1,859,099 | 1,085,528 | 773,571 | 18,408,773 | 6% |

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

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

Notes to Required Supplementary Information

The total OPEB liability and contributions in relation to actuarially determined contributions take into consideration of the implicit rate subsidy, which is actuarially determined and represents a subsidy toward pre-Medicare retiree medical costs paid via active employee premiums since the claims from both active and retired employees are combined to calculate a blended premium. The implicit rate subsidy toward the Foundation's eligible retirees was \$177,236 in 2021, 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, 2021.

| | |
|--------------------------------|----------------------------|
| Employer lump-sum contribution | \$ 1,742,364 |
| Implicit rate subsidy | <u>177,236</u> |
| Total employer contributions | <u><u>\$ 1,919,600</u></u> |

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

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|--------------------------------------|--|---|-------------------------------|
| Research Development Cluster | | | | |
| Department of Agriculture: | | | | |
| Direct: | | | | |
| U.S. Forest Service | 10.707 | Plume Dynamics and Meteorology Support for the Fishlake National Forest FASMEE Campaign | \$ - | \$ 7,381 |
| U.S. Forest Service | 10.707 | Measuring and Modeling Smoke Plumes and Emissions based on Aggregated, Object-based Fuel Structures | - | 30,579 |
| Total Direct: | | | - | 37,960 |
| Pass-Through | | | | |
| Resource Con Dist of Monterey Cnty | 10.912 | Conservation Innovation Grant (USDA) Project | - | 64,506 |
| Total Department of Agriculture: | | | - | 102,466 |
| Department of Commerce: | | | | |
| Direct: | | | | |
| Department of Commerce | 11.008 | White Abalone Restoration Co-Culture Research and Production | - | 15,381 |
| Department of Commerce | 11.427 | Combining Underwater Video and Hook and Line Surveys of Untrawlable Areas in the Cowcod Conservation Areas to Inform Harvest Opportunities. | - | 119,809 |
| Department of Commerce | 11.427 | Creating New Products and Markets - Development of Techniques for the Cultivation of Monkeyface Pricklebacks as a Sustainable Alternative to Unagi | - | 89,935 |
| Department of Commerce | 11.454 | White Abalone Restoration Research and Production | - | 13,458 |
| Department of Commerce | 11.439 | Large Whale Readiness and Response in Central and Northern California | - | 2,869 |
| Total Direct | | | - | 241,452 |
| Pass-through | | | | |
| Monterey Bay Aquarium Res Institute | 11.012 | CeNCOOS: Long-Term Monitoring of Environmental Conditions in Support of Marine Area Management in Central & Northern CA | - | 64,026 |
| Monterey Bay Aquarium Res Institute | 11.012 | CeNCOOS Partnership: Information Solutions to Power Healthy and Prosperous Oceanic, Coastal and Estuarine Communities | - | 44,856 |
| UC, San Diego | 11.417 | Strengthening Sustainability in an Acidified Ocean: Does the Co-Culture of Seaweeds and Shellfish Improve Shell Integrity in Farmed Red Abalone? | - | 22,294 |
| UC, San Diego | 11.417 | Development of Techniques for the Cultivation of Monkeyface Pricklebacks as a Sustainable Alternative to Unagi | - | 41,331 |
| UC, San Diego | 11.417 | CA Sea Grant Fellowship (Katherine Neylan): Eat Your Greens: Evaluating Microalgae Supplemented Feeds for Sablefish Nutrition and Growth | - | 29,560 |
| UC, San Diego | 11.417 | Assessment of Practical Methods for Re-Establishment of Bull Kelp Populations at an Ecologically Relevant Scale | - | 72,136 |
| UC, San Diego | 11.417 | Evaluating the Contribution of Seaweed Aquaculture to Regional and Global Bromoform Production Rates | - | 21,054 |
| UC, San Diego | 11.417 | Using Aquaculture to Help Mitigate Impacts of Harmful Algal Blooms on Crustacean Fisheries Accelerating Depuration to Produce Safe & Marketable. | - | 731 |
| UC, San Diego | 11.417 | Identifying Factors Influencing Suspensions Feeding to Optimize Culture of the Purple-Hinge Rock Scallop Crassadoma Gigantean | - | 4,170 |
| UC, San Diego | 11.417 | Using Energetics and Metabolism to Enhance Olympia Oyster Aquaculture and Outplanting Success | - | 12,391 |
| UC, San Diego | 11.417 | Improving IMTA System Design for the Co-Culture of Seaweeds and Abalone to Mitigate the Effects of Climate Change | - | 7,666 |
| University of Miami | 11.432 | Marine Optical Buoy (MOBY) Operations and Technology Refresh. | - | 367,472 |
| University of Miami | 11.432 | Marine Optical Buoy (MOBY) Operations and Technology Refresh | - | 2,363,668 |
| UC, Santa Cruz | 11.439 | Enhancing Stranding Response in Central California through Advanced Training & Improved Public Outreach | - | 26,677 |
| UC, Santa Cruz | 11.439 | Support for Basic Response to Marine Mammal Strandings in California's Monterey Bay | - | 7,702 |
| Pacific States Marine Fish Comm | 11.472 | Development of Rock Scallop Hatchery for California's Aquaculture Industry | - | 88,835 |
| UC, San Diego | 11.472 | Business Economic Analysis for West Coast based Urchin Ranching | - | 9,406 |
| Howard University | 11.481 | The NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology | - | 128,095 |
| Total Pass-through | | | - | 3,312,700 |
| Total Department of Commerce | | | - | 3,554,152 |
| Department of Defense: | | | | |
| Direct: | | | | |
| Office of Naval Research | 12.300 | Heart Rate Logging in Deep Diving Toothed Whales; a New Tool for Assessing Responses to Disturbance | - | 31,389 |
| Office of Naval Research | 12.300 | Coastal Land-Air-Sea Interaction- Thornton Portion | - | 43,213 |
| Office of Naval Research | 12.300 | Long Term Observation of Upper Ocean Fluxes and Pycnocline Diffusivity the Canada Basin | - | 85,670 |
| Office of Naval Research | 12.300 | Long Term Observations of Upper Ocean Fluxes and Pycnocline Diffusivity in the Canada Basin Buoy Instrumentation | - | 60,701 |
| Department of Defense | 12.420 | Quantifying Biofeedback Training and Retention Effects on Functional Outcomes in Above-knee Prosthesis Users | - | 67,487 |
| Department of Defense | 12.630 | Acquisition of an Automated Multipurpose Furnace and Reactive Ion Etcher System for Microscale Fabrication Education and Research at SJSU | - | 404,798 |
| Department of Defense | 12.630 | Fundamental Surface Science of Nanoscale Diamond and their Interaction with Biological Surfaces | - | 77,541 |
| Total Direct | | | - | 770,799 |
| Pass-through | | | | |
| CSU, Monterey Bay | 12.300 | Subaward from CSUMB - James Lindholm Contract with Navy | - | 28,631 |
| Naval Postgraduate School | 12.300 | Soundscape Characterization in the National Marine Sanctuaries using Passive Acoustic Monitoring | - | 54,003 |
| UC, San Diego | 12.300 | ROXSI: Rocky shores eXperiments and Stimulations- Thornton Portion | - | 25,320 |
| University of Notre Dame | 12.300 | Toward Improving Coastal Fog Prediction (C-FOG) | - | 200,145 |
| West Chester University | 12.300 | Locomotion and Transitions of an Amphibious System: Biologic to Robotic | - | 37,766 |
| Woods Hole Oceanographic Inst. | 12.300 | Ocean Sensor Development for the AMOS Buoy System | - | 21,809 |
| University of So California | 12.598 | USC-SJSU ICCAE Consortium's National Security & Intelligence Scholars Research Program | - | 22,005 |
| Total Pass-through | | | - | 389,679 |
| Total Department of Defense | | | - | 1,160,478 |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|--------------------------------------|--|---|-------------------------------|
| Department of Interior: | | | | |
| Direct | | | | |
| US Fish and Wildlife Service | 15.658 | | \$ - | 1,686 |
| Department of Interior | 15.807 | | - | 13,170 |
| Department of Interior | 15.808 | | - | 129,851 |
| U.S. Geological Survey | 15.808 | | - | 86,967 |
| U.S. Geological Survey | 15.808 | | - | 6,860 |
| Department of Interior | 15.810 | | - | 4,351 |
| Department of Interior | 15.810 | | - | 14,945 |
| Department of Interior | 15.810 | | - | 10,674 |
| Department of Interior | 15.810 | | - | 7,886 |
| Total Direct | | | - | 276,390 |
| Pass-Through | | | | |
| Regents of The Univ of California | 15.805 | SA21-5650-01 | - | 9,324 |
| Total Department of Interior | | | - | 285,714 |
| Department of Justice: | | | | |
| Direct | | | | |
| Department of Justice | 16.560 | | 93,735 | 136,330 |
| Total Department of Justice | | | 93,735 | 136,330 |
| Department of Transportation: | | | | |
| Direct | | | | |
| Department of Transportation | 20.701 | | 492,066 | 1,221,630 |
| Total Department of Transportation: | | | 492,066 | 1,221,630 |
| National Aeronautics and Space Administration: | | | | |
| Direct | | | | |
| NASA | 43.001 | | - | 41,022 |
| NASA | 43.001 | | - | 28,743 |
| NASA | 43.001 | | 31,780 | 31,780 |
| NASA | 43.001 | | 35,328 | 80,220 |
| NASA | 43.001 | | - | 248,275 |
| NASA | 43.001 | | - | 8,113 |
| NASA | 43.001 | | - | 36,090 |
| NASA | 43.002 | | 47,747 | 13,409,310 |
| NASA | 43.008 | | 26,454 | 189,419 |
| NASA | 43.009 | | - | 2,660,152 |
| Total Direct | | | 141,309 | 16,733,124 |
| Pass-through | | | | |
| Brown University | 43.001 | 00001996 | - | 8,113 |
| Colorado State University | 43.001 | G-01869-03 | - | 113,603 |
| Columbia University | 43.001 | SAPO G16253_1(GG016 | - | 4,868 |
| Jet Propulsion Laboratory | 43.001 | 1666003 | - | 9,250 |
| Jet Propulsion Laboratory | 43.001 | 1672989 | - | 571 |
| Jet Propulsion Laboratory | 43.001 | 1623362 | - | 54,599 |
| Jet Propulsion Laboratory | 43.001 | 1671126 | - | 19,910 |
| Space Telescope Sci Institute | 43.001 | HST-GO-15235.002-A | - | 12,573 |
| Space Telescope Sci Institute | 43.001 | HST-GO-15992.010-A | - | 7,501 |
| Space Telescope Sci Institute | 43.001 | HST-GO-18459.002-A | - | 40,357 |
| University of Miami | 43.001 | SPC-001521-OS0000014 | - | 429,008 |
| University of Maine | 43.001 | UMS1297 | - | 26,784 |
| Univ Space Research Assoc. | 43.001 | SOF-07-0112 | - | 3,043 |
| KBR Wyle Services, LLC | 43.001 | SMS0001602 | - | 120,633 |
| Jet Propulsion Laboratory | 43.001 | 1657643 | - | 124 |
| Total Pass-through | | | - | 850,937 |
| Total National Aeronautics and Space Administration | | | 141,309 | 17,584,061 |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|-----------------------------------|--|-----------------------------------|----------------------------|
| Institute of Museum and Library Services: | | | | |
| Direct | | | | |
| Inst of Museum and Library Services | 45.312 | | - | 40,422 |
| Inst of Museum and Library Services | 45.312 | | - | 22,882 |
| Total Direct | | | - | 63,304 |
| Pass-through | | | | |
| CSU, Sacramento | 45.312 | 533991A | - | 22,762 |
| Loyola Marymount University | 45.313 | 21072 | - | 8,976 |
| Total Pass-through | | | - | 31,738 |
| Total Institute of Museum and Library Services: | | | - | 95,042 |
| National Science Foundation: | | | | |
| Direct | | | | |
| National Science Foundation | 47.078 | | - | 94,005 |
| National Science Foundation | 47.041 | | - | 141,619 |
| National Science Foundation | 47.041 | | - | 74,950 |
| National Science Foundation | 47.041 | | - | 37,064 |
| National Science Foundation | 47.041 | | - | 11,726 |
| National Science Foundation | 47.041 | | - | 122,722 |
| National Science Foundation | 47.041 | | - | 37,843 |
| National Science Foundation | 47.041 | | - | 37,793 |
| National Science Foundation | 47.041 | | - | 75,172 |
| National Science Foundation | 47.041 | | - | 21,691 |
| National Science Foundation | 47.041 | | - | 68,668 |
| National Science Foundation | 47.049 | | - | 111,405 |
| National Science Foundation | 47.049 | | - | 102,826 |
| National Science Foundation | 47.049 | | - | 34,894 |
| National Science Foundation | 47.049 | | - | 151,936 |
| National Science Foundation | 47.049 | | - | 16,530 |
| National Science Foundation | 47.049 | | - | 12,921 |
| National Science Foundation | 47.049 | | - | 38,637 |
| National Science Foundation | 47.049 | | - | 102,639 |
| National Science Foundation | 47.049 | | - | 8,560 |
| National Science Foundation | 47.049 | | - | 18,856 |
| National Science Foundation | 47.050 | | - | 26,936 |
| National Science Foundation | 47.050 | | - | 67,886 |
| National Science Foundation | 47.050 | | - | 44,496 |
| National Science Foundation | 47.050 | | - | 12,296 |
| National Science Foundation | 47.050 | | - | 5,112 |
| National Science Foundation | 47.050 | | - | 45,762 |
| National Science Foundation | 47.050 | | - | 146,169 |
| National Science Foundation | 47.050 | | - | 140,632 |
| National Science Foundation | 47.050 | | - | 24,520 |
| National Science Foundation | 47.050 | | - | 57,911 |
| National Science Foundation | 47.050 | | - | 95,558 |
| National Science Foundation | 47.050 | | - | 33,750 |
| National Science Foundation | 47.070 | | - | 68,371 |
| National Science Foundation | 47.070 | | - | 19,583 |
| National Science Foundation | 47.070 | | - | 1,958 |
| National Science Foundation | 47.070 | | - | 103,249 |
| National Science Foundation | 47.070 | | - | 40,869 |
| National Science Foundation | 47.074 | | - | 665,322 |
| National Science Foundation | 47.074 | | - | 23,514 |
| National Science Foundation | 47.074 | | - | 41,632 |
| National Science Foundation | 47.074 | | - | 41,556 |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|--------------------------------------|--|---|-------------------------------|
| National Science Foundation: | | | | |
| Direct | | | | |
| National Science Foundation | 47.075 | CAREER: Moral Economies in Water Markets: Implications for Understanding Human Responses to Water Insecurity in Market-Driven Economies | - | 16,460 |
| National Science Foundation | 47.075 | Documenting Domaaki (dmk), a Severely Endangered Indo-Aryan | - | 624 |
| National Science Foundation | 47.076 | Collaborative Research: An Interdisciplinary Approach to AI Education for Social Good | - | 15,065 |
| National Science Foundation | 47.076 | Collaborative Research: A Technology Pathway Program in Data Technology and Applications | 1,222 | 13,470 |
| National Science Foundation | 47.076 | Researching How You Teach Holistic Modeling (RHYTHM) | - | 1,176 |
| National Science Foundation | 47.076 | Collaborative Research: Fostering Engineering Creativity and Communication through Immediate, Personalized Feedback on 2D-Perspective Drawing | - | 8,413 |
| National Science Foundation | 47.076 | Supporting Active Learning in Introductory STEM Courses with Extended Reality | - | 58,254 |
| National Science Foundation | 47.076 | Collaborative Research: A Bridge to Physics & Astronomy Doctorates for Students with Financial Need | - | 72,715 |
| National Science Foundation | 47.076 | Transforming Undergraduate Teaching and Learning Through Culturally Sustaining, Active, and Asset-Based Approaches to Introductory Science Courses | - | 168,876 |
| National Science Foundation | 47.076 | Career Exploration Lab: 3D Printing and STEM Engagement for High School Students with Visual Impairments and their Educators | 71,039 | 265,914 |
| National Science Foundation | 47.076 | Collaborative Research: NRT-QL: A Program for Training a Quantum Workforce | - | 12,825 |
| National Science Foundation | 47.078 | CAREER: Foraging Ecology and Physiology of Emperor Penguins in the Ross Sea | - | 60,331 |
| Total Direct | | | <u>72,261</u> | <u>3,754,162</u> |
| Pass-through | | | | |
| Virginia Tech | 47.041 | FMSG: Cyber: Cybermanufacturing of Wide-Bandgap Semiconductor Devices Enabled by Simulation Augmented Machine Learning | - | 51,989 |
| Colorado School of Mines | 47.049 | QLCI-CG: The Open Quantum Frontier Institute | - | 7,883 |
| Columbia University | 47.050 | Sedimentology and Mineralogy of Guaymas Basin's Deep Subseafloor Habitats (IODP Expedition 385) | G14697 - 44B/GG00939 | 17,507 |
| CSU, Sacramento | 47.076 | CSU SJSU LSAMP Program 2018-2022 | 533014 | 19,400 |
| Calif State University Fresno | 47.076 | XR-FLC Faculty Participants | 351056-01-PSA | 2,957 |
| UC, Berkeley | 47.076 | Transforming College Teaching: Statewide Implementation of the Faculty Learning Program to Improve STEM Undergraduate | 00009399 | 3,248 |
| Total Pass-through | | | - | 102,984 |
| Total National Science Foundation | | | <u>72,261</u> | <u>3,857,146</u> |
| Environmental Protection Agency: | | | | |
| Direct | | | | |
| Environmental Protection Agency | 66.509 | Evaluating Agricultural Management Practices Benefiting the Monterey Bay: Reducing Nutrient Loads and Harmful Algal Bloom (HAB) Events | 12,591 | 141,250 |
| Environmental Protection Agency | 66.509 | Evaluating Agricultural Management Practices Benefiting the Monterey Bay: Reducing Nutrient Loads and Harmful Algal Bloom (HAB) Events | - | 84,635 |
| Total Direct | | | <u>12,591</u> | <u>225,785</u> |
| Pass-through | | | | |
| Washington Dept of Fish & Wildlife | 66.123 | Assessing Pacific Sand Lance Subtidal Habitats and Biomass in Regards to Salmon Foraging in the San Juan Archipelago | 20-15401 | 6,493 |
| San Jose State University | 66.461 | Developing Riparian Management Goals through Validation of Assessment Tools | CD-99T92901-0 | 97,841 |
| Total Pass-through | | | <u>72,121</u> | <u>104,334</u> |
| Total Environmental Protection Agency: | | | <u>84,712</u> | <u>330,119</u> |
| Nuclear Regulatory Commission | | | | |
| Direct | | | | |
| Nuclear Regulatory Commission | 77.008 | Re-establishing Nuclear Science Research at SJSU | - | 51,401 |
| Total Nuclear Regulatory Commission | | | <u>-</u> | <u>51,401</u> |
| Department of Energy: | | | | |
| Direct | | | | |
| Department of Energy | 81.049 | Advancing the Understanding of Cloud Microphysical Processes and Aerosol Indirect Effects in High-Latitude Mixed-Phase Clouds | - | 232,388 |
| Total Direct | | | <u>59,401</u> | <u>232,388</u> |
| Pass-through | | | | |
| Lawrence Berkeley Natl Laboratories | 81.000 | Stochastic and Hybrid Models and Algorithms for Fluids | 7625627 | 21,113 |
| University of Tennessee | 81.049 | AI and Data Science Enabled Predictive Modeling of Collective Phenomena in Strongly Correlated Quantum Materials | A22-0491-S001 | 16,121 |
| Palo Alto Research Center | 81.086 | Scalable Ceramic Alignment for Electro-Active Structures (SCALES) (Subtopic 1.1) | P315874 | 11,549 |
| University of Tennessee | 81.121 | A Holistic Artificial Intelligence Tool to Mitigate Human Factor Uncertainty in Operation and Maintenance | A21-0451-S001 | 80,317 |
| Lawrence Livermore Natl Lab | 81.123 | Understanding Urban and Wildland Fire Dynamics | B646704 | 20,645 |
| Lawrence Livermore Natl Lab | 81.123 | Understanding Urban and Wildland Fire Dynamics | B649584 | 34,987 |
| Lawrence Livermore Natl Lab | 81.123 | Datasets of Weather and Wildfire Fuel for California | B650931 | 22,219 |
| UC, Berkeley | 81.135 | Efficient Recovery of Rare Earth using Methylobacterium Exorquens | 00010579 | 108,519 |
| Lawrence Berkeley Natl Laboratories | 81.RD | Hybrid Models and Algorithm. | 7485533 | 131,283 |
| Lawrence Livermore National Lab | 81.XXX | Continuum Modeling of Cellular Membranes and Oncogenic Proteins | B641109 | 99,257 |
| Total Pass-through | | | - | 546,010 |
| Total Department of Energy | | | <u>59,401</u> | <u>778,398</u> |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|--------------------------------------|--|---|-------------------------------|
| Department of Health and Human Services: | | | | |
| Direct | | | | |
| Dept of Health & Human Services | 93.243 | | - | 42,101 |
| National Institutes of Health | 93.273 | | - | 66,612 |
| Public Health Institute | 93.279 | | - | 1,502 |
| Dept of Health & Human Services | 93.286 | | - | 13,920 |
| National Institutes of Health | 93.307 | | 29,882 | 57,212 |
| National Institutes of Health | 93.837 | | - | 232,082 |
| National Institutes of Health | 93.853 | | - | 70,656 |
| Dept of Health & Human Services | 93.855 | | - | 54,143 |
| Dept of Health & Human Services | 93.859 | | - | 3,609 |
| National Institutes of Health | 93.859 | | - | 3,683 |
| Dept of Health & Human Services | 93.859 | | - | 90,171 |
| National Institutes of Health | 93.859 | | - | 52,197 |
| National Institutes of Health | 93.859 | | - | 79,927 |
| National Institutes of Health | 93.859 | | - | 60,829 |
| National Institutes of Health | 93.859 | | - | 82,699 |
| National Institutes of Health | 93.859 | | - | 44,226 |
| National Institutes of Health | 93.859 | | - | 126,885 |
| National Institutes of Health | 93.859 | | - | 79,125 |
| National Institutes of Health | 93.859 | | - | 295,927 |
| National Institutes of Health | 93.859 | | - | 71,529 |
| National Institutes of Health | 93.859 | | - | 73,464 |
| National Institutes of Health | 93.859 | | - | 94,429 |
| Dept of Health & Human Services | 93.859 | | - | 1,950 |
| Total Direct | | | 29,882 | 1,698,878 |
| Pass-through | | | | |
| Sourcewise | 93.043 | 20221402.00 | - | 52,805 |
| Ohio State University | 93.087 | 60079187 | - | (1) |
| UserWise | 93.103 | 1530355 | - | 12,781 |
| Ohio State University | 93.137 | 60079017 | - | (1) |
| UC, San Francisco | 93.173 | 10803SC | - | 82,158 |
| Emory University | 93.310 | PO# A556575 | - | 67,584 |
| University of Chicago | 93.310 | AWD101615 (SUB000003) | - | 9,830 |
| UC, San Francisco | 93.853 | 11578SC | - | 168,601 |
| Oregon Health Sciences University | 93.173 | 1016669_SANJOSE | - | 34,127 |
| UC, Berkeley | 93.658 | 00010509 | - | 6,534 |
| UC, Berkeley | 93.658 | 00010509 | - | 1,215,714 |
| UC, Berkeley | 93.732 | 00009669 | - | 7,253 |
| UC, Berkeley | 93.732 | 00009669 | - | 66,046 |
| Total Pass-through | | | - | 1,723,431 |
| Total Department of Health and Human Services | | | 29,882 | 3,422,309 |
| Total Research and Development Cluster | | | 973,366 | 32,579,246 |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|--------------------------------------|--|---|-------------------------------|
| Other programs | | | | |
| Department of Housing & Urban Development | | | | |
| Pass-through | | | | |
| City of San Jose | | CommUniverCity: Community Leadership Program (CLP) 21-22 | - | 49,542 |
| Total Department of Housing & Urban Development | 14.251 | CPS-16-014E | - | <u>49,542</u> |
| Department of Transportation | | | | |
| Pass-through | | | | |
| The National Academy of Sciences | | ICS Training for Field Level TTT Workshops | - | 5,970 |
| Total Department of Transportation | 20.200 | HR20-56(030)A | - | <u>5,970</u> |
| Department of Treasury | | | | |
| Pass-through | | | | |
| CaliforniaVolunteers | | Californians For All College Service Program | - | 65,606 |
| CaliforniaVolunteers | | Californians For All College Service Program (Planning) | - | 2,343 |
| Total Department of Treasury | 21.027 | CCSFRF012 | - | <u>67,949</u> |
| Institute of Museum and Library Services: | | | | |
| Direct | | | | |
| NationalEndowment for the Humanities | | Ethics with Buridan | - | 28,790 |
| NationalEndowment for the Humanities | | Ethics with Buridan | - | 9,509 |
| NationalEndowment for the Humanities | | John Steinbeck: Social Critic and Ecologist | - | 68,400 |
| Institute of Museum & Library Services | | Digital Inclusion Hotspot Program | - | 41,286 |
| Total Direct | | | - | <u>147,985</u> |
| Pass-through | | | | |
| Cal Humanities | | Deep Humanities & Arts for Socially Responsible Technology | - | 11,448 |
| Social Sci Research Council | | Reviving Humanities Public Programming with East Side Dream: The Untold Story of East San Jose | - | 28,658 |
| Total Pass-through | 45.129 | HFAP19-58 | - | <u>40,106</u> |
| | 45.164 | SUBAWARD SIGNED 4.5. | - | <u>188,091</u> |
| Small Business Administration | | | | |
| Pass-through | | | | |
| Humboldt State University | | The Spartan SBDC | - | 128,214 |
| Total Small Business Administration | 59.037 | F3262 | - | <u>128,214</u> |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Program Name | Federal Assistance Listing Number | Grant Identification Number/Pass-Through Entity Identifying Number | Amounts Provided to Subrecipients | Total Federal Expenditures |
|---|---|-----------------------------------|--|-----------------------------------|----------------------------|
| Department of Energy: | | | | | |
| Pass-through | | | | | |
| City University of New York | American Chemical Society Summer School in Nuclear and Radiochemistry | 81.049 | CM00004803-03 | - | 71,030 |
| Total Department of Energy | | | | <u>-</u> | <u>71,030</u> |
| Department of Education: | | | | | |
| Direct | | | | | |
| TRIO Cluster: | | | | | |
| Department of Education | ASPIRE (Student Support Services) - San Jose State University - FY 2020-2025 | 84.042A | | - | 538,525 |
| Department of Education | The Ronald E. McNair Postbaccalaureate Achievement Program | 84.217A | | - | 241,836 |
| Total TRIO Cluster | | | | <u>-</u> | <u>780,361</u> |
| Department of Education | Project Engineering Success: Increasing Hispanic Student Success in Engineering at San Jose State University, San Jose City College & Gavilan College | 84.031C | | - | 220,313 |
| Department of Education | Project Tapestry: Preparing Culturally Competent Speech-Language Pathologists to Deliver High Quality Services to Child | 84.325K | | - | 73,258 |
| Department of Education | Project EPICS - Educating Pacific Island Clinicians in Speech | 84.325K | | 12,040 | 36,940 |
| Department of Education | CCAMPIS - Child Care Access Means Parents in School | 84.335A | | - | 105,008 |
| Department of Education | CCAMPIS Grant 2021-2025 | 84.335A | | - | 240,957 |
| Total Direct | | | | <u>12,040</u> | <u>676,476</u> |
| Pass-through | | | | | |
| Regents of The Univ of California | San Jose Area Writing Project 2021-2022 - CSMP ESSER | 84.425 | KK2254 | - | 23,190 |
| CSU Fullerton | Meaningful Crosscultural Connection: Seeing the Humanity in Each Other | 84.031M | S-7239-SJSU | - | 2,000 |
| Regents of The Univ of California | Santa Clara Valley Mathematics Project 21-22 (ESSA Federal Funds) | 84.367A | ESSA21-CMP-SAN JOSE | - | 24,223 |
| UC, Santa Barbara | San Jose Area Writing Project 2020-2021- CSMP/ESSA Federal Funds | 84.367A | ESSA20-CWP-SAN JOSE | - | (950) |
| Regents of The Univ of California | San Jose Area Writing Project 2021-2022 - ESSA/ Federal | 84.367A | ESSA21-CWP-SAN JOSE | - | 39,641 |
| Total Pass-through | | | | <u>-</u> | <u>88,104</u> |
| Total Department of Education | | | | <u>12,040</u> | <u>1,544,941</u> |
| Corporation for National and Community Service | | | | | |
| Pass-through | | | | | |
| California Volunteers | AmeriCorps Civic Engagement (ACE) Fellows at San Jose State University | 94.006 | 17AFHY26-F200 | - | (716) |
| California Volunteers | San Jose State University (SJSU) Civic Action Fellows formerly known as AmeriCorps Civic Engagement Fellows (ACE Fellows @ SJSU) | 94.006 | 20AFHY27-F200 | - | 127,220 |
| Total Corporation for National and Community Service | | | | <u>-</u> | <u>126,504</u> |
| Total Other Programs | | | | | |
| | | | | <u>12,040</u> | <u>2,182,241</u> |
| Non Assistance Listing Number Contracts | | | | | |
| National Aeronautics and Space Administration: | | | | | |
| Pass-through | | | | | |
| ASRC Federal | Test Subject Recruitment Office - Task Order No. 2 | 43.XXX | AS20-01509 TASK ORDE | - | 122,948 |
| ASRC Federal | Test Subject Recruitment Office - Task 1 | 43.XXX | AS20-01509 TASK ORDE | - | 60,343 |
| Univ Space Research Assoc. | Smart Vertiplex for Advanced Air Mobility at NASA Ames Research Center | 43.XXX | SUBK-SJSU-SIG-2021 | - | 9,477 |
| Total National Aeronautics and Space Administration | | | | <u>-</u> | <u>192,768</u> |
| Department of Energy: | | | | | |
| Pass through | | | | | |
| Sandia National Laboratories | Duncan Hall NS Security Project | 81.XXX | | - | 7,548 |
| Total Department of Energy | | | | <u>-</u> | <u>7,548</u> |
| Department of Homeland Security: | | | | | |
| Direct | | | | | |
| U.S. Dept of Homeland Security | MTI Database on Terrorist and Serious Criminal Attacks against Public Surface Transportation | 97. XXX | | - | 159,550 |
| Total Department of Homeland Security | | | | <u>-</u> | <u>159,550</u> |
| Total non-assistance listing number | | | | | |
| | | | | <u>-</u> | <u>359,866</u> |
| Total Federal Expenditures | | | | <u>\$ 985,406</u> | <u>\$ 35,121,353</u> |

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

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of San José State University Research Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the U.S. Office of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

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

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

Note 3. Indirect Cost Rate

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

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

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type and fiduciary activities of the San Jose State University Research Foundation, (a component unit of the California State University (the Foundation) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated December 9, 2022. Our report includes a reference to other auditors who audited the financial statements of Research Organizations Retiree Medical Trust (the Trust), as described in our report on the Foundation's financial statements. Our report includes an emphasis of matter paragraph for the adoption of GASB Statement No. 87, *Leases*. The financial statements of the Trust were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Trust or that are reported on separately by those auditors who audited the financial statements of the Trust.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

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

Foundation's Response to Finding

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

Purpose of this Report

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

RSM US LLP

San Jose, California
December 9, 2022

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

Independent Auditor's Report

Board of Directors
San José State University Research Foundation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Jose State University Research Foundation's, (a component unit of the California State University (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2022. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Foundation's basic financial statements include the operations of the Research Organizations Retiree Medical Trust (the Trust), a *fiduciary fund*. Our audit, described below, did not include the operations of the Trust because they engaged other auditors to perform their June 30, 2022, audit and they were not required to have a separate audit in accordance with the Uniform Guidance as their federal expenditures for the year ended June 30, 2022, were less than \$750,000.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*⁴ issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

San José, California
December 9, 2022

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

II. Financial Statement Findings

Finding 2022-001- Year End Closing Procedures

Criteria: Entities should establish controls throughout the year and at year end over financial reporting to ensure that their financial statements are in accordance with US generally accepted accounting principles (US GAAP) and to ensure that there are no material misstatements in their financial statements.

Conditions: We made the following observations as part of June 30, 2022, financial statement audit:

- The June 30, 2022, trial balance was not provided in the same format as financial statements and management could not easily map that data to provide support for how this data would be reported on the financial statements. It took management approximately one month from the start of fieldwork to provide a trial balance that was mapped in the same format as the financial statements due to the need for significant reclassifications that were required for the records to be in auditable form.
- Management did not reconcile the accounts receivable subledger to the general ledger until several months after year end.
- We noted management did not appear to have a year-end closing procedure to reconcile the financial statements to their Schedule of Expenditures of Federal Awards (SEFA) to ensure amounts on the SEFA were complete and accurate. As a result of our audit procedures, it was discovered that indirect costs were not properly allocated and a reclassification of \$1,321,179 between federal, state and local grants was required.
- We noted that \$428,703 of program revenue that were accrued for in the prior fiscal year were improperly reversed to state revenue rather than program revenue where it was recorded in the prior year financial statements causing both financial statement line items to be inaccurate.
- We noted that management did not properly record deferred revenue relating to other subscription revenue which resulted in an audit adjustment of \$406,716.

Cause: We noted that the cause of these conditions appears to be use of a financial system that does not easily provide the financial data needed for monthly and year end reporting. In addition, there appears to be a lack of sufficient number of personnel with GAAP reporting knowledge to oversee the financial reporting process and the absence of robust year-end closing controls to reconcile and review account balances and review financial data prior to preparation of their financial statements and SEFA.

Effect: The effect of these conditions caused errors to result in their initial draft financial statements and a two-month delay in their audit.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Finding 2022-001- Year End Closing Procedures (Continued)

Recommendation: We recommend that the Foundation consider replacing their financial system with a system that better meets needs and automates the preparation of year-end financial statements. We also recommend that management hire additional accounting personnel that have knowledge of Governmental GAAP to ensure they have the proper oversight of the financial reporting process. Finally, we recommend that the Foundation establish a checklist for year-end reporting procedures which would include review and reconciliation of each financial statement account for reasonableness, review of subsequent payment of expenditures for accrual and reconciliation to the SEFA.

Views of Responsible Officials

Management recognizes the accuracy of the conditions that led to this finding and their role in the delay of the audit. Management will work to implement all of the recommendations identified by the auditor.

III. Findings and Questioned Costs for Federal Awards

No matters were reported.

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

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022**

None

San José State University Research Foundation

Schedule of Net Position

June 30, 2022

(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

| | |
|---|------------|
| Cash and cash equivalents | 1,338,370 |
| Short-term investments | 21,864,083 |
| Accounts receivable, net | 9,248,957 |
| Lease receivables, current portion | 10,174 |
| Notes receivable, current portion | - |
| Pledges receivable, net | - |
| Prepaid expenses and other current assets | 259,591 |

| | |
|-----------------------------|-------------------|
| Total current assets | 32,721,175 |
|-----------------------------|-------------------|

Noncurrent assets:

| | |
|---|------------|
| Restricted cash and cash equivalents | 44,112 |
| Accounts receivable, net | - |
| Lease receivables, net of current portion | - |
| Notes receivable, net of current portion | - |
| Student loans receivable, net | - |
| Pledges receivable, net | - |
| Endowment investments | - |
| Other long-term investments | 2,225,287 |
| Capital assets, net | 14,867,262 |
| Other assets | 63,570 |

| | |
|--------------------------------|-------------------|
| Total noncurrent assets | 17,200,231 |
|--------------------------------|-------------------|

| | |
|---------------------|-------------------|
| Total assets | 49,921,406 |
|---------------------|-------------------|

Deferred outflows of resources:

| | |
|------------------------------------|------------|
| Unamortized loss on debt refunding | - |
| Net pension liability | - |
| Net OPEB liability | 10,905,254 |
| Leases | - |
| Others | - |

| | |
|---|-------------------|
| Total deferred outflows of resources | 10,905,254 |
|---|-------------------|

(Continued)

San José State University Research Foundation
Schedule of Net Position (Continued)
June 30, 2022
(for inclusion in the California State University Financial Statements)

Liabilities:

Current liabilities:

| | |
|---|-------------------|
| Accounts payable | 2,801,348 |
| Accrued salaries and benefits | 2,230,821 |
| Accrued compensated absences, current portion | 1,428,188 |
| Unearned revenues | 4,878,856 |
| Lease liabilities, current portion | 542,825 |
| Long-term debt obligations, current portion | - |
| Claims liability for losses and loss adjustment expenses, current portion | - |
| Depository accounts | - |
| Other liabilities | 24,930 |
| | 11,906,968 |

Noncurrent liabilities:

| | |
|--|-------------------|
| Accrued compensated absences, net of current portion | 30,151 |
| Unearned revenues | - |
| Grants refundable | - |
| Lease liabilities, net of current portion | 2,622,198 |
| Long-term debt obligations, net of current portion | - |
| Claims liability for losses and loss adjustment expenses, net of current portion | - |
| Depository accounts | 195,587 |
| Net other postemployment benefits liability | 17,029,305 |
| Net pension liability | - |
| Other liabilities | 157,023 |
| | 20,034,264 |

Total liabilities

31,941,232

Deferred inflows of resources:

| | |
|------------------------------------|-------------------|
| Service concession arrangements | - |
| Net pension liability | - |
| Net OPEB liability | 11,736,637 |
| Unamortized gain on debt refunding | - |
| Nonexchange transactions | - |
| Lease | 10,145 |
| Others | - |
| | 11,746,782 |

Net position:

| | |
|----------------------------------|-------------------|
| Net investment in capital assets | 11,702,239 |
| Restricted for: | |
| Nonexpendable – endowments | - |
| Expendable: | |
| Scholarships and fellowships | - |
| Research | 26,562 |
| Loans | - |
| Capital projects | - |
| Debt service | - |
| Others | - |
| Unrestricted | 5,409,845 |
| | 17,138,646 |

Total net position

17,138,646

San José State University Research Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(for inclusion in the California State University Financial Statements)

Revenues:

Operating revenues:

| | |
|--|-------------------|
| Student tuition and fees, gross | - |
| Scholarship allowances (enter as negative) | - |
| Grants and contracts, noncapital: | |
| Federal | 33,496,904 |
| State | 8,102,050 |
| Local | 2,088,593 |
| Nongovernmental | 2,722,868 |
| Sales and services of educational activities | - |
| Sales and services of auxiliary enterprises, gross | - |
| Scholarship allowances (enter as negative) | - |
| Other operating revenues | 5,845,838 |
| Total operating revenues | 52,256,253 |

Expenses:

Operating expenses:

| | |
|------------------------------------|--------------------|
| Instruction | 6,407,926 |
| Research | 34,817,988 |
| Public service | 15,064 |
| Academic support | 259,069 |
| Student services | 790,776 |
| Institutional support | 6,871,077 |
| Operation and maintenance of plant | 1,348,845 |
| Student grants and scholarships | 1,804,718 |
| Auxiliary enterprise expenses | - |
| Depreciation and amortization | 2,161,574 |
| Total operating expenses | 54,477,037 |
| Operating income (loss) | (2,220,784) |

Nonoperating revenues (expenses):

| | |
|--|--------------------|
| State appropriations, noncapital | - |
| Federal financial aid grants, noncapital | 1,266,252 |
| State financial aid grants, noncapital | 421,441 |
| Local financial aid grants, noncapital | - |
| Nongovernmental and other financial aid grants, noncapital | 107,013 |
| Other federal nonoperating grants, noncapital | - |
| Gifts, noncapital | 853,341 |
| Investment income (loss), net | (1,989,040) |
| Endowment income (loss), net | - |
| Interest expense | (44,413) |
| Other nonoperating revenues (expenses) | 10,228 |
| Net nonoperating revenues (expenses) | 624,822 |
| Income (loss) before other revenues (expenses) | (1,595,962) |

| | |
|--|--------------------|
| State appropriations, capital | - |
| Grants and gifts, capital | (500,000) |
| Additions (reductions) to permanent endowments | - |
| Increase (decrease) in net position | (2,095,962) |

Net position:

| | |
|---|-------------------|
| Net position at beginning of year, as previously reported | 19,234,608 |
| Restatements | - |
| Net position at beginning of year, as restated | 19,234,608 |
| Net position at end of year | 17,138,646 |

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

Other Information

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

| | |
|--|---------------------|
| All other restricted cash and cash equivalents | 44,112 |
| Noncurrent restricted cash and cash equivalents | 44,112 |
| Current cash and cash equivalents | 1,338,370 |
| Total | \$ 1,382,482 |

2.1 Composition of investments:

| Investment Type | Current | Noncurrent | Total |
|--|----------------------|------------------|-------------------|
| Money market funds | 718,186 | | 718,186.00 |
| Repurchase agreements | | | - |
| Certificates of deposit | | | - |
| U.S. agency securities | 15,724 | | 15,724 |
| U.S. treasury securities | 911,489 | | 911,489 |
| Municipal bonds | | | - |
| Corporate bonds | 1,705,343 | | 1,705,343 |
| Asset backed securities | 29,008 | | 29,008 |
| Mortgage backed securities | | | - |
| Commercial paper | | | - |
| Mutual funds | 3,913,266 | | 3,913,266 |
| Exchange traded funds | 2,575,523 | | 2,575,523 |
| Equity securities | 8,730,727 | 222,150 | 8,952,877 |
| Alternative investments: | | | |
| Private equity (including limited partnerships) | | 926,698 | 926,698 |
| Hedge funds | | | - |
| Managed futures | | | - |
| Real estate investments (including REITs) | | 1,076,439 | 1,076,439 |
| Commodities | | | - |
| Derivatives | | | - |
| Other alternative investment | | | - |
| Other external investment pools | | | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | | | - |
| State of California Local Agency Investment Fund (LAIF) | 3,264,817 | | 3,264,817 |
| State of California Surplus Money Investment Fund (SMIF) | | | - |
| Other investments: | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| Total Other investments | - | - | - |
| Total investments | 21,864,083 | 2,225,287 | 24,089,370 |
| Less endowment investments (enter as negative number) | | - | - |
| Total investments, net of endowments | \$ 21,864,083 | 2,225,287 | 24,089,370 |

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

Other Information

3.2 Detail of depreciation and amortization expense:

| | |
|---|---------------------|
| Depreciation and amortization expense related to capital assets | \$ 2,161,574 |
| Amortization expense related to other assets | |
| Total depreciation and amortization | \$ 2,161,574 |

4 Long-term liabilities:

| | Balance June 30, 2021 | Prior Period Adjustments/Reclassifications | Balance June 30, 2021 (Restated) | Additions | Reductions | Balance June 30, 2022 | Current Portion | Noncurrent Portion |
|--|--------------------------|---|-------------------------------------|-----------|-------------|--------------------------|-----------------|--------------------|
| 1. Accrued compensated absences | \$ 1,646,368 | | 1,646,368 | 1,166,296 | (1,354,325) | \$ 1,458,339 | \$ 1,428,188 | \$ 30,151 |
| 2. Claims liability for losses and loss adjustment expenses | - | | - | | | - | | - |
| 3. Capital lease obligations: | | | | | | | | |
| Gross balance | - | | - | | | - | | - |
| Unamortized net premium/(discount) | - | | - | | | - | | - |
| Total capital lease obligations | \$ - | | - | | | - | | - |
| 4. Long-term debt obligations: | | | | | | | | |
| 4.1 Auxiliary revenue bonds (non-SRB related) | \$ - | | - | | \$ - | - | | - |
| 4.2 Commercial paper | - | | - | | | - | | - |
| 4.3 Notes payable (SRB related) | - | | - | | | - | | - |
| 4.4 Others: | - | | - | | | - | | - |
| | - | | - | | | - | | - |
| | - | | - | | | - | | - |
| | - | | - | | | - | | - |
| | - | | - | | | - | | - |
| Total others | - | | - | | | - | | - |
| Sub-total long-term debt | \$ - | | - | | \$ - | - | | - |
| 4.5 Unamortized net bond premium/(discount) | - | | - | | | - | | - |
| Total long-term debt obligations | - | | - | | | - | | - |

5. Lease Liabilities

| | | | |
|------------------------------------|-----------|---------|-----------|
| Total long-term liabilities | 3,165,023 | 542,825 | 2,622,198 |
| | 3,165,023 | 542,825 | 2,622,198 |

| | Balance | Additions | Remeasurements | Reductions | June 30, 2022 | Current Portion | Noncurrent Portion |
|-------------------|---------------------|-----------|----------------|------------------|---------------------|-------------------|--------------------|
| Lease liabilities | 3,688,256 | - | - | (523,233) | 3,165,023 | 542,825 | 2,622,198 |
| Total | \$ 3,688,256 | - | - | (523,233) | \$ 3,165,023 | \$ 542,825 | 2,622,198 |

5 Lease Liabilities schedule:

| | Lease Liabilities related to SRB | | | All other lease liabilities | | | Total lease liabilities | | |
|---|----------------------------------|---------------|------------------------|-----------------------------|----------------|------------------------|-------------------------|----------------|------------------------|
| | 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: | | | | | | | | | |
| 2023 | - | - | - | 542,825 | 39,168 | 581,993 | 542,825 | 39,168 | 581,993 |
| 2024 | - | - | - | 565,461 | 30,875 | 596,336 | 565,461 | 30,875 | 596,336 |
| 2025 | - | - | - | 578,083 | 23,412 | 601,495 | 578,083 | 23,412 | 601,495 |
| 2026 | - | - | - | 585,678 | 15,814 | 601,492 | 585,678 | 15,814 | 601,492 |
| 2027 | - | - | - | 892,976 | 8,119 | 901,095 | 892,976 | 8,119 | 901,095 |
| 2028 - 2032 | - | - | - | - | 1,142 | 1,142 | - | 1,142 | 1,142 |
| 2033 - 2037 | - | - | - | - | - | - | - | - | - |
| 2038 - 2042 | - | - | - | - | - | - | - | - | - |
| 2043 - 2047 | - | - | - | - | - | - | - | - | - |
| 2048 - 2052 | - | - | - | - | - | - | - | - | - |
| Thereafter | - | - | - | - | - | - | - | - | - |
| Total minimum lease payments | \$ - | - | - | 3,165,023 | 118,530 | 3,283,553 | 3,165,023 | 118,530 | 3,283,553 |
| Less: amounts representing interest | | | | | | | | | (118,530) |
| Present value of future minimum lease payments | | | | | | | | | 3,165,023 |
| Total lease liabilities | | | | | | | | | 3,165,023 |
| Less: current portion | | | | | | | | | (542,825) |
| Lease liabilities, net of current portion | | | | | | | | | \$ 2,622,198 |

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

Other Information

⁶ Long-term debt obligations schedule:

| | Auxiliary revenue bonds (non-SRB related) | | | All other long-term debt obligations | | | Total long-term debt obligations | | |
|---|---|----------|------------------------|--------------------------------------|----------|------------------------|----------------------------------|----------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2023 | | | - | | | - | - | - | - |
| 2024 | | | - | | | - | - | - | - |
| 2025 | | | - | | | - | - | - | - |
| 2026 | | | - | | | - | - | - | - |
| 2027 | | | - | | | - | - | - | - |
| 2028 - 2032 | | | - | | | - | - | - | - |
| 2033 - 2037 | | | - | | | - | - | - | - |
| 2038 - 2042 | | | - | | | - | - | - | - |
| 2043 - 2047 | | | - | | | - | - | - | - |
| 2048 - 2052 | | | - | | | - | - | - | - |
| 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 | | | | | | | | | - |

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

Other Information

7 Transactions with related entities:

| | |
|--|-----------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | 1,300,560 |
| Payments to University for other than salaries of University personnel | 1,219,956 |
| Payments received from University for services, space, and programs | 2,414,263 |
| Gifts-in-kind to the University from discretely presented component units | |
| Gifts (cash or assets) to the University from discretely presented component units | 2,197,551 |
| Accounts (payable to) University (enter as negative number) | (386,021) |
| Other amounts (payable to) University (enter as negative number) | |
| Accounts receivable from University (enter as positive number) | 29,857 |
| Other amounts receivable from University (enter as positive number) | |

8 Restatements

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

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

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

Other Information

9 Natural classifications of operating expenses:

| | Salaries | Benefits - Other | Benefits - Pension | Benefits - OPEB | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total operating expenses |
|------------------------------------|----------------------|------------------|--------------------|------------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | 3,757,016 | 937,992 | - | - | - | 1,712,918 | - | 6,407,926 |
| Research | 20,064,145 | 4,218,486 | - | 1,360,299 | - | 9,175,058 | - | 34,817,988 |
| Public service | 7,307 | 554 | - | - | - | 7,203 | - | 15,064 |
| Academic support | 180,047 | 40,905 | - | - | - | 38,117 | - | 259,069 |
| Student services | 223,153 | 69,549 | - | - | - | 498,074 | - | 790,776 |
| Institutional support | 4,127,594 | 1,804,127 | - | - | - | 939,356 | - | 6,871,077 |
| Operation and maintenance of plant | - | - | - | - | - | 1,348,845 | - | 1,348,845 |
| Student grants and scholarships | - | - | - | - | 1,804,718 | - | - | 1,804,718 |
| Auxiliary enterprise expenses | - | - | - | - | - | - | - | - |
| Depreciation and amortization | - | - | - | - | - | - | 2,161,574 | 2,161,574 |
| Total operating expenses | \$ 28,359,262 | 7,071,613 | - | 1,360,299 | 1,804,718 | 13,719,571 | 2,161,574 | 54,477,037 |

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

Other Information

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

| | |
|---|------------|
| Deferred outflows - unamortized loss on refunding(s) | |
| Deferred outflows - net pension liability | |
| Deferred outflows - net OPEB liability | 10,905,254 |
| Deferred outflows - leases | |
| Deferred outflows - others: | |
| Sales/intra-entity transfers of future revenues | |
| Gain/loss on sale leaseback | |
| Loan origination fees and costs | |
| Change in fair value of hedging derivative instrument | |
| Irrevocable split-interest agreements | |

| | |
|---|----------------------|
| Total deferred outflows - others | - |
| Total deferred outflows of resources | \$ 10,905,254 |

2. Deferred Inflows of Resources

| | |
|--|------------|
| Deferred inflows - service concession arrangements | |
| Deferred inflows - net pension liability | |
| Deferred inflows - net OPEB liability | 11,736,637 |
| Deferred inflows - unamortized gain on debt refunding(s) | |
| Deferred inflows - nonexchange transactions | |
| Deferred inflows - leases | 10,145 |
| Deferred inflows - others: | |
| Sales/intra-entity transfers of future revenues | |
| Gain/loss on sale leaseback | |
| Loan origination fees and costs | |
| Change in fair value of hedging derivative instrument | |
| Irrevocable split-interest agreements | |

| | |
|--|----------------------|
| Total deferred inflows - others | - |
| Total deferred inflows of resources | \$ 11,746,782 |

11 Other nonoperating revenues (expenses)

| | |
|---|------------------|
| Other nonoperating revenues | 10,228 |
| Other nonoperating (expenses) | |
| Total other nonoperating revenues (expenses) | \$ 10,228 |