

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

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2025 and 2024

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

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Independent Auditor's Report

To the 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 José State University (the "Foundation"), a component unit of the California State University, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Prior Period Financial Statements

The financial statements of the Foundation for the year ended June 30, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on December 9, 2024.

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 twelve 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 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 5 to 10 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 Foundation's basic financial statements. The accompanying supplementary information on pages 30 to 37 is presented for purposes of additional analysis as required by an Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor, and is not a required part of the basic financial statements.

The accompanying supplementary information on pages 30 to 37 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 accompanying supplementary information on pages 30 to 37 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2025, 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.



Los Angeles, California
September 19, 2025

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
Year Ended June 30, 2025
(Unaudited)**

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 fiscal year ended June 30, 2025. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to the 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 41 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 statement of revenues, expenses and changes in net position, and the statement 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.

Statement of net position: The statement of net position includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. The statement also identifies major categories of restrictions on the net position of the Foundation.

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

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

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
Year Ended June 30, 2025
(Unaudited)**

Analytical Overview

Summary

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, 2025. Included are comparative analyses of current-year and prior years' activities and balances and a discussion of restrictions of the Foundation's net position.

Condensed Summary of Net Position

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current assets	\$ 70,718,929	\$ 58,818,352	\$ 13,814,881
Capital assets, net	196,270	63,562	42,154,901
Noncurrent assets	<u>293,414,503</u>	<u>271,857,081</u>	<u>244,097,795</u>
Total assets	<u>364,329,702</u>	<u>330,738,995</u>	<u>300,067,577</u>
Liabilities:			
Current liabilities	3,888,969	11,068,807	4,989,957
Noncurrent liabilities	<u>42,164,113</u>	<u>43,139,327</u>	<u>44,284,561</u>
Total liabilities	<u>46,053,082</u>	<u>54,208,134</u>	<u>49,274,518</u>
Net position:			
Net investment in capital assets	-	15,416	-
Restricted:			
Nonexpendable endowments	140,807,333	141,720,323	136,119,464
Expendable:			
Endowment - income	14,287,477	12,970,101	11,945,365
Donor restrictions	151,144,297	110,580,234	93,289,546
Unrestricted:			
Board designated	2,230,240	2,230,240	2,230,240
Other	<u>9,807,273</u>	<u>9,014,547</u>	<u>7,208,444</u>
Total net position	<u>\$ 318,276,620</u>	<u>\$ 276,530,861</u>	<u>\$ 250,793,059</u>

Assets

Total assets increased \$33.6 million from fiscal year 2024 to fiscal year 2025 due primarily to an increase of \$21.6 million in the Foundation's endowment investments and \$4.3 million in bequests receivable. Total assets increased by \$30.7 million from fiscal year 2023 to fiscal year 2024 due to an increase in the fair market value of the Foundation's endowment investments.

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
Year Ended June 30, 2025
(Unaudited)**

Liabilities

Total liabilities decreased \$8.2 million from fiscal year 2024 to fiscal year 2025 due to a decrease in capital expenditures for the Spartan Athletic Center. Total liabilities increased \$4.9 million from fiscal year 2023 to fiscal year 2024 due to an increase in capital expenditures for the Spartan Athletic Center.

Net position

Total net position increased \$41.7 million from fiscal year 2024 to fiscal year 2025 due primarily to an increase in investment earnings of \$30.5 million and restricted expendable donor gifts. Total net position increased by \$25.7 million from fiscal year 2023 to fiscal year 2024 due primarily to investment earnings of \$28.3 million.

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.

	2025	2024	2023
Nonexpendable endowments	\$ 140,807,333	\$ 141,720,323	\$ 136,119,464
Expendable:			
Endowment - Income	14,287,477	12,970,101	11,945,365
Donor restrictions	151,144,297	110,580,234	93,289,546
	\$ 165,431,774	\$ 123,550,335	\$ 105,234,911

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
Year Ended June 30, 2025
(Unaudited)**

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:

	2025	2024	2023
Operating revenues:			
Gifts, pledges and bequests	\$ 31,513,122	\$ 20,852,349	\$ 16,374,635
Nonmonetary gifts	682,759	643,450	271,741
Other	1,512,187	2,517,986	1,183,574
Total operating revenues	<u>33,708,068</u>	<u>24,013,785</u>	<u>17,829,950</u>
Operating expenses:			
Support activities of SJSU	23,711,804	22,479,548	22,044,826
General and administrative	4,107,819	3,718,464	4,066,638
Total operating expenses	<u>27,819,623</u>	<u>26,198,012</u>	<u>26,111,464</u>
Operating income (loss)	<u>5,888,445</u>	<u>(2,184,227)</u>	<u>(8,281,514)</u>
Nonoperating revenues:			
Interest income	1,249,320	522,832	-
Investment income, net	30,454,499	28,295,765	20,880,171
Gain on the sale of capital assets	372,209	-	-
Total nonoperating revenues	<u>32,076,028</u>	<u>28,818,597</u>	<u>20,880,171</u>
Nonoperating expenses:			
Loss on sale of capital assets	-	4,940,374	-
Interest expense	1,041,757	522,832	-
Total nonoperating expenses	<u>1,041,757</u>	<u>5,463,206</u>	<u>-</u>
Nonoperating income	<u>31,034,271</u>	<u>23,355,391</u>	<u>20,880,171</u>
Increase in net position before transfers	36,922,716	21,171,164	12,598,657
Other changes in net position, including transfers of assets from related organizations	<u>4,843,735</u>	<u>4,566,638</u>	<u>4,527,274</u>
Change in net position	<u>41,766,451</u>	<u>25,737,802</u>	<u>17,125,931</u>
Net position, beginning of year, as reported	276,530,861	250,793,059	233,667,128
Restatement due to GASB 101 adoption	<u>(20,692)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	<u>276,510,169</u>	<u>250,793,059</u>	<u>233,667,128</u>
Net position, end of year	<u>\$ 318,276,620</u>	<u>\$ 276,530,861</u>	<u>\$ 250,793,059</u>

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
Year Ended June 30, 2025
(Unaudited)**

Operating revenues

Gifts, pledges and bequests increased by \$10.7 million from fiscal year 2024 to fiscal year 2025 primarily due to increases in gifts, pledges, and bequests combined with the net impact for realized and unrealized gains related to the endowment portfolio. Gifts, pledges and bequests increased by \$4.5 million from fiscal year 2023 to fiscal year 2024.

Nonmonetary gifts increased by \$0.04 million from fiscal year 2024 to fiscal year 2025 and increased by \$.4 million from fiscal year 2023 to fiscal year 2024. The increase from fiscal year 2024 to fiscal year 2025 and fiscal year 2023 to fiscal year 2024 was primarily due to an increase in stock donations.

Other operating revenues decreased by \$1 million from fiscal year 2024 to fiscal year 2025 due to the decrease in contractual early termination fees. Other operating revenues increased by \$1.3 million from fiscal year 2023 to fiscal year 2024 due to an increase in contractual early termination fees.

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 \$1.2 million from fiscal year 2024 to fiscal year 2025 and increased by \$.5 million from fiscal year 2023 to fiscal year 2024 primarily due to an increase in scholarships.

General and administrative expenses represent 12% of operating revenue in 2025 and 15% in 2024. General and administrative expenses increased by \$.4 million from fiscal year 2024 to fiscal year 2025 primarily due to an increase in Tower resources and decreased by \$0.4 million from fiscal year 2023 to fiscal year 2024 primarily due to reductions in Tower resources.

Nonoperating (expenses) revenues

Nonoperating revenues (expenses) 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 \$2.2 million from fiscal year 2024 to fiscal year 2025 due to changes in the fair value of investments. Investment earnings increased by \$7.4 million from fiscal year 2023 to fiscal year 2024.

Transfers

In fiscal years 2024 and 2025, the campus transferred funds to the Foundation for reimbursement of funds loaned to athletics.

Capital Assets

Capital assets decreased by approximately \$42 million from fiscal year 2023 to fiscal year 2024 related to the sale of the Spartan Athletic Center.

Notes Payable

The Foundation has a loan with the Trustees of the California State University. Under the agreement, the University will procure and provide services for the planning, development, and construction of the Spartan Athletics Center, a new facility of approximately 54,800 gross squarefeet located on the campus of San Jose State University. The Trustees have authorized the

**Tower Foundation of
San José State University**

**Management's Discussion and Analysis
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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 \$61,556,506, representing \$42,470,000 in principal and \$19,086,506 in interest.

Request for Information

This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer at towerfoundation@sjsu.edu.

Basic Financial Statements

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

**Statements of Net Position
June 30, 2025 and 2024**

	<u>Assets</u>	
	2025	2024
Current assets		
Cash and cash equivalents	\$ 11,907,128	\$ 6,976,677
Pledges receivable, current portion, net of allowance for uncollectible pledges	4,187,544	1,059,635
Notes receivable, current portion	1,090,000	1,080,000
Accounts receivable	-	199,999
Due from affiliated auxiliary organizations	5,701,883	4,838,657
Investments - short-term	47,623,761	44,393,175
Prepaid expenses	208,613	270,209
Total current assets	70,718,929	58,818,352
Noncurrent assets		
Pledges receivable, less current portion, net of allowance	4,504,147	7,998,500
Bequests receivable	14,506,865	10,232,681
Charitable gift annuity receivable	866,875	866,875
Funds held in trust	3,692,227	3,435,152
Notes receivable, net	40,300,000	41,390,000
Capitalized lease, less accumulated amortization	196,270	63,562
Restricted investments	229,276,570	207,716,910
Other assets	267,819	216,963
Total noncurrent assets	293,610,773	271,920,643
Total assets	\$ 364,329,702	\$ 330,738,995
	<u>Liabilities and Net Position</u>	
Current liabilities		
Accounts payable and accrued liabilities	\$ 778,656	\$ 356,299
Notes payable - current portion	1,090,000	1,080,000
SBITA liabilities - current portion	42,826	48,146
Due to affiliated organizations	1,836,324	9,451,161
Funds held in trust liability	132,054	132,054
Other current liability	9,109	1,147
Total current liabilities	3,888,969	11,068,807
Noncurrent liabilities		
Notes payable	40,300,000	41,390,000
SBITA liability	149,749	-
Funds held in trust liability, net of current	1,714,364	1,749,327
Total noncurrent liabilities	42,164,113	43,139,327
Total liabilities	46,053,082	54,208,134
Net position		
Net investment in capital assets	-	15,416
Restricted for		
Nonexpendable endowments	140,807,333	141,720,323
Expendable		
Endowments	14,287,477	12,970,101
Donor restricted gifts	151,144,297	110,580,234
Unrestricted		
Board designated	2,230,240	2,230,240
Other	9,807,273	9,014,547
Total net position	\$ 318,276,620	\$ 276,530,861

See Notes to Financial Statements.

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

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024**

	2025	2024
Operating revenues		
Gifts, pledges and bequests	\$ 31,513,122	\$ 20,852,349
Nonmonetary gifts	682,759	643,450
Other	1,512,187	2,517,986
Total operating revenues	33,708,068	24,013,785
Operating expenses		
Support activities of San José State University	23,711,804	22,479,548
General and administrative	4,107,819	3,718,464
Total operating expenses	27,819,623	26,198,012
Operating income (loss)	5,888,445	(2,184,227)
Nonoperating revenues		
Interest income	1,249,320	522,832
Investment Income, net	30,454,499	28,295,765
Gain on the sale of capital assets	372,209	-
Total nonoperating revenues	32,076,028	28,818,597
Nonoperating expenses		
Interest expense	1,041,757	522,832
Loss on sale of capital assets	-	4,940,374
Total nonoperating expenses	1,041,757	5,463,206
Total nonoperating revenues	31,034,271	23,355,391
Increase in net position before transfers	36,922,716	21,171,164
Transfers from San José State University affiliated organizations	4,843,735	4,566,638
Change in net position	41,766,451	25,737,802
Net position, beginning of year, as reported	276,530,861	250,793,059
Restatement due to GASB 101 adoption	(20,692)	-
Net position, beginning of year, as restated	276,510,169	250,793,059
Net position, end of year	\$ 318,276,620	\$ 276,530,861

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Gifts, pledges and bequests received	\$ 14,828,114	\$ 12,485,292
Other receipts	848,958	2,967,779
Payments for support activities of San José State University	(23,711,804)	(22,479,548)
Payments for general and administrative	(4,680,225)	(3,343,880)
	(12,714,957)	(10,370,357)
Cash flows from noncapital financing activities:		
Transfer from San José State University affiliated organizations	4,843,735	4,566,638
Cash flows from capital and related financing activities:		
Payments on IT subscription	(52,763)	47,904
	(52,763)	47,904
Cash flows from investing activities:		
Contributions from restricted endowments	8,163,965	6,747,573
Interest and dividends on investments	4,094,027	3,001,434
Increase (decrease) in funds held in trust liability, and other assets	239,039	(59,017)
Proceeds from sales and maturities of investments and funds held in trust	124,011,434	226,680,497
Purchases of investments	(123,654,029)	(259,418,207)
	12,854,436	(23,047,720)
	4,930,451	(28,803,535)
Cash and cash equivalents, beginning of year	6,976,677	35,780,212
Cash and cash equivalents, end of year	\$ 11,907,128	\$ 6,976,677
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ 5,888,445	\$ (2,184,227)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Noncash gifts	(682,759)	(643,450)
Amortization and depreciation	49,067	50,850
Contributions from restricted endowments	(12,777,268)	(6,747,573)
Changes in assets and liabilities:		
Pledges and bequests receivable	(3,907,740)	(1,619,483)
Accounts receivable and due from affiliated auxiliary organizations	(663,227)	449,792
Prepaid expenses and other	61,596	154,318
Accounts payable and accrued liabilities	(422,357)	169,416
Due to affiliated organizations	(260,714)	-
	\$ (12,714,957)	\$ (10,370,357)
Noncash investing, capital, and financing activities:		
Purchase of capital assets - due to affiliate	\$ -	\$ 4,940,374
Accounts payable from San José State University	7,354,123	296,717
Capital assets financed by notes payable	-	429,511
Acquisition of Subscription Based Information Technology	245,337	-
Receivable due from the University and Chancellor's Office	33,929	1,005,913

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2025 and 2024**

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 the 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 revenues, 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 statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statement 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.

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

**Notes to Financial Statements
June 30, 2025 and 2024**

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, 2025 and 2024.

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 Chancellors Office for construction of the Spartan Athletics Center.

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 full-time employees at various rates, depending upon the length of service. The Foundation also accrues sick leave for employees as described below. The total liability for these accruals consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash.

Eligible full-time employees accrue sick leave at the rate of 96 hours at January 1 each year. Effective January 1, 2025, eligible full-time employees accrue sick leave at the rate of 4 hours per pay period, and unused sick leave as of December 31 is allowed to carry over into the subsequent calendar year. The Foundation adopted the mandated sick leave for non-benefited employees as of July 1, 2024. Effective January 1, 2025, all non-benefited employees who work more than 30 days per year accrue 3.34 hours of sick leave per pay period during their first six months of employment with no carryover allowed. Neither benefited nor non-benefited employees are paid for unused sick leave upon termination of employment. At June 30, 2025 and 2024, the Foundation had a balance

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of \$110,639 and \$50,524, respectively, of compensated absences, which is recorded as a component of accounts payable and accrued liabilities.

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. It is the Foundation's policy to consider restricted expendable net position to have been depleted before unrestricted net position is applied.

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 and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Revenues and Taxation Code, respectively. 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 fiscal years before 2022.

The Foundation 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.

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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.

New accounting pronouncements adopted

Effective for the fiscal year beginning July 1, 2024, the Foundation implemented the provisions of GASB Statement No. 101, *Compensated Absences* ("GASB 101"). This Statement replaces GASB Statement No. 16 and establishes a unified model for recognizing and measuring liabilities associated with compensated absences.

Under GASB 101, a liability is recognized for leave that:

- Is attributable to services already rendered,
- Accumulates and carries forward to future periods,
- Is more likely than not to be used for time off or otherwise paid or settled.

Previously, the Foundation accrued vacation leave only. Sick leave, although earned monthly and carried forward without limit, was not accrued because it was not paid upon termination. Under GASB 101, the Foundation reviewed historical usage patterns and determined that a portion of accumulated sick leave is more likely than not to be used. As a result, the Foundation now recognizes a liability for that portion in the basic financial statements.

Except for the line items listed in the table below, the June 30, 2024 basic financial statements were not restated for implementation of GASB 101 because it was not considered practical to do so. History of employee sick leave usage is not readily available for the time period prior to June 30, 2024 and the impact to net position as of June 30, 2023 is not considered material to the Foundation's financial statements.

The implementation of GASB 101 had the following effect on financial statement line items as of and for the year ended June 30, 2024:

Net position, as previously reported	\$ 276,530,861
Cumulative effect of implementing GASB 101	<u>(20,692)</u>
Net position, as restated	<u><u>\$ 276,510,169</u></u>

Note 2 - Liquidity and availability

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and receivables. At June 30, the Foundation had the following financial assets and liquidity resources available over the next 12 months:

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	2025	2024
Cash and cash equivalents	\$ 11,907,128	\$ 6,976,677
Pledges receivable, current portion, net of allowance for uncollectible pledges	4,187,544	1,059,635
Notes receivable, current portion	1,090,000	1,080,000
Accounts receivable	-	199,999
Due from affiliated auxiliary organizations	5,701,883	4,838,657
Short-term investments	47,623,761	44,393,175
	\$ 70,510,316	\$ 58,548,143

Note 3 - Pledges and Bequests Receivable

Pledges receivable at June 30, are as follows:

	2025	2024
Less than one year	\$ 4,407,942	\$ 1,059,635
One to five years	5,007,875	8,708,289
More than five years	12,905	481,000
	9,428,722	10,248,924
Less discount to present value	(265,595)	(678,343)
Less allowance for uncollectible pledges	(471,436)	(512,446)
	\$ 8,691,691	\$ 9,058,135

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 as of June 30, 2025 and 2024:

	2025	2024
Donor A	25%	29%
Donor B	8%	10%

Bequests receivable at June 30, are as follows:

	2025	2024
Total bequests	\$ 24,322,015	\$ 19,106,333
Less discount to present value	(9,815,150)	(8,873,652)
	\$ 14,506,865	\$ 10,232,681

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

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estate of the donor upon his or her death. Bequests have been discounted at an annual rate ranging from 1.94% to 5.19%.

Note 4 - Restricted Cash and Investments

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

	2025	2024
Cash equivalents	\$ 341,789	\$ 33,912
Equity investments—value funds	44,071,590	35,073,046
Equity investments—growth funds	-	6,825,450
Equity investments—small cap funds	4,999,002	8,525,025
Equity investments—exchange traded funds	84,270,445	77,534,808
Alternative investments	38,184,747	35,363,842
U.S. Treasuries	29,715,737	27,990,197
U.S. Government National Mortgage Association	343,484	671,565
Federal National Mortgage Association	1,788,528	2,044,044
Federal Home Loan Mortgage Corporation	2,584,678	2,048,088
Mutual funds:		
Real estate	6,712,423	6,038,403
Fixed income	2,528,066	2,384,833
Equity	61,359,842	47,576,672
All asset fund	-	200
Total investments	276,558,542	252,076,173
Total cash and investments	\$ 276,900,331	\$ 252,110,085

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 (UPMIFA), 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 types 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.

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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, 2025, 7 deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$1,988,203, a current fair value of \$1,287,047, and a deficiency of \$701,156. As of June 30, 2024, 30 deficiencies of this nature existed in donor-restricted endowments, with an original gift value of \$5,549,458, a current fair value of \$4,641,984, and a deficiency of \$907,474.

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.

At June 30, 2025, the Foundation had the following investments with the following maturities:

Investment Type	Total Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
U.S. Treasuries	\$ 29,715,737	\$ 216,488	\$ 9,276,682	\$ 20,222,567	\$ -
U.S. Government National Mortgage Association	343,484	-	-	-	343,484
Federal National Mortgage Association	1,788,528	-	-	-	1,788,528
Federal Home Loan Mortgage Corporation	2,584,678	-	143,031	-	2,441,647
Fixed Income Mutual Fund	2,528,066	-	-	2,528,066	-
Total	\$ 36,960,493	\$ 216,488	\$ 9,419,713	\$ 22,750,633	\$ 4,573,659

At June 30, 2024, the Foundation had the following investments with the following maturities:

Investment Type	Total Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
U.S. Treasuries	\$ 27,990,197	\$ 1,725,889	\$ 19,338,541	\$ 6,925,767	\$ -
U.S. Government National Mortgage Association	671,565	-	-	-	671,565
Federal National Mortgage Association	2,044,044	-	-	75,349	1,968,695
Federal Home Loan Mortgage Corporation	2,048,088	-	48,393	178,412	1,821,283
Fixed Income Mutual Fund	2,384,833	-	-	2,384,833	-
Total	\$ 35,138,727	\$ 1,725,889	\$ 19,386,934	\$ 9,564,361	\$ 4,461,543

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 bonds' credit rating, the higher the yield should be to compensate for the additional risk. U.S. Treasuries and U.S. Government Nation Mortgage Association debt securities are expressly guaranteed by the U.S. Government and are not subject to credit risk. Federal Nation Mortgage Association and Federal Home Loan Mortgage Corporation are rated AAA by Moody's. The Foundation's fixed income mutual fund is not rated.

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Concentration of credit risk

The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer. There were no investments in amounts over 5% in any one issuer in 2025 or 2024.

Custodial credit risk

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. U.S. Treasury issues and federally sponsored enterprise issues are held by Securities Investor Protection Corporation ("SIPC")-insured brokers and are not registered with the issuer in the Foundation's name. SIPC-insured amounts are limited to \$500,000. At June 30, 2025 and 2024, amounts susceptible to custodial credit risk exceeded the SIPC-insured amount by \$33,932,427 and \$32,253,894, respectively.

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, 2025 and 2024, \$11,299,848 and \$6,261,584, respectively, of the Foundation's bank balances exceed the federally insured amount. These amounts are uninsured and collateralized by securities held by the pledging financial institutions.

Note 5 - 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.

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. Financial assets valued using Level 2 inputs are valued based on investment yields. 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.

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

Description	June 30, 2025	Fair Value Measurement at Reporting Date Using				Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	
Equity investments—value funds	\$ 44,071,590	\$ 44,071,590	\$ -	\$ -	\$ -	-
Equity investments—small cap funds	4,999,002	4,999,002	-	-	-	-
Equity investments—exchange traded funds	84,270,445	84,270,445	-	-	-	-
Alternative investments	38,184,747	-	-	-	-	38,184,747
U.S. Treasuries	29,715,737	-	29,715,737	-	-	-
U.S. Government National Mortgage Association	343,484	-	343,484	-	-	-
Federal National Mortgage Association	1,788,528	-	1,788,528	-	-	-
Federal Home Loan Mortgage Corporation	2,584,678	-	2,584,678	-	-	-
Mutual funds:						
Real estate	6,712,423	6,712,423	-	-	-	-
Fixed income	2,528,066	2,528,066	-	-	-	-
Equity	61,359,842	61,359,842	-	-	-	-
	<u>\$ 276,558,542</u>	<u>\$ 203,941,368</u>	<u>\$ 34,432,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,184,747</u>
Restricted cash	341,789					
	<u>\$ 276,900,331</u>					

Description	June 30, 2024	Fair Value Measurement at Reporting Date Using				Net Asset Value (NAV)
		Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	
Equity investments—value funds	\$ 35,073,046	\$ 35,073,046	\$ -	\$ -	\$ -	-
Equity investments—growth funds	6,825,450	7,668	6,817,782	-	-	-
Equity investments—small cap funds	8,525,025	8,525,025	-	-	-	-
Equity investments—exchange traded funds	77,534,808	77,534,808	-	-	-	-
Alternative investments	35,363,842	-	-	-	-	35,363,842
U.S. Treasuries	27,990,197	-	27,990,197	-	-	-
U.S. Government National Mortgage Association	671,565	-	671,565	-	-	-
Federal National Mortgage Association	2,044,044	-	2,044,044	-	-	-
Federal Home Loan Mortgage Corporation	2,048,088	-	2,048,088	-	-	-
Mutual funds:						
Real estate	6,038,403	6,038,403	-	-	-	-
Fixed income	2,384,833	2,384,833	-	-	-	-
Equity	47,576,672	47,576,672	-	-	-	-
All asset fund	200	200	-	-	-	-
	<u>\$ 252,076,173</u>	<u>\$ 177,140,655</u>	<u>\$ 39,571,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,363,842</u>
Restricted cash	33,912					
	<u>\$ 252,110,085</u>					

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The following are NAV disclosures as of June 30, 2025 and 2024:

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Debt	\$ 10,356,013	\$ 2,571,277	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	15,667,018	8,043,577	10 years from final closing with two 1 year extensions	N/A
Real Estate	12,161,716	398,297	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 38,184,747</u>	<u>\$ 11,013,151</u>		
	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Debt	\$ 9,302,652	\$ 3,678,496	6 to 10 years from final closing with two 1 year extensions	N/A
Private Equity	14,716,336	9,183,967	10 years from final closing with two 1 year extensions	N/A
Real Estate	11,344,854	1,399,297	Variable between 2 and 7 years depending on investment	N/A
	<u>\$ 35,363,842</u>	<u>\$ 14,261,760</u>		

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 \$990,604 and \$957,817 were charged by the Foundation for the years ended June 30, 2025 and 2024, 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.

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 an administrative fee of \$4,529,536 and \$3,701,420 for the years ended June 30, 2025 and 2024, 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.

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

	2025	2024
Receivable from SJSU	\$ 5,608,674	\$ 4,838,657
Accounts receivable	93,209	-
Total Receivable - related entities	<u>\$ 5,701,883</u>	<u>\$ 4,838,657</u>

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

	2025	2024
Accrued expense payable to the university	\$ 1,825,609	\$ 9,290,018
Accounts payable	10,715	161,143
	<u>\$ 1,836,324</u>	<u>\$ 9,451,161</u>

For the years ended June 30, 2025 and 2024, the related party transactions included:

	2025	2024
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,079,522	\$ 2,524,135
Payments to the University for other than salaries of University personnel	\$ 12,351,599	\$ 2,561,575
Payments received from the University for services, space, and programs	\$ 7,195,769	\$ 4,043,995

The Foundation constructed the Spartan Athletics 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.

Note 8 - Transfer of Assets

San José State University-affiliated organizations transferred \$4,843,735 and \$4,566,638 to the Foundation in 2025 and 2024, 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 Athletics Center.

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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 Athletics 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. As of June 30, 2025 and 2024, the interest rate was 2.71%. These installments total \$62,079,338, representing \$42,470,000 in principal and \$19,609,338 in interest.

Changes in the Foundation's note payable for the years ended June 30, 2025 and 2024 is as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Note Payable	\$ 42,470,000	\$ -	\$ 1,080,000	\$ 41,390,000	\$ 1,090,000

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
Note Payable	\$ 42,470,000	\$ -	\$ -	\$ 42,470,000	\$ 1,080,000

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

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,090,000	\$ 1,034,886	\$ 2,124,886
2027	1,100,000	1,023,907	2,123,907
2028	1,110,000	1,010,072	2,120,072
2029	1,130,000	993,925	2,123,925
2030	1,145,000	975,748	2,120,748
2031 - 2035	6,065,000	4,545,133	10,610,133
2036 - 2040	6,810,000	3,807,558	10,617,558
2041 - 2045	7,810,000	2,806,084	10,616,084
2046 - 2050	9,040,000	1,574,568	10,614,568
2051 - 2053	6,090,000	272,002	6,362,002
	<u>\$ 41,390,000</u>	<u>\$ 18,043,883</u>	<u>\$ 59,433,883</u>

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Note 10 - Subscription-Based Information Technology Arrangements

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 assets activity during the years ended June 30, is as follows:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Subscription IT assets	\$ 152,550	\$ 245,337	\$ (152,550)	\$ 245,337
Less accumulated amortization	<u>(88,988)</u>	<u>(49,067)</u>	<u>88,988</u>	<u>(49,067)</u>
Subscription IT assets, net	<u>\$ 63,562</u>	<u>\$ 196,270</u>	<u>\$ (63,562)</u>	<u>\$ 196,270</u>

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
Subscription IT assets	\$ 152,550	\$ -	\$ -	\$ 152,550
Less accumulated amortization	<u>(38,138)</u>	<u>(50,850)</u>	<u>-</u>	<u>(88,988)</u>
Subscription IT assets, net	<u>\$ 114,412</u>	<u>\$ (50,850)</u>	<u>\$ -</u>	<u>\$ 63,562</u>

A summary of subscription IT liabilities during the years ended June 30, is as follows:

	Balance June 30, 2024	Additions	Payments	Adjustments	Balance June 30, 2025
Subscription IT liabilities	\$ 48,146	\$ 245,338	\$ (52,763)	\$ (48,146)	\$ 192,575
Interest	<u>1,147</u>	<u>9,109</u>	<u>-</u>	<u>(1,147)</u>	<u>9,109</u>
	<u>\$ 49,293</u>	<u>\$ 254,447</u>	<u>\$ (52,763)</u>	<u>\$ (49,293)</u>	<u>\$ 201,684</u>
	Balance June 30, 2023	Additions	Payments	Adjustments	Balance June 30, 2024
Subscription IT liabilities	\$ 94,611	\$ -	\$ (46,465)	\$ -	\$ 48,146
Interest	<u>2,586</u>	<u>-</u>	<u>(1,439)</u>	<u>-</u>	<u>1,147</u>
	<u>\$ 97,197</u>	<u>\$ -</u>	<u>\$ (47,904)</u>	<u>\$ -</u>	<u>\$ 49,293</u>

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

**Notes to Financial Statements
June 30, 2025 and 2024**

Note 11 - Notes Receivable

The Foundation and the University entered into a notes receivable for the sale of the Spartan Athletics Center in fiscal year 2024, with a duration of 30 years and an interest rate of 2.3%. Future principal and interest payments from the University is as follows:

Years ending June 30:	Principal	Interest	Total
2026	\$ 1,090,000	\$ 1,034,886	\$ 2,124,886
2027	1,100,000	1,023,907	2,123,907
2028	1,110,000	1,010,072	2,120,072
2029	1,130,000	993,925	2,123,925
2030	1,145,000	975,748	2,120,748
2031 - 2035	6,065,000	4,545,133	10,610,133
2036 - 2040	6,810,000	3,807,558	10,617,558
2041 - 2045	7,810,000	2,806,084	10,616,084
2046 - 2050	9,040,000	1,574,568	10,614,568
2051 - 2053	6,090,000	272,002	6,362,002
	<u>\$ 41,390,000</u>	<u>\$ 18,043,883</u>	<u>\$ 59,433,883</u>

Note 12 - Commitments and Contingency

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, 2025 and 2024.

Supplementary Information

Tower Foundation of San José State University

Schedule of Net Position June 30, 2025 (for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	11,907,128
Short-term investments	47,623,761
Accounts receivable, net	5,701,883
Lease receivable, current portion	—
P3 receivable, current portion	—
Notes receivable, current portion	1,090,000
Pledges receivable, net	4,187,544
Prepaid expenses and other current assets	208,613
Total current assets	<u>70,718,929</u>
Noncurrent assets:	
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	40,300,000
Student loans receivable, net	—
Pledges receivable, net	4,504,147
Endowment investments	229,276,570
Other long-term investments	—
Capital assets, net	196,270
Other assets	19,333,786
Total noncurrent assets	<u>293,610,773</u>
Total assets	<u>364,329,702</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Leases	—
P3	—
Others	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	668,017
Accrued salaries and benefits	—
Accrued compensated absences, current portion	110,639
Unearned revenues	—
Lease liabilities, current portion	—
SBITA liabilities - current portion	42,826
P3 liabilities - current portion	—
Long-term debt obligations, current portion	1,090,000
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	1,977,487
Total current liabilities	<u>3,888,969</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Lease liabilities, net of current portion	—
SBITA liabilities, net of current portion	149,749
P3 liabilities, net of current portion	—
Long-term debt obligations, net of current portion	40,300,000
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	1,714,364
Total noncurrent liabilities	<u>42,164,113</u>
Total liabilities	<u>46,053,082</u>
Deferred inflows of resources:	
P3 service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Lease	—
P3	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net position:	
Net investment in capital assets	—
Restricted for:	
Nonexpendable – endowments	140,807,333
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	165,431,774
Unrestricted	12,037,513
Total net position	<u>318,276,620</u>

Tower Foundation of San José State University

Schedule of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2025 (for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	—
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
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	1,512,187
Total operating revenues	<u>1,512,187</u>
Expenses:	
Operating expenses:	
Instruction	739,266
Research	—
Public service	—
Academic support	9,002,918
Student services	6,578,990
Institutional support	266,115
Operation and maintenance of plant	—
Student grants and scholarships	5,511,275
Auxiliary enterprise expenses	5,671,992
Depreciation and amortization	49,067
Total operating expenses	<u>27,819,623</u>
Operating income (loss)	<u>(26,307,436)</u>
Nonoperating revenues (expenses):	
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	32,195,881
Investment income (loss), net	5,048,857
Endowment income (loss), net	26,654,962
Interest expense	(1,041,757)
Other nonoperating revenues (expenses)	5,215,944
Net nonoperating revenues (expenses)	<u>68,073,887</u>
Income (loss) before other revenues (expenses)	<u>41,766,451</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>41,766,451</u>
Net position:	
Net position at beginning of year, as previously reported	276,530,861
Restatements	(20,692)
Net position at beginning of year, as restated	<u>276,510,169</u>
Net position at end of year	<u>318,276,620</u>

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

**Other Information
June 30, 2025
(for inclusion in the California State University)**

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	\$ 29,699	29,699.00			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	-				
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Supranational	-				
Mutual funds	43,985,005.00	43,985,005.00			
Exchange traded funds	84,270,445.00	84,270,445.00			
Equity securities	110,430,435.00	110,430,435.00			
Alternative investments:					
Private equity (including limited partnerships)	38,184,747.00				38,184,747.00
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment types	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-		-	-	-
State of California Local Agency Investment Fund (LAIF)	-		-	-	-
State of California Surplus Money Investment Fund (SMIF)	-		-	-	-
Other investments:					
	-				
	-				
	-				
	-				
	-				
	-				
Total other investments:	-				
Total investments	\$ 276,900,331.00	238,715,584	—	—	38,184,747

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

**Other Information
June 30, 2025
(for inclusion in the California State University)**

Composition of capital assets - SBITA ROU, net	Balance June 30, 2024	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2024 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2025
Depreciable/Amortizable SBITA assets:									
Software	152,550				152,550	245,337.00		(152,550.00)	245,337
Total depreciable/amortizable SBITA assets	152,550	-	-	-	152,550	245,337.00	-	(152,550.00)	245,337
Less accumulated depreciation/amortization:									
Software	(88,988.00)				(88,988.00)	(49,067.00)		88,988.00	(49,067)
Total accumulated depreciation/amortization	(88,988)	-	-	-	(88,988)	(49,067)	-	88,988	(49,067)
Total capital assets - SBITA ROU, net	63,562	-	-	-	63,562	196,270	-	(63,562)	196,270

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ -
Amortization expense - Leases ROU	-
Amortization expense - SBITA ROU	49,067
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	
Total depreciation and amortization	\$ 49,067

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

**Other Information
June 30, 2025
(for inclusion in the California State University)**

4 Long-term liabilities:

	Balance June 30, 2024	Prior Period Adjustments/Recla ssifications	Balance June 30, 2024 (Restated)	Additions	Reductions	Balance June 30, 2025	Current Portion	Noncurrent Portion
1. Accrued compensated absences	50,524	20,692.00	71216	39,423.00	0	110639	110,639.00	-
2. Claims liability for losses and loss adjustment expenses	-		0			0		-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-		0			0		-
Unamortized net premium/(discount)	-		0			0	0	-
Total capital lease obligations (pre ASC 842)	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	42,470,000		42,470,000		(1,080,000.00)	41,390,000	1,090,000	40,300,000
4.4 Finance purchase of capital assets	-		-			-	-	-
4.5 Others:	-		-			-	-	-
-	-		-			-	-	-
-	-		-			-	-	-
-	-		-			-	-	-
-	-		-			-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	42,470,000	-	42,470,000	-	(1,080,000)	41,390,000	1,090,000	40,300,000
4.6 Unamortized net bond premium/(discount)	-		-			-	-	-
Total long-term debt obligations	42,470,000	-	42,470,000	-	(1,080,000)	41,390,000	1,090,000	40,300,000

	Balance June 30, 2024	Prior Period Adjustments/Recla ssifications	Additions	Remeasurements	Reductions	Balance June 30, 2025	Current Portion	Noncurrent Portion
5. Lease, SBITA, P3 liabilities:								
Lease liabilities	-					-		-
SBITA liabilities	48,146		245,338.00		(100,909.00)	192,575.00	42826.00	149,749
P3 liabilities - SCA	-					-		-
P3 liabilities - non-SCA	-					-		-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 48,146	-	245,338	-	(100,909)	192,575	42,826.00	149,749

Total long-term liabilities

\$ 41,693,214 \$ 1,243,465 \$ 40,449,749

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

**Other Information
June 30, 2025
(for inclusion in the California State University)**

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

	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:												
2026			-	42,826.00	9,937.00	52,763			-	42,826.00	9,937	52,763
2027			-	47,427.00	7,727.00	55,154			-	47,427	7,727	55,154
2028			-	49,874.00	5,280.00	55,154			-	49,874	5,280	55,154
2029			-	52,448.00	2,706.00	55,154			-	52,448	2,706	55,154
2030			-						-			
2031 - 2035			-						-			
2036 - 2040			-						-			
2041 - 2045			-						-			
2046 - 2050			-						-			
2051 - 2055			-						-			
Thereafter			-						-			
Total minimum lease payments	\$ -	-	-	192,575	25,650	218,225	-	-	-	192,575	25,650	218,225
Less: amounts representing interest												(25,650)
Present value of future minimum lease payments												192,575
Total Leases, SBITA, P3 liabilities												192,575
Less: current portion												(42,826.00)
Leases, SBITA, P3 liabilities, net of current portion												<u>\$ 149,749.00</u>

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

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2026			-	1,090,000.00	1,034,886.00	2,124,886	1,090,000	1,034,886	2,124,886
2027			-	1,100,000.00	1,023,907.00	2,123,907	1,100,000	1,023,907	2,123,907
2028			-	1,110,000.00	1,010,072.00	2,120,072	1,110,000	1,010,072	2,120,072
2029			-	1,130,000.00	993,925.00	2,123,925	1,130,000	993,925	2,123,925
2030			-	1,145,000.00	975,748.00	2,120,748	1,145,000	975,748	2,120,748
2031 - 2035			-	6,065,000.00	3,975,814.00	10,040,814	6,065,000	3,975,814	10,040,814
2036 - 2040			-	6,810,000.00	3,027,049.00	9,837,049	6,810,000	3,027,049	9,837,049
2041 - 2045			-	7,810,000.00	2,806,084.00	10,616,084	7,810,000	2,806,084	10,616,084
2046 - 2050			-	9,040,000.00	1,574,569.00	10,614,569	9,040,000	1,574,569	10,614,569
2051 - 2055			-	6,090,000.00	272,004.00	6,362,004	6,090,000	272,004	6,362,004
Thereafter			-						
Total minimum payments	\$ -	-	-	41,390,000	16,694,058	58,084,058	41,390,000	16,694,058	58,084,058
Less: amounts representing interest									(16,694,058)
Present value of future minimum payments									41,390,000
Unamortized net premium/(discount)									-
Total long-term debt obligations									41,390,000
Less: current portion									(1,090,000)
Long-term debt obligations, net of current portion									<u>\$ 40,300,000</u>

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

**Other Information
June 30, 2025
(for inclusion in the California State University)**

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	4,079,522
Payments to University for other than salaries of University personnel	12,351,599
Payments received from University for services, space, and programs	7,195,769
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	5,436,367
Accounts (payable to) University	(1,825,609)
Other amounts (payable to) University	-
Accounts receivable from University	5,608,674
Other amounts receivable from University	-

8 Restatements

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

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

Fund Definitions	Restatement #1	Enter transaction description	Debit/(Credit)
Accounting Change — Accounting Principle		Operating Expenses	20,692.00
713881 Unrestricted		Accrued compensated absences, current portion	(20,692.00)

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	560,029.00	179,237.00	—	—		—		739,266
Research	—	—	—	—		—		-
Public service	—	—	—	—		—		-
Academic support	3,267,890.00	367,362.00	—	—		5,367,666.00		9,002,918
Student services	3,706,172.00	468,463.00	—	—		2,404,355.00		6,578,990
Institutional support	161,879.00	62,936.00	—	—		41,300.00		266,115
Operation and maintenance of plant	—	—	—	—		—		-
Student grants and scholarships					5,511,275.00			5,511,275
Auxiliary enterprise expenses	2,422,916.00	1,069,759.00	66,325.00	—		2,112,992.00		5,671,992
Depreciation and amortization							49,067	49,067
Total operating expenses	\$ 10,118,886	2,147,757	66,325	-	5,511,275	9,926,313	49,067	27,819,623

Select type of pension plan >>

Defined
Contribution Plan

10 Deferred outflows/inflows of resources:

NOTHING TO REPORT

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	5,215,944.00
Other nonoperating (expenses)	—
Total other nonoperating revenues (expenses)	5,215,944

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

To the Board of Directors
Tower Foundation of San José 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 (*Government Auditing Standards*), the financial statements of the business-type activities of Tower Foundation of San José State University (the "Foundation"), a component unit of the California State University, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 19, 2025.

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. 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 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 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.

CohnReznick LLP

Los Angeles, California
September 19, 2025



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