

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

Financial Statements  
June 30, 2023

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## Independent Auditor's Report

Board of Directors  
Tower Foundation of San José State University

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the Tower Foundation of San Jose State University (the Tower Foundation), a component unit of the California State University, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Tower 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 Tower Foundation, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tower Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **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 Tower 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 opinion. 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 Tower 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 Tower 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tower Foundation's basic financial statements. The supplementary schedules for inclusion in the California State University financial statements which include: (1) schedule of net position, (2) schedule of revenues, expenses and changes in net position, and (3) other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the Tower 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 Tower 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 Tower Foundation's internal control over financial reporting and compliance.

*RSM US LLP*

San Antonio, Texas  
September 29, 2023

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

**Management's Discussion and Analysis  
Years Ended June 30, 2023 and 2022**

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**Management's Discussion and Analysis**

This section of the Tower Foundation of San José State University's (the Foundation) annual financial report includes management's discussion and analysis of the financial performance of the Foundation for the years ended June 30, 2023 and 2022. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

**Introduction to the Tower Foundation**

The Foundation, formed in April 2004, provides a means, through membership on the board of directors, to engage prominent alumni and citizens in the life of San José State University (SJSU or the University). Board members play a critical role in shaping the philanthropic strategy and work closely with the University president to reach out to graduates and businesses to build commitment to the University.

The Foundation receives donations in the form of cash, stock, pledges and planned giving vehicles. These gifts support a vast array of student scholarships, as well as vibrant programs throughout the University. Many of these gifts are provided for investment in the Foundation's endowment, which is vital to the University's ability to sustain the highest quality of education and research.

The Foundation's board of directors is composed of up to 43 community members, most of whom are SJSU alumni. Members are appointed for three-year terms. Four ex-officio members, including the University president, serve on the board as well. The board advises the president and Foundation management on general campus issues, investments, audit compliance, campaign development, public relations and long-range planning. It is the responsibility of each board member to take a leading philanthropic role by making annual contributions to SJSU.

**Introduction to the Financial Statements**

The Foundation's financial statements include the statement of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements are supported by notes to the financial statements and management's discussion and analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

**Statements of net position:** The statements of net position include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. The statements also identify major categories of restrictions on the net position of the Foundation.

**Statements of revenues, expenses and changes in net position:** The statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

**Statements of cash flows:** The statements of cash flows present the inflows and outflows of cash for the year and are summarized by operating, financing and investing activities. The statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the years' activities.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2023 and 2022**

**Analytical Overview**

**Summary**

The following discussion highlights management's understanding of the key changes and financial aspects of the Foundation's financial activities for the years ended June 30, 2023, 2022 and 2021.

**Condensed Summary of Net Position**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>			
Current assets	\$ 54,696,217	\$ 53,010,100	\$ 46,331,118
Capital assets	42,040,489	20,411,961	-
Other noncurrent assets	203,330,871	206,872,684	217,590,613
Total assets	<u>\$ 300,067,577</u>	<u>\$ 280,294,745</u>	<u>\$ 263,921,731</u>
<b>Liabilities:</b>			
Current liabilities	\$ 4,989,957	\$ 2,363,697	\$ 2,453,856
Noncurrent liabilities	44,284,561	44,263,920	1,786,316
Total liabilities	<u>\$ 49,274,518</u>	<u>\$ 46,627,617</u>	<u>\$ 4,240,172</u>
<b>Net position:</b>			
Net investment in capital assets	\$ -	\$ 110,009	\$ -
<b>Restricted:</b>			
Nonexpendable endowments	136,119,464	131,816,900	128,273,842
<b>Expendable:</b>			
Endowments—income	11,945,365	11,155,107	13,448,696
Donor restrictions	93,289,546	82,094,385	111,530,264
<b>Unrestricted:</b>			
Board designated	2,230,240	2,230,240	2,230,240
Other	7,208,444	6,260,487	4,198,517
Total net position	<u>\$ 250,793,059</u>	<u>\$ 233,667,128</u>	<u>\$ 259,681,559</u>

**Assets:** Total assets increased by \$17.5 million from fiscal year 2022 to fiscal year 2023 primarily due to an increase in the fair market value of the Foundation's endowment investments. Capital assets increased by approximately \$21.6 million and \$20.4 million in fiscal year 2023 and 2022, respectively. This represents construction in progress costs of the Spartan Athletic Center. As funds are capitalized for construction the note receivable has declined from \$21.2 million in fiscal year 2022 to \$2.2 million in fiscal year 2023. The cost of software and related implementation costs totaling approximately \$114,000 were capitalized for the first time in fiscal year 2023 following the adoption of GASB 96 by the Foundation.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2023 and 2022**

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**Condensed Summary of Net Position (Continued)**

**Liabilities:** Total liabilities increased by approximately \$2.6 million due primarily to payables associated with the Spartan Athletic Center construction.

**Noncurrent liabilities:** Noncurrent liabilities increased by \$42.4 million in fiscal year 2022 due to the issuance of long-term debt related to the Spartan Athletic Center. Principal payments will begin in fiscal year 2024.

**Net position:** Total net position increased by \$17.1 million from fiscal year 2022 to fiscal year 2023 primarily due to investment earnings of \$20.9 million in the current year. Total net position increased from FY 2022 to FY 2023 due primarily to an increase in restricted nonexpendable endowments and restricted expendable donor restricted gifts.

**Net investment in capital assets:** Net investment in capital assets presents the cost of the capital assets, net of related debt and accumulated depreciation.

**Restricted resources:** Restricted net position of the Foundation includes donor restricted endowments, unspent endowment income appropriated for spending and donor restricted gifts.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Nonexpendable endowments	<u>\$ 136,119,464</u>	<u>\$ 131,816,900</u>	<u>\$ 128,273,842</u>
Expendable:			
Endowment income	\$ 11,945,365	\$ 11,155,107	\$ 13,448,696
Donor restricted gifts	<u>93,289,546</u>	<u>82,094,385</u>	<u>111,530,264</u>
	<u>\$ 105,234,911</u>	<u>\$ 93,249,492</u>	<u>\$ 124,978,960</u>



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

**Management's Discussion and Analysis  
Years Ended June 30, 2023 and 2022**

**Condensed Summary of Revenues, Expenses and Changes in Net Position**

The Foundation's condensed summary of revenues, expenses and changes in net position for the years ended June 30 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Gifts, pledges and bequests	\$ 16,374,635	\$ 13,392,752	\$ 17,040,829
Nonmonetary gifts	271,741	1,401,833	1,047,778
Other	1,183,574	1,323,221	5,969,479
Total operating revenues	<u>17,829,950</u>	<u>16,117,806</u>	<u>24,058,086</u>
Operating expenses:			
Support activities of SJSU	22,044,826	19,843,189	17,279,852
General and administrative	4,066,638	2,704,481	2,211,411
Total operating expenses	<u>26,111,464</u>	<u>22,547,670</u>	<u>19,491,263</u>
Operating (loss) income	<u>(8,281,514)</u>	<u>(6,429,864)</u>	<u>4,566,823</u>
Nonoperating (expenses) revenues:			
Investment income (loss), net	20,880,171	(24,511,983)	52,509,049
Total nonoperating (expenses) revenues	<u>20,880,171</u>	<u>(24,511,983)</u>	<u>52,509,049</u>
Other changes in net position, including transfers of assets from related organizations	4,527,274	4,927,416	908,695
Changes in net position	<u>17,125,931</u>	<u>(26,014,431)</u>	<u>57,984,567</u>
Net position:			
Beginning of year	<u>233,667,128</u>	<u>259,681,559</u>	<u>201,696,992</u>
End of year	<u>\$ 250,793,059</u>	<u>\$ 233,667,128</u>	<u>\$ 259,681,559</u>

**Operating revenues:** Gifts, pledges and bequests increased by \$2.9 million from FY 2022 to FY 2023 following a decrease of \$3.6 million from fiscal year 2021 to fiscal year 2022.

Nonmonetary gifts decreased by \$1.1 million from fiscal year 2022 to fiscal year 2023 and decreased \$0.4 million from fiscal year 2021 to 2022.

Other operating revenues were roughly unchanged from FY 2022 to FY 2023. Other operating revenues decreased by \$4.6 million from fiscal year 2021 to fiscal year 2022.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2023 and 2022**

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**Condensed Summary of Revenues, Expenses and Changes in Net Position (Continued)**

**Operating expenses:** Expenses for support activities of SJSU are principally the use of gift funds for programs, scholarships and other academic activities of the University. These expenses increased by \$2.2 million from fiscal year 2022 to fiscal year 2023 and increased by \$2.5 million from fiscal year 2021 to 2022.

General and administrative expenses represent 23% of operating revenue in 2023 and 16% in 2022. General and administrative expenses increased by \$0.5 million from fiscal year 2021 to fiscal year 2022 and increased by \$1.4 million from fiscal year 2022 to 2023. The large increase from fiscal year 2022 to 2023 was driven primarily by an increase in support for University Advancement salaries and benefits provided by Tower Foundation.

**Nonoperating (expenses) revenues:** Nonoperating (expenses) revenues come from sources that are not part of the Foundation's primary business functions. Included in this classification are interest expense, investment income, realized gains and losses on investment sales and changes in the fair value of investments.

Investment earnings increased by \$45.3 million from fiscal year 2022 to fiscal 2023 due to changes in the fair value of investments and volatility in the investment market. Investment earnings decreased \$77.0 million from fiscal year 2021 to fiscal year 2022.

**Transfers:** From fiscal year 2021 to fiscal year 2022, the campus transferred funds to the Foundation for reimbursement of funds loaned to athletics during the year to pay expenses for \$3 million and \$1 million relating to a transfer of cash back from the campus to the Foundation related to gift income of \$4.0 million. In fiscal year 2023, the campus continued to transfer funds to the Foundation as part of a plan to reimburse funds loaned to athletics during the year.

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

**Statements of Net Position  
June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 35,780,212	\$ 34,041,896
Pledges receivable, current portion, net of allowance for uncollectible pledges (Note 2)	3,840,088	4,633,081
Accounts receivable	4,214,883	5,017,474
Investments - short-term	10,436,507	9,306,729
Prepaid expenses	424,527	10,920
<b>Total current assets</b>	<b>54,696,217</b>	<b>53,010,100</b>
Noncurrent assets:		
Pledges receivable, less current portion, net of allowance (Note 2)	6,461,368	6,429,148
Bequests receivable (Note 2)	7,369,876	7,486,635
Charitable gift annuity receivable	866,875	866,875
Funds held in trust	3,413,294	3,308,902
Notes receivable (Note 7)	2,279,478	21,257,489
Capital asset (Note 5)	42,040,489	20,411,961
SBITA, less accumulated amortization (Note 10)	114,412	-
Restricted investments (Notes 3 and 4)	182,635,743	167,381,342
Other assets	189,825	142,293
<b>Total noncurrent assets</b>	<b>245,371,360</b>	<b>227,284,645</b>
<b>Total assets</b>	<b>\$ 300,067,577</b>	<b>\$ 280,294,745</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 622,912	\$ 591,478
Due to affiliated auxiliary organizations (Note 7)	4,214,070	1,619,244
Funds held in trust liability	152,975	152,975
<b>Total current liabilities</b>	<b>4,989,957</b>	<b>2,363,697</b>
Noncurrent liabilities:		
Notes payable (Note 9)	42,470,000	42,470,000
Funds held in trust liability, net of current	1,814,561	1,793,920
<b>Total noncurrent liabilities</b>	<b>44,284,561</b>	<b>44,263,920</b>
<b>Total liabilities</b>	<b>49,274,518</b>	<b>46,627,617</b>
Net position:		
Net investment in capital assets	-	110,009
Restricted for:		
Nonexpendable endowments	136,119,464	131,816,900
Expendable:		
Endowments	11,945,365	11,155,108
Donor restricted gifts	93,289,546	82,094,385
Unrestricted:		
Board designated	2,230,240	2,230,240
Other	7,208,444	6,260,486
<b>Total net position</b>	<b>\$ 250,793,059</b>	<b>\$ 233,667,128</b>

See notes to financial statements.

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

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Operating revenues:		
Gifts, pledges and bequests	\$ 16,374,635	\$ 13,392,752
Nonmonetary gifts	271,741	1,401,833
Other	1,183,574	1,323,221
<b>Total operating revenues</b>	<b>17,829,950</b>	<b>16,117,806</b>
Operating expenses:		
Support activities of San José State University	22,044,826	19,953,934
General and administrative	4,066,638	2,593,736
<b>Total operating expenses</b>	<b>26,111,464</b>	<b>22,547,670</b>
<b>Operating loss</b>	<b>(8,281,514)</b>	<b>(6,429,864)</b>
Nonoperating revenues:		
Investment (loss) income, net	20,880,171	(24,511,983)
<b>Increase (decrease) in net position before transfers</b>	<b>12,598,657</b>	<b>(30,941,847)</b>
Transfers from San José State University affiliated organizations (Note 8)	4,527,274	4,927,416
<b>Change in net position</b>	<b>17,125,931</b>	<b>(26,014,431)</b>
Net position, beginning of year	233,667,128	259,681,559
Net position, end of year	<b>\$ 250,793,059</b>	<b>\$ 233,667,128</b>

See notes to financial statements.

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

**Statements of Cash Flows  
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 17,252,167	\$ 14,687,177
Other receipts	901,328	(4,653,737)
Payments for support activities of San José State University	(22,092,226)	(20,076,055)
Payments for general and administrative	(4,028,500)	(2,704,481)
<b>Net cash (used in) provided by operating activities</b>	<b>(7,967,231)</b>	<b>(12,747,096)</b>
Cash flows from noncapital financing activities:		
Transfer from San José State University affiliated organizations	4,527,274	3,842,579
Cash flows from investing activities:		
Increase in restricted endowments	1,974,403	2,829,051
Interest and dividends on investments	3,164,674	1,626,457
Increase in other assets	47,532	(9,656)
Increase (decrease) in funds held in trust liability	20,641	7,604
Proceeds from sales and maturities of investments and funds held in trust	46,671,197	76,614,210
Purchases of investments	(46,700,174)	(68,751,660)
<b>Net cash provided by investing activities</b>	<b>5,178,273</b>	<b>12,316,006</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,738,316</b>	<b>3,411,489</b>
Cash and cash equivalents, beginning of year	34,041,896	30,630,407
Cash and cash equivalents, end of year	<b>\$ 35,780,212</b>	<b>\$ 34,041,896</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating (loss) income	\$ (8,281,515)	\$ (6,429,864)
Adjustment to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Noncash gifts	(271,741)	(1,401,833)
Amortization	38,138	-
Changes in assets and liabilities:		
Pledges and bequests receivable	877,532	1,294,425
Accounts receivable	(282,246)	(5,976,958)
Prepaid expenses and other	(413,607)	31,570
Accounts payable and accrued liabilities	31,435	(118,887)
Due to affiliated auxiliary organizations	334,773	(145,549)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (7,967,231)</b>	<b>\$ (12,747,096)</b>
Noncash financing activities:		
Transfer from San José State University affiliated organizations	(1,084,837)	1,084,837
Accounts payable from San José State University	2,260,053	-
Notes payable	-	42,644,277
<b>Net noncash financing activities</b>	<b>\$ 1,175,216</b>	<b>\$ 43,729,114</b>
Noncash investing activities:		
Capital assets financed by notes payable	21,628,528	20,411,961
Acquisition of Subscription Based Information Technology	152,550	-
Receivable due from the University and Chancellor's Office	(18,978,011)	21,325,546
<b>Net noncash investing activities</b>	<b>\$ 2,803,067</b>	<b>\$ 41,737,507</b>

See notes to financial statements.

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

**Notes to Financial Statements**

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**Note 1. Nature of Organization and Summary of Significant Accounting Policies**

**Organization:** The Tower Foundation of San José State University (the Foundation), a nonprofit organization incorporated under Internal Revenue Code (IRC) 501(c)(3), is an auxiliary organization of San José State University (the University) and the California State University System. The Foundation's mission is to advance the welfare of the University and assist in fulfilling its objectives, to supplement programs and activities of the University, and to promote and assist the educational services of the University. The Foundation receives funding from various sources and also manages the use of such funding for the benefit of the University. The Foundation utilizes endowment management and administrative fees to cover the cost of operations and administration of the Foundation's activities, including personnel and administration.

The Foundation was incorporated in the state of California in August 2004 and was granted its 501(c)(3) tax-exempt status in October 2005.

**Affiliated organizations:** The Foundation is related to the University and its other auxiliaries. The auxiliaries and the University provide various services for one another and collaborate on projects. The Foundation is a discretely presented component unit of California State University and included in its financial statements.

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

**Basis of presentation:** The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Foundation uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The Foundation's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that generally result from transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the Foundation's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue as defined by GASB, including investment income.

**Classification of current and noncurrent assets and liabilities:** The Foundation considers those assets to be current that can be reasonably expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statements of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statements of net position date are considered current. All other assets and liabilities are considered to be noncurrent.

**Cash and cash equivalents:** The Foundation considers all highly liquid investments with original maturity dates of three months or less and certificates of deposit that are deemed readily convertible to cash to be cash equivalents.

**Pledges receivable:** Unconditional promises of private gifts to the Foundation are recorded as pledges receivable and revenue in the year promised, at the present value of expected cash flows. Conditional promises and intentions to give are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirements are met. There are no conditional promises to give at June 30, 2023 and 2022.

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

**Notes to Financial Statements**

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**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Receivable due from the University and Chancellor's Office:** Receivable due from the University and Chancellor's Office consist of loan proceeds held at the University and Chancellor's Office for construction of the Spartan Athletic Center.

**Capital assets:** In fiscal year 2022, the Foundation began constructing the Spartan Athletic Center. This project was funded through a note payable with the campus. The balance in this account is construction work in process related to the construction of the Spartan Athletic Center. Construction of the facility was completed in July 2023.

**Funds held in trust:** The Foundation has been named the irrevocable beneficiary for several charitable remainder trusts and pooled income funds for which the Foundation is not the trustee. Upon the death of the donor, the remainder of the trust corpus will be transferred to the Foundation.

**Nonmonetary gifts:** Nonmonetary gifts consist of donations of securities and other nonmonetary items and are recorded at their fair value at the date of the gift. It is the policy of the Foundation to sell nonmonetary items as soon as practicable.

**Investments:** Investments are measured and recorded at fair value. The value of investments in equity and mutual funds were derived from quoted prices in active markets. Alternative investments include investments in private equity and real estate funds and are valued based on the net asset value of the underlying investments. Realized and unrealized gains and losses are included on the statements of revenues, expenses and changes in net position. Investment purchases and sales are recorded on a trade-date basis. Dividend and interest income are recorded when earned.

**Endowments:** Endowments are classified by donor restriction. Investment appreciation and depreciation are presented as restricted expendable net position unless donor restrictions require preservation of investment returns.

**Compensated absences:** The Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are not paid for unused sick leave at the end of employment. At June 30, 2023, the Foundation had a balance of \$67,616 of compensated absences, which is recorded as a component of accounts payable and accrued liabilities. In 2023, \$54,019 of compensated absences was incurred and \$31,848 was used. At June 30, 2022, the Foundation had a balance of \$45,445 of compensated absences. In 2022, \$22,785 of compensated absences was incurred and \$60,136 was used.

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

**Net investment in capital assets:** Net investment in capital assets presents the cost of the capital assets, net of related debt and accumulated depreciation.

**Restricted nonexpendable net position:** All net position for which donor-imposed restrictions require that the donated assets be invested in perpetuity to provide a permanent source of income is reported as restricted nonexpendable net position. Net position in this category consists of donor restricted endowments held by the Foundation.

**Restricted expendable net position:** All net position received, subject to donor-imposed restrictions, which requires that the resources be used in a specified future period or for a specified purpose, or both, is reported as restricted expendable net position.

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

**Notes to Financial Statements**

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**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Unrestricted net position:** All net position that is not subject to donor-imposed restrictions is reported as unrestricted net position. In addition, unrestricted net position may be designated by the board of directors of the Foundation.

**Revenue:** Revenue from gifts is recorded as revenue when it is verifiable, measurable and all applicable requirements have been met. Gifts subject to donor restriction are reflected as restricted expendable or restricted nonexpendable revenue, depending upon the nature of the donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted expendable net position is reclassified to unrestricted net position.

Income, realized and unrealized gains and losses from investments, and all other revenue are recorded when earned.

**Income taxes:** The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC as a nonprofit organization whereby only unrelated business income is subject to federal income tax. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Foundation, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2020.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Reclassifications:** Certain reclassifications have been made to the 2022 financial data to conform to the 2023 presentation.

**Accounting pronouncement adopted in the current year:** In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which became effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right to use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription based payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The Foundation adopted GASB 96 in 2023 which included the recording of intangible assets and corresponding subscription liabilities on the statement of net position as of July 1, 2022. The impact of the adoption is further described in Note 10.

**Accounting pronouncement in future years:** In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*, effective for the Foundation beginning on July 1, 2022. The objective of statement is to clarify the definitions and financial reporting requirement for Public-Private and Public-Public Partnerships (PPP) and Availability Payment (APA) arrangements. PPP is an arrangement in which a government (the transferor) contract with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The Foundation is evaluating the effect GASB 94 will have on its financial statements.



**Tower Foundation of San José State University  
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**Notes to Financial Statements**

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**Note 2. Pledges and Bequests Receivable**

Pledges receivable at June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 3,840,088	\$ 4,633,081
One to five years	7,111,901	7,013,518
More than five years	436,000	239,000
	<u>11,387,989</u>	<u>11,885,599</u>
Less discount to present value	(517,134)	(466,802)
Less allowance for uncollectible pledges	(569,399)	(356,568)
	<u>\$ 10,301,456</u>	<u>\$ 11,062,229</u>

Pledges due beyond one year have been discounted at an annual rate in a range between 0.14% and 4.50%. The Foundation has not experienced significant losses on pledges and therefore management has determined that the allowance for uncollectible pledges has been appropriately estimated at approximately 5% of pledges. The Foundation had the following donors that comprised over 10% of the Foundation's pledge balance for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donor A	35%	42%
Donor B	11%	13%

Bequests receivable at June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Total bequests	\$ 13,150,000	\$ 13,150,000
Less discount to present value	(5,780,124)	(5,663,365)
	<u>\$ 7,369,876</u>	<u>\$ 7,486,635</u>

Irrevocable planned gifts are recorded when received and are discounted to their present value based on the life expectancy of the donor. The planned gifts are generally distributed out of the estate of the donor upon his or her death. Bequests have been discounted at an annual rate ranging from 1.94% to 5.19%.

**Tower Foundation of San José State University  
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**Notes to Financial Statements**

**Note 3. Restricted Cash and Investments**

Restricted cash and investments as of June 30 consist of the following:

	2023	2022
Restricted cash equivalent	\$ 114,093	\$ 1,882,780
Restricted investments:		
Equity investments—value funds	26,319,076	25,951,349
Equity investments—growth funds	34,191,031	31,180,064
Equity investments—small cap	15,486,051	14,991,968
Equity investments—exchange traded funds	37,356,749	35,940,437
Alternative investments	29,034,351	21,752,752
Mutual funds:		
Real estate	5,689,524	5,792,727
Fixed income	2,299,805	2,311,463
Equity	37,410,715	32,431,955
All asset fund	5,170,855	4,452,576
Total restricted investments	<u>192,958,157</u>	<u>174,805,291</u>
Total restricted cash and investments	<u>\$ 193,072,250</u>	<u>\$ 176,688,071</u>

**Investment policy:** The Foundation's investment policy (the Policy) sets forth the guidelines for the investments of the Foundation. As a general rule, the Policy conforms to the Prudent Investor guidelines widely used in the investment management industry, the guidelines of Uniform Management of Association for CFA Institute (formerly AIMR), the professional standards established by the Uniform Prudent Management of Institutional Funds Act, and the general fiduciary standards described in the Uniform Prudent Investment Act.

The long-term investment objective of the Policy is to preserve the investment capital, protect the purchasing power of the funds and provide cash flows to assist in the funding of the Foundation's spending goals. With this in mind, the portfolio shall be invested to provide safety through diversification in a portfolio of equities, fixed income investments, cash equivalents and other type of investments, all of which may reflect varying rates of return. The return objective for the total fund will be to outperform a custom benchmark made up of 35% Russell 3000, 20% MSCI ACWI (excluding U.S.), 15% Bloomberg Barclays US Aggregate Bond Index, and a Custom Alternatives Index over a complete market cycle.

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2023, 104 deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$18,641,520, a current fair value of \$16,903,945, and a deficiency of \$1,737,575. As of June 30, 2022, 255 deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$51,828,311, a current fair value of \$48,514,506, and a deficiency of \$3,313,805.

**Tower Foundation of San José State University  
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**Notes to Financial Statements**

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**Note 3. Restricted Cash and Investments (Continued)**

**Interest rate risk:** Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair value of an investment. In accordance with the Policy, the Foundation manages the risk of market value fluctuations due to overall changes in general levels of interest rates by limiting its average maturity of investments within the portfolios.

**Credit risk:** Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard & Poor's. The lower the rating, the greater the chance the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher the yield should be to compensate for the additional risk. The Foundation does not have any debt securities at June 30, 2023 or 2022 that would expose them to credit risk.

**Concentration of credit risk:** The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer and is listed above. There were no investments in amounts over 5% in any one issuer in 2023 or 2022.

**Custodial credit risk:** for investments is the risk that if the counterparty to an investment transaction were to fail, the Foundation would not be able to recover its investment. With respect to investments, custodial credit risk generally applies only to 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 and Federally Sponsored Enterprise issues are held by Securities Investor Protection Corporation-insured brokers and are not registered with the issuer in the Foundation's name.

Custodial credit risk for 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 insured limit of \$250,000. At June 30, 2023 and 2022, \$35,591,054 and \$36,685,233 of the Foundation's bank balances exceed the federally insured amount.

**Note 4. Fair Value Measurement**

GASB Statement No. 72, *Fair Value Measurement and Application*, requires assets and liabilities to be measured at fair value and disclosures to be made on the fair value measurements, the level of fair value hierarchy, and valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and disclosed in one of the following hierarchies:

**Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices in active markets for identical assets or liabilities, either directly or indirectly.

**Level 3:** Inputs that are unobservable in situations where there is little or no market activity for the asset or liability and significant to the overall fair value measurement.

**Tower Foundation of San José State University  
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**Notes to Financial Statements**

**Note 4. Fair Value Measurement (Continued)**

Investments held by the Foundation are measured and recorded at fair value. The Foundation's valuation techniques used to measure the fair value of equity investments, mutual funds and miscellaneous other assets were derived from quoted prices in active markets, and they are categorized in Level 1 of the fair value hierarchy. The value of the alternative investments is primarily based on the net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda.

The following tables summarize the Foundation's investments fair value hierarchy:

Description	June 30, 2023	Fair Value Measurement at Reporting Date Using			Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Restricted investments:</b>					
Equity investments—value funds	\$ 26,319,076	\$ 26,319,076	\$ -	\$ -	\$ -
Equity investments—growth funds	34,191,031	28,082,064	6,108,967	-	-
Equity investments—small cap	15,486,051	15,486,051	-	-	-
Equity investments—ETF	37,356,749	37,356,749	-	-	-
Alternative investments	29,034,351	-	-	-	29,034,351
<b>Mutual funds:</b>					
Real estate	5,689,524	5,689,524	-	-	-
Fixed income	2,299,805	2,299,805	-	-	-
Equity	37,410,715	37,410,715	-	-	-
All asset fund	5,170,855	5,170,855	-	-	-
	192,958,157	\$ 157,814,839	\$ 6,108,967	\$ -	\$ 29,034,351
Restricted cash	114,093				
Total investments	<u>\$ 193,072,250</u>				

Description	June 30, 2022	Fair Value Measurement at Reporting Date Using			Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Restricted investments:</b>					
Equity investments—value funds	\$ 25,951,349	\$ 20,965,154	\$ 4,986,195	\$ -	\$ -
Equity investments—growth funds	31,180,064	23,081,827	2,003,964	6,094,273	-
Equity investments—small cap	14,991,968	13,486,903	1,505,065	-	-
Equity investments—ETF	35,940,437	35,940,437	-	-	-
Alternative investments	21,752,752	-	-	3,665,297	18,087,455
<b>Mutual funds:</b>					
Real estate	5,792,727	5,792,727	-	-	-
Fixed income	2,311,463	2,311,463	-	-	-
Equity	32,431,955	32,431,955	-	-	-
All asset fund	4,452,576	4,452,576	-	-	-
	174,805,291	\$ 138,463,042	\$ 8,495,224	\$ 9,759,570	\$ 18,087,455
Restricted cash	1,882,780				
Total investments	<u>\$ 176,688,071</u>				

**Tower Foundation of San José State University  
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**Notes to Financial Statements**

**Note 4. Fair Value Measurement (Continued)**

The following are NAV disclosures for the year ended June 30, 2023:

	Fair Value	Commitments	Redemption Frequency	Notice Period
Private Debt	\$ 5,163,332	\$ 3,592,608	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	15,410,699	11,313,007	10 years from final closing with two 1 year extensions	N/A
Real Estate	8,460,320	2,793,620	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 29,034,351</u>	<u>\$ 17,699,235</u>		

The following are NAV disclosures for the year ended June 30, 2022:

	Fair Value	Commitments	Redemption Frequency	Notice Period
Private Debt	\$ 1,344,193	\$ 2,470,991	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	13,539,734	7,138,110	10 years from final closing with two 1 year extensions	N/A
Real Estate	3,203,528	3,659,121	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 18,087,455</u>	<u>\$ 13,268,222</u>		

**Note 5. Capital Assets**

The Foundation began construction on the Spartan Athletic Center during fiscal year 2022. This project was financed through a \$42,470,000 note payable with the Chancellor's Office. Proceeds from the loan were maintained at the campus who is managing the project and are recorded as a receivable due from the University at year-end. At the end of the construction period, the Foundation will retain ownership of the Spartan Athletic Center and a facilities lease will be executed to lease the Center to the University. The lease revenue received from the University will be used to pay debt service on the notes payable to the Chancellor's Office.

The Foundation has the following capital assets related to this project:

	June 30, 2022	Additions	Disposals	June 30, 2023
Construction in progress	\$ 20,411,961	21,628,528	-	\$ 42,040,489

**Note 6. Administration Fees**

The Foundation charges an administrative fee of 5% to various colleges and departments within the University on all disbursements out of any expendable fund, with the exception of the scholarship fund where no fees are charged. The grant accounts have administrative fees between 0% and 10%. Administrative fees of \$928,349 and \$770,898 were charged by the Foundation for the years ended June 30, 2023 and 2022, respectively. These fees were intercompany charges and eliminated for financial reporting. Grant accounts represent philanthropic support from donors, primarily nonprofit foundations or corporate foundations, which require increased accountability in the form of technical or fiscal reporting.

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

**Notes to Financial Statements**

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**Note 6. Administration Fees (Continued)**

The Foundation charges an annual 2% administration fee for endowments. The fees are calculated monthly based on the allocated market value of the total endowment portfolio. The Foundation charged the endowment funds and administrative fee of \$3,371,577 and \$3,591,454 for the years ended June 30, 2023 and 2022, respectively. These fees were intercompany charges and eliminated for financial reporting.

**Note 7. Related-Party Transactions**

The Foundation is an auxiliary organization of the University dedicated solely to philanthropy. Accordingly, related parties of the Foundation include the University and other auxiliaries of the University.

The Foundation had payables with related parties as of June 30, as follows:

	2023	2022
Accrued expense payable to the University	\$ (4,169,449)	\$ (1,606,397)
Payable to other affiliated organizations	(44,621)	(12,847)
	\$ (4,214,070)	\$ (1,619,244)

As mentioned in Note 5, the Foundation is constructing the Spartan Athletic Center during fiscal year 2023. This project was financed through a \$42,470,000 note payable with the Chancellor's Office, a related party. Proceeds from the loan were maintained at the University and the Chancellor's Office and recorded as notes receivable. Proceeds held by the University total \$1,273,565 and \$19,557,204 at June 30, 2023 and 2022, respectively. Proceeds held by the Chancellor's office totaled \$1,005,913 and \$1,700,285 at June 30, 2023 and 2022, respectively. In addition to receivables related to the construction of the Spartan Athletic Center, there were receivables in the amount of \$4,014,884 and \$4,790,817 due from the University at June 30, 2023 and 2022, respectively.

**Note 8. Transfer of Assets**

San José State University-affiliated organizations transferred \$4,527,274 and \$4,927,416 to the Foundation in 2023 and 2022, respectively. The majority of these transfers represent replenishment of accounts that were used during the year by the athletic department for payroll-related costs and a return of funds from the University to the Foundation for monies raised for the Spartan Athletic Center.

**Note 9. Note Payable**

The Foundation entered into a loan agreement with the Trustees of the California State University on July 1, 2022. Under the agreement, the University will procure and provide services for the planning, development and construction of the Spartan Athletic Center, a new facility of approximately 54,800 gross square feet located on the campus of San José State University. The Trustees have authorized the issuance of a long-term Systemwide Revenue Bond financing to the Foundation. The terms of the repayment are for installment of principal and interest, due every six months over a period of 30 years, commencing May 1, 2024, until May 1, 2053. These installments total \$62,079,338, representing \$42,470,000 in principal and \$19,609,338 in interest.

**Tower Foundation of San José State University  
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**Notes to Financial Statements**

**Note 9. Note Payable (Continued)**

Future principal and interest payments on notes payable are as follows:

Years ending June 30:	Principal	Interest	Total
2024			
2025	\$ -	\$ 522,832	\$ 522,832
2025	1,080,000	1,042,624	2,122,624
2027	1,090,000	1,034,886	2,124,886
2028	1,100,000	1,023,907	2,123,907
2029-2032	5,740,000	4,869,692	10,609,692
2033-2037	6,330,000	4,280,671	10,610,671
2038-2042	7,180,000	3,438,863	10,618,863
2043-2047	8,280,000	2,337,680	10,617,680
2048-2052	9,580,000	1,027,474	10,607,474
Thereafter	2,090,000	30,709	2,120,709
	<u>\$ 42,470,000</u>	<u>\$ 19,609,338</u>	<u>\$ 62,079,338</u>

**Note 10. Subscription Based Information Technology Arrangements**

As discussed in Note 1, the Foundation has a noncancelable subscription arrangement (similar to a lease) for the right-to-use various information technology software (subscription IT arrangements).

A summary of subscription IT arrangement activity during the year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Subscription IT assets	\$ -	\$ 152,550	\$ -	\$ 152,550
Less accumulated amortization	-	(38,138)	-	(38,138)
Subscription IT assets, net	<u>\$ -</u>	<u>\$ 114,412</u>	<u>\$ -</u>	<u>\$ 114,412</u>

**Note 11. Commitments and Contingencies**

The Foundation has various commitments and is contingently liable in connection with claims and contracts arising in the normal course of its activities. Foundation management believes the outcome of such matters will not have a significant effect on the financial position or results of activities of the Foundation. Thus, no reserve has been reflected in the financial statements as of June 30, 2023 and 2022.

**Note 12. Subsequent Events**

In preparing the financial statements, the Foundation has evaluated events and transactions for subsequent event disclosure through September 29, 2023, the date of the auditor's report.

## **Supplementary Information**



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

**Assets:**

<b>Current assets:</b>	
Cash and cash equivalents	35,780,212
Short-term investments	10,436,507
Accounts receivable, net	4,214,883
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	3,840,088
Prepaid expenses and other current assets	424,527
	<hr/>
<b>Total current assets</b>	<b>54,696,217</b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	2,279,478
Student loans receivable, net	-
Pledges receivable, net	6,461,368
Endowment investments	182,635,743
Other long-term investments	-
Capital assets, net	42,154,901
Other assets	11,839,870
	<hr/>
<b>Total noncurrent assets</b>	<b>245,371,360</b>
	<hr/>
<b>Total assets</b>	<b>300,067,577</b>

**Deferred outflows of resources:**

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-
	<hr/>
<b>Total deferred outflows of resources</b>	<b>-</b>

**Liabilities:**

<b>Current liabilities:</b>	
Accounts payable	364,070
Accrued salaries and benefits	191,226
Accrued compensated absences, current portion	67,616
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	97,197
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	4,269,848
	<hr/>
<b>Total current liabilities</b>	<b>4,989,957</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	42,470,000
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	1,814,561
	<hr/>
<b>Total noncurrent liabilities</b>	<b>44,284,561</b>
	<hr/>
<b>Total liabilities</b>	<b>49,274,518</b>

**Deferred inflows of resources:**

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
	<hr/>
<b>Total deferred inflows of resources</b>	<b>-</b>

**Net position:**

Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	136,119,464
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	105,234,911
Unrestricted	9,438,684
	<hr/>
<b>Total net position</b>	<b>250,793,059</b>

**Tower Foundation of San José State University**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2023  
(for inclusion in the California State University Financial Statements)

<b>Revenues:</b>	
<b>Operating revenues:</b>	
Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	1,183,574
<b>Total operating revenues</b>	<b>1,183,574</b>
<b>Expenses:</b>	
<b>Operating expenses:</b>	
Instruction	1,030,843
Research	-
Public service	-
Academic support	10,162,573
Student services	6,231,682
Institutional support	837,100
Operation and maintenance of plant	-
Student grants and scholarships	3,782,628
Auxiliary enterprise expenses	4,028,500
Depreciation and amortization	38,138
<b>Total operating expenses</b>	<b>26,111,464</b>
<b>Operating income (loss)</b>	<b>(24,927,890)</b>
<b>Nonoperating revenues (expenses):</b>	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	16,646,376
Investment income (loss), net	1,844,894
Endowment income (loss), net	19,035,277
Interest expense	-
Other nonoperating revenues (expenses)	4,527,274
<b>Net nonoperating revenues (expenses)</b>	<b>42,053,821</b>
<b>Income (loss) before other revenues (expenses)</b>	<b>17,125,931</b>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase (decrease) in net position</b>	<b>17,125,931</b>
<b>Net position:</b>	
Net position at beginning of year, as previously reported	233,667,128
Restatements	-
<b>Net position at beginning of year, as restated</b>	<b>233,667,128</b>
<b>Net position at end of year</b>	<b>250,793,059</b>

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

**Other Information (Continued)  
June 30, 2023  
(for inclusion in the California State University)**

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

**Noncurrent restricted cash and cash equivalents**

Current cash and cash equivalents

35,780,212

35,780,212

**2.1 Composition of investments:**

Investment Type	Current	Noncurrent	Total
Money market funds	640	113,453	114,093
Mutual funds	8,896,054	41,674,845	50,570,899
Exchange-traded funds	934,143	37,356,749	37,356,749
Equity securities	605,670	75,062,015	75,996,158
Alternative investments:			
Private equity (including limited partnerships)	-	26,125,152	26,730,822
Hedge funds	-	-	-
Managed futures	-	2,303,529	2,303,529
Real estate investments (including REITs)	-	-	-
Total other investments	10,436,507	182,635,743	193,072,250
<b>Total investments</b>	<b>10,436,507</b>	<b>(182,635,743)</b>	<b>(182,635,743)</b>
Less endowment investments (enter as negative number)	-	-	-
<b>Total investments, net of endowments</b>	<b>10,436,507</b>	<b>10,436,507</b>	<b>10,436,507</b>

**2.2 Fair value hierarchy in investments:**

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 114,093	114,093	-	-	-
Mutual funds	50,570,899	50,570,899	-	-	-
Exchange-traded funds	37,356,749	37,356,749	-	-	-
Equity securities	75,996,158	69,887,191	6,108,967	-	-
Alternative investments:					
Private equity (including limited partnerships)	26,730,822	-	-	-	26,730,822
Hedge funds	-	-	-	-	-
Managed futures	2,303,529	-	-	-	2,303,529
Real estate investments (including REITs)	-	-	-	-	-
Total other investments	193,072,250	157,928,932	6,108,967	-	29,034,351
<b>Total investments</b>	<b>308,183,291</b>	<b>272,043,025</b>	<b>12,217,934</b>	<b>26,730,822</b>	<b>29,034,351</b>

**2.3 Investments held by the University under contractual agreements:**

Not Applicable

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

**Other Information (Continued)  
June 30, 2023  
(for inclusion in the California State University)**

	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
<b>3.1 Capital Assets, excluding ROU assets:</b>									
<b>Composition of capital assets, excluding ROU assets:</b>									
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements				\$ -					
Works of art and historical treasures	20,411,961				20,411,961	21,628,528			42,040,489
Construction work in progress (CWIP)									
Total Other intangible assets									
<b>Total intangible assets</b>									
<b>Total non-depreciable/non-amortizable capital assets</b>	<b>\$ 20,411,961</b>				<b>20,411,961</b>	<b>21,628,528</b>			<b>42,040,489</b>
<b>Composition of capital assets - SBITA ROU, net</b>									
Balance June 30, 2022									
Reclassifications									
Prior Period Additions									
Prior Period Reductions									
Balance June 30, 2022 (Restated)									
Additions						152,550			152,550
Remeasurements						152,550			152,550
Reductions									
Balance June 30, 2023									
Depreciable/Amortizable SBITA assets:									
Software									
Total depreciable/amortizable SBITA assets									
Less accumulated depreciation/amortization:									
Software									
Total accumulated depreciation/amortization									
Total capital assets - SBITA ROU, net									
						114,412			114,412

**\$ 42,154,901**

<b>3.2 Detail of depreciation and amortization expense:</b>	
Depreciation and amortization expense - capital assets, excluding ROU assets	\$ -
Amortization expense - Leases ROU	-
Amortization expense - SBITA ROU	38,138
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	-
<b>Total depreciation and amortization</b>	<b>\$ 38,138</b>

**Total capital assets, net including ROU assets**

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

**Other Information (Continued)  
June 30, 2023  
(for inclusion in the California State University)**

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
<b>4. Long-term liabilities:</b>								
1. Accrued compensated absences	45,445	-	45,445	54,019	(31,848)	67,616	67,616	-
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium (discount)	-	-	-	-	-	-	-	-
<b>Total capital lease obligations (pre ASC 842)</b>	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	42,470,000	-	42,470,000	-	-	42,470,000	-	42,470,000
4.4 Finance purchase of capital assets	-	-	-	-	-	-	-	-
4.5 Others:								
Total others	42,470,000	-	42,470,000	-	-	42,470,000	-	42,470,000
Sub-total long-term debt	42,470,000	-	42,470,000	-	-	42,470,000	-	42,470,000
4.6 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
<b>Total long-term debt obligations</b>	42,470,000	-	42,470,000	-	-	42,470,000	-	42,470,000

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
<b>5. Lease, SBITA, P3 liabilities:</b>								
Lease liabilities	-	-	97,197	-	-	97,197	97,197	-
SBITA liabilities	-	-	-	-	-	-	-	-
P3 liabilities - non-SGA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
<b>Sub-total P3 liabilities</b>	-	-	97,197	-	-	97,197	97,197	-
<b>Total Lease, SBITA, P3 liabilities</b>	-	-	97,197	-	-	97,197	97,197	-
<b>Total long-term liabilities</b>	42,470,000	-	42,470,000	-	-	42,470,000	164,813	42,470,000

Year ending June 30:	Lease Liabilities		SBITA liabilities		Public-Private or Public-Private Partnerships (P3)		Net Applicable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal and Interest	Principal and Interest
2024	-	97,197	-	-	-	-	97,197	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028 - 2033	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-
<b>Total minimum payments</b>	-	97,197	-	-	-	-	97,197	-
Less: amount representing interest	-	-	-	-	-	-	-	-
<b>Present value of minimum payments</b>	-	97,197	-	-	-	-	97,197	-
<b>Total Lease, SBITA, P3 liabilities</b>	-	97,197	-	-	-	-	97,197	-
Less: current portion	-	-	-	-	-	-	-	97,197
<b>Leases, SBITA, P3 liabilities, net of current portion</b>	-	97,197	-	-	-	-	97,197	-

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

**Other Information (Continued)  
June 30, 2023  
(for inclusion in the California State University)**

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

Year ending June 30:	Auxiliary revenue bonds (non-SRP related)		All other long-term debt obligations		Total long-term debt obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	-	-	-	522,832	-	522,832
2025	-	-	1,080,000	2,122,624	1,080,000	2,122,624
2026	-	-	1,090,000	1,034,886	1,090,000	1,034,886
2027	-	-	1,100,000	1,023,907	1,100,000	1,023,907
2028	-	-	5,740,000	4,869,692	5,740,000	4,869,692
2029 - 2033	-	-	6,330,000	4,280,671	6,330,000	4,280,671
2034 - 2038	-	-	7,180,000	3,438,863	7,180,000	3,438,863
2039 - 2043	-	-	8,280,000	2,337,680	8,280,000	2,337,680
2044 - 2048	-	-	9,580,000	1,027,474	9,580,000	1,027,474
2049 - 2053	-	-	2,090,000	30,709	2,090,000	30,709
Thereafter	-	-	-	-	-	-
			<b>42,470,000</b>	<b>62,079,338</b>	<b>42,470,000</b>	<b>62,079,338</b>
						<b>19,609,338</b>
						<b>(19,609,338)</b>
						<b>42,470,000</b>
						<b>42,470,000</b>
						<b>\$ 42,470,000</b>

Not Applicable

**7 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**

**7 Transactions with related entities:**

- Payments to University for salaries of University personnel working on contracts, grants, and other programs
- Payments to University for other than salaries of University personnel
- Payments received from University for services, space, and programs
- Gifts-in-kind to the University from discretely presented component units
- Gifts (cash or assets) to the University from discretely presented component units
- Accounts payable to University
- Other amounts payable to University
- Accounts receivable from University
- Other amounts receivable from University

(4,169,449)  
4,014,884  
1,273,565

**8 Restatements**

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

**Other Information (Continued)  
June 30, 2023  
(for inclusion in the California State University)**

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	\$ 745,579	285,264	-	-	-	-	-	1,030,843
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	2,904,633	1,279,870	-	-	-	5,978,070	10,162,573	19,264,176
Student services	3,476,258	501,690	-	-	-	2,253,734	6,231,682	10,201,764
Institutional support	141,508	26,202	-	-	-	669,390	837,100	1,644,200
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	3,782,628	-	-	3,782,628
Auxiliary enterprise expenses	2,428,732	879,775	-	-	-	719,993	4,028,500	7,036,999
Depreciation and amortization	-	-	-	-	-	-	38,138	38,138
<b>Total operating expenses</b>	<b>\$ 9,696,710</b>	<b>2,972,801</b>	<b>-</b>	<b>-</b>	<b>3,782,628</b>	<b>9,661,187</b>	<b>38,138</b>	<b>26,111,464</b>

N/A

No pension plan reported

10 Deferred outflows/inflows of resources:

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ 4,527,274
Other nonoperating (expenses)	<u>4,527,274</u>

Total other nonoperating revenues (expenses)

Not Applicable



RSM US LLP

**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  
Tower Foundation of San Jose State University

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 Tower Foundation of San Jose State University (Tower Foundation), a component unit of the California State University, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Tower Foundation's basic financial statements, and have issued our report thereon dated September 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Tower Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tower Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tower 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Tower 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*.



**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 Tower Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tower Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

San Antonio, Texas  
September 29, 2023