



(a Component Unit of San Diego State University)

Financial Statements, Schedule of Expenditures of
Federal Awards and Auditors' Reports Required under
Office of Management and Budget Uniform Guidance

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

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GRANT THORNTON LLP

12220 El Camino Real, Suite 300
San Diego, CA 92130

D +1 858 704 8000

F +1 858 704 8099

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
San Diego State University Research Foundation

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of San Diego State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Diego State University) ("SDSU Research Foundation") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise SDSU Research Foundation's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of SDSU Research Foundation, as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3-15 and the Schedule of Changes in SDSU Research Foundation's Net OPEB Liability and Related Ratios Last Two Fiscal Years on page 42, and the Schedule of SDSU Research Foundation Contributions Last Two Fiscal Years on page 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SDSU Research Foundation's basic financial statements. The schedule of expenditures of federal awards ("SEFA"), as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, on pages 49-58, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 11, 2019, on our consideration of SDSU Research 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 SDSU Research 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 SDSU Research Foundation's internal control over financial reporting and compliance.



San Diego, California
September 11, 2019

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

Management's Discussion and Analysis (unaudited)

This section of the San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) annual financial report includes management's discussion and analysis of the financial performance of SDSU Research Foundation for fiscal years ended June 30, 2019 and 2018. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

SDSU Research Foundation's financial statements include the Statements 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 SDSU Research Foundation.

Statements of Net Position

The Statements of Net Position include all assets, deferred outflows and inflows of resources, liabilities, and net position of SDSU Research Foundation. The statements also identify major categories of restrictions on the net position of SDSU Research Foundation.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present revenues earned and expenses incurred during the years on an accrual basis.

Statements of Cash Flows

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

Financial Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of SDSU Research Foundation's financial activities as of and for the years ended June 30, 2019 and 2018 (FY 2019 and FY 2018, respectively). Included are comparative analyses of current year and prior year activities and balances; a discussion of restrictions of SDSU Research Foundation net position; and a discussion of capital assets and long-term debt.

Significant Events – Year Ended June 30, 2019

The number of awards received by SDSU faculty and staff increased from 756 to 786 and the dollar amount of awards increased 10% to \$148.5 million – during a year of unpredictable federal budgets and a federal shutdown. Sponsored programs revenue increased from \$118.9 million in FY 18 to \$121.5 million in FY 19, an increase of \$2.6 million or 2.2%.

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(unaudited)

June 30, 2019 and 2018

Twenty-four grants of \$1 million or more were received, including eleven at \$2 million or higher. The largest grant received was from the Government of Georgia for \$10.5 million to support SDSU Georgia. Other large awards supported community service programs, workforce training, education programs, and health studies.

Awards from two of the major federal agencies increased in dollar amounts. National Institute of Health (NIH) awards rose \$3 million to \$28.8 million. National Science Foundation (NSF) awards rose by \$1.3 million as well as in number (from 39 to 53). SDSU received its largest-ever NIH grant – a \$20 million, five-year award to support health disparities research and infrastructure. Three hundred different sponsors supported SDSU researchers, including those from the federal government, state and local agencies, industry, private foundations and associations.

KPBS launched a \$60 million capital campaign which has produced to date: \$22.6 million in cash gifts and \$8.3 million in pledges to SDSU and SDSU Research Foundation. The increase in campaign contributions to KPBS has contributed to our positive revenue figures.

Significant Events – Year Ended June 30, 2018

SDSU Research Foundation had another year of positive growth in Sponsored Programs revenue which increased from a total of \$116 million in FY 2016 to \$119 million in FY 2018, an increase of \$3 million or 2.6% over two years. Although the number of proposals submitted by SDSU faculty and staff (1,215) and the dollar amount of awards received (\$135 million) in 2018 was only slightly higher than FY 2017 (1,194 and \$134.3 million), the amount of Facilities and Administrative costs recovery (F&A) received on these awards in FY 2018 was up 15% or \$3,022,055 over the amount received in FY 2017. Twenty-three grants received in 2017-18 exceeded \$1 million and supported a variety of research areas including myocardial healing, Latino health, and cancer. The dollar amount of awards from the National Institutes of Health, a major federal funding agency, increased from \$19.7 million in FY 2017 to \$25.8 million in FY 2018. NIH also awarded a prestigious MERIT award to one of our principal investigators to recognize and support her research. This award mechanism extends her current four-year award for an additional year and allows for another five years of support beyond that.

Our F&A rate increased from 50.0% to 50.5% effective July 1, 2017 resulting in increased revenue on new on-campus research awards received during the FY 2017-18 fiscal year. The number of grant-supported faculty increased for the second consecutive year with 345 active researchers in 2018 compared to 324 in 2017. SDSU welcomed 44 new faculty last year. Our research foundation staff are working with them as well as the new SDSU administrators who joined the university during the year including the new university president who chairs our board of directors.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management’s Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

SDSU Research Foundation’s condensed summary of net position as of June 30, 2019, 2018, and 2017 follows:

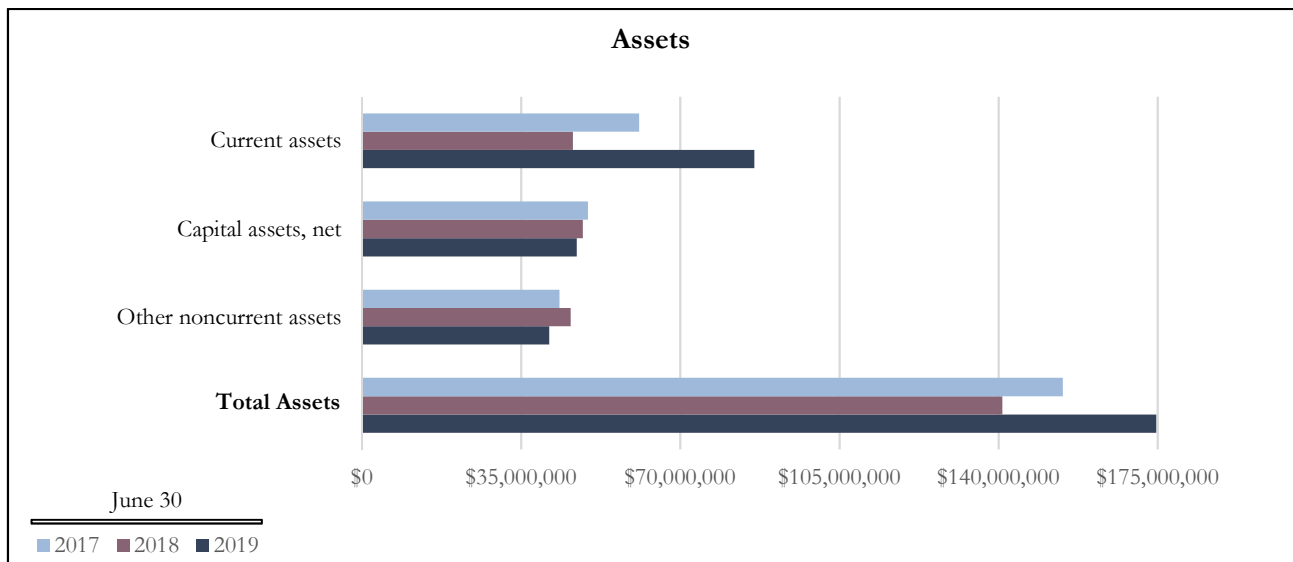
Condensed Summary of Net Position

	June 30		
	2019	2018	2017
Assets:			
Current assets	\$ 86,338,430	\$ 46,372,168	\$ 60,972,841
Capital assets, net	47,230,325	48,598,900	49,740,684
Other noncurrent assets	41,158,484	45,890,159	43,472,169
Total assets	<u>174,727,239</u>	<u>140,861,227</u>	<u>154,185,694</u>
Deferred outflows of resources	<u>1,024,466</u>	<u>806,272</u>	<u>549,384</u>
Liabilities:			
Current liabilities	48,488,305	32,670,805	33,027,465
Noncurrent liabilities	33,521,698	33,826,869	34,586,756
Total liabilities	<u>82,010,003</u>	<u>66,497,674</u>	<u>67,614,221</u>
Deferred inflows of resources	<u>-</u>	<u>804,049</u>	<u>-</u>
Net Position:			
Net investment in capital assets	20,174,890	20,519,041	20,858,622
Restricted – nonexpendable	3,853,189	3,834,673	3,340,670
Restricted – expendable	35,967,349	19,309,021	16,033,158
Unrestricted	33,746,274	30,703,041	46,888,407
Total net position	<u>\$ 93,741,702</u>	<u>\$ 74,365,776</u>	<u>\$ 87,120,857</u>

Assets

Total assets increased by \$33.9 million from FY 2018 to FY 2019 due to an increase in Current assets of \$40 million and a decrease of \$1.4 million in Capital assets, net and \$4.7 million in Other current assets.

Total assets decreased by \$13.3 million from FY 2017 to FY 2018 due to a decrease in Current assets of \$14.6 million and Capital assets, net of \$1.1 million with a corresponding increase of \$2.4 million in Other noncurrent assets.



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

Current assets increased by \$40 million from FY 2018 to FY 2019 due to an increase of \$32.8 million in Cash and Short-term investments and \$6.6 million in Accounts and pledges receivable primarily due to the success of the KPBS capital campaign for the enhancement of the KPBS facilities and equipment. Additionally, Prepaid expenses increased by \$326,000 and Notes receivable by \$236,000. Funds generated from the KPBS capital campaign are temporarily restricted and will be expended over the next couple of years to build out additional KPBS facilities and modernize its equipment.

Current assets decreased by \$14.6 million from FY 2017 to FY 2018 due primarily to a decrease in Short-term investments, offset by an increase in Cash and cash equivalents due to a transfer of funds to SDSU for the construction of a campus building per an agreement with SDSU, College of Extended Studies and the SDSU Research Foundation.

Capital assets, net of accumulated depreciation, are shown below:

	June 30		
	2019	2018	2017
Land and land improvements	\$ 14,820,234	\$ 14,820,234	\$ 14,931,234
Buildings and improvements	27,596,260	28,395,839	29,666,367
Furniture, fixtures, equipment and construction in progress	4,813,831	5,382,827	5,143,083
Capital assets, net of accumulated depreciation	\$ 47,230,325	\$ 48,598,900	\$ 49,740,684

Capital assets decreased by \$1.4 million from FY 2018 to FY 2019 and by \$1.1 million from FY 2017 to FY 2018 mostly due to increased Accumulated depreciation, from depreciation expense of \$4.3 million in FY 2019 and FY 2018, offset by new additions.

Other noncurrent assets decreased by \$4.7 million from FY 2018 to FY 2019 due to a decrease in Long-term investments (\$6.7 million), a decrease in Notes receivable (\$690,000) from principal pay downs, offset by an increase of Pledges receivable (\$4.6 million) from the KPBS capital campaign.

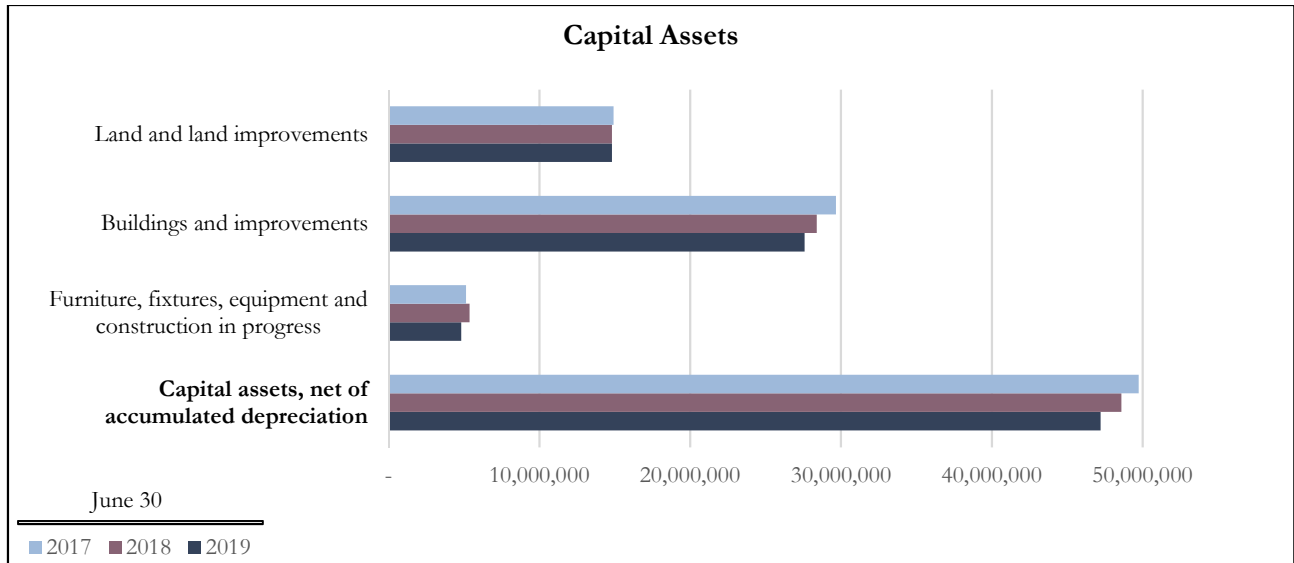
Other noncurrent assets increased by \$2.4 million from FY 2017 to FY 2018 due primarily to an increase in Restricted assets, offset by decreases in Long-term investments and Notes receivable. The increase in restricted assets is primarily due to a donation of land, NIH endowment, and the KPBS capital campaign.

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Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018



Deferred Outflows of Resources

Deferred outflows of resources increased by \$218,000 from FY 2018 to FY 2019 primarily due to the rollforward of the actuarial valuation of the net Other postemployment benefits (OPEB) liability. Deferred outflows of resources increased \$257,000 from FY 2017 to FY 2018 due to the recording of OPEB subsequent contribution with the implementation of GASB Statement No. 75.

Liabilities

Total liabilities increased by \$15.5 million from FY 2018 to FY 2019 due mostly to the increase in Total current liabilities of \$15.8 million offset by a decrease in Total noncurrent liabilities of \$305,000. Total current liabilities increased mostly in Sponsored programs receipts over expenditures category from a large up-front payment on a grant and an increase in the amount of Due to The Campanile Foundation.

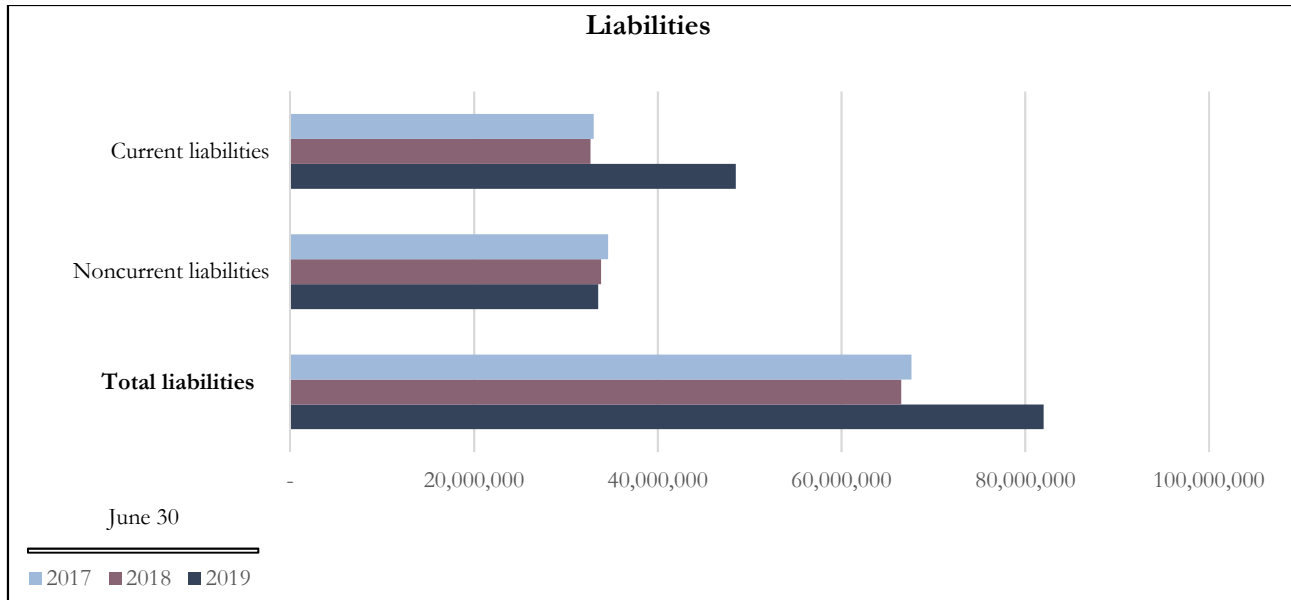
Total liabilities decreased by \$1.1 million from FY 2017 to FY 2018 primarily due to a decrease in Current liabilities of \$357,000 and a decrease in Noncurrent liabilities of \$760,000. Current liabilities decreased primarily due to a decrease in amount Due to The Campanile Foundation, offset by an increase in the amount of Sponsored program receipts over expenditures. Noncurrent liabilities decreased mostly due to regular payments made towards Long-term debt.

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Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018



Long-Term Debt Obligations

Debt outstanding at June 30, 2019, 2018, and 2017 is summarized below by the type of debt instrument:

	June 30		
	2019	2018	2017
Revenue bonds	\$ 26,150,000	\$ 27,110,000	\$ 28,035,000
Unamortized bond premium	1,141,999	1,236,907	1,331,815
Total long-term debt	<u>27,291,999</u>	<u>28,346,907</u>	<u>29,366,815</u>
Less current portion	<u>(1,099,908)</u>	<u>(1,054,908)</u>	<u>(1,019,908)</u>
Long-term debt, net of current portion	<u>\$ 26,192,091</u>	<u>\$ 27,291,999</u>	<u>\$ 28,346,907</u>

Long-term debt, net of current portion, decreased by \$1.1 million from FY 2018 to FY 2019 and by approximately \$1.1 million from FY 2017 to FY 2018 due to scheduled bond payments and amortization of bond premium.

Deferred Inflows of Resources

Deferred inflows of resources decreased \$804,000 from FY 2018 to 2019 due to the rollforward of the actuarial valuation of the net OPEB liability.

Deferred inflows of resources increased \$804,000 from FY 2017 to FY 2018 due to an addition to OPEB trust investment experience with the implementation of GASB Statement No. 75.

Net Position

Total net position increased by \$19.4 million from FY 2018 to FY 2019 primarily due to the success of the KPBS capital campaign resulting in increased contributions of \$11.5 million as well as an increase in Sponsored Programs and various other revenue and expense categories.

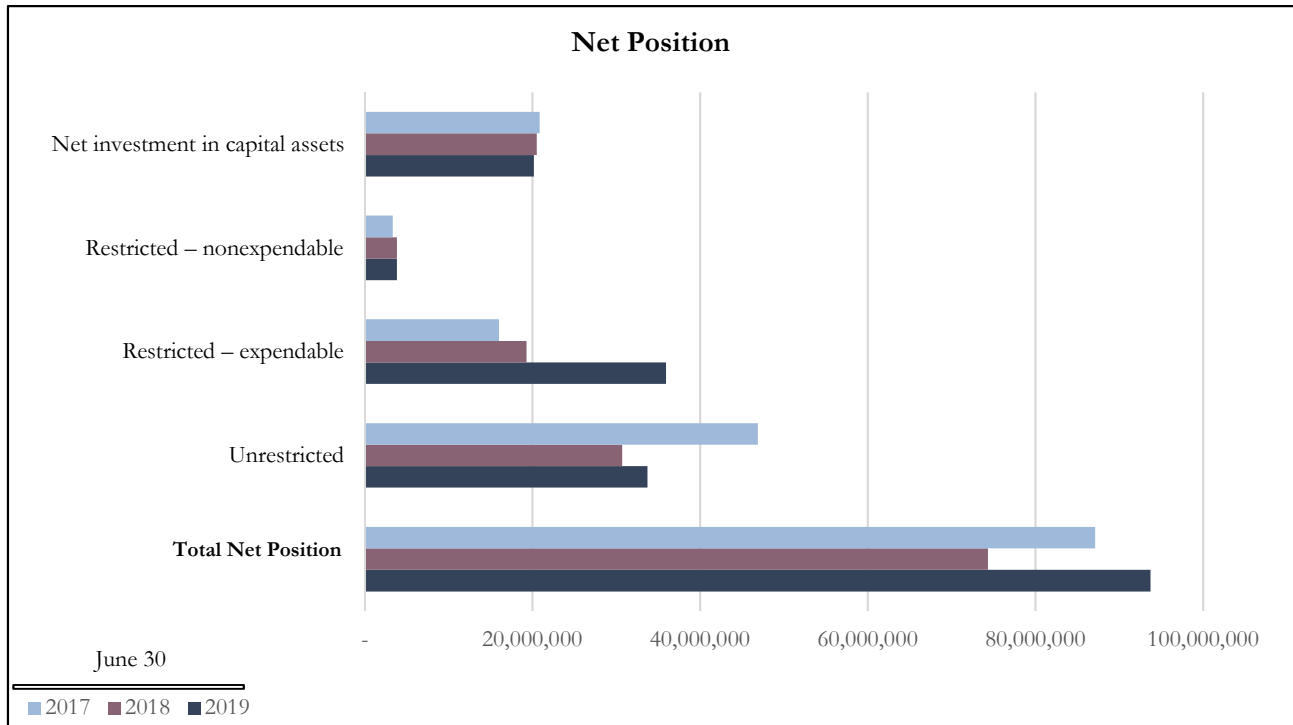
SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management’s Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

Net position decreased by \$12.8 million from FY 2017 to FY 2018 due to a decrease in Short-term investments to fund transfers to SDSU for construction of a campus building per an agreement with College of Extended Studies and SDSU Research Foundation.



Restricted Resources

The net position of SDSU Research Foundation includes funds that are restricted by donor or law. Nonexpendable net position increased by \$18,000 from FY 2018 to FY 2019.

Nonexpendable net position increased by \$494,000 from FY 2017 to FY 2018 due to a donation of land with restricted use which will be held in SDSU Research Foundation field station program.

Expendable restricted net position increased by \$16.7 million from FY 2018 to FY 2019 primarily due to the KPBS capital campaign as well as the fourth installment, \$2.0 million, of a five-year \$10 million expendable endowment from NIH.

The increase in expendable restricted net position of \$3.3 million from FY 2017 to FY 2018 was primarily due to the third installment, \$2.2 million, of a five-year \$10 million expendable endowment from NIH, as well as an increase in the KPBS capital campaign.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

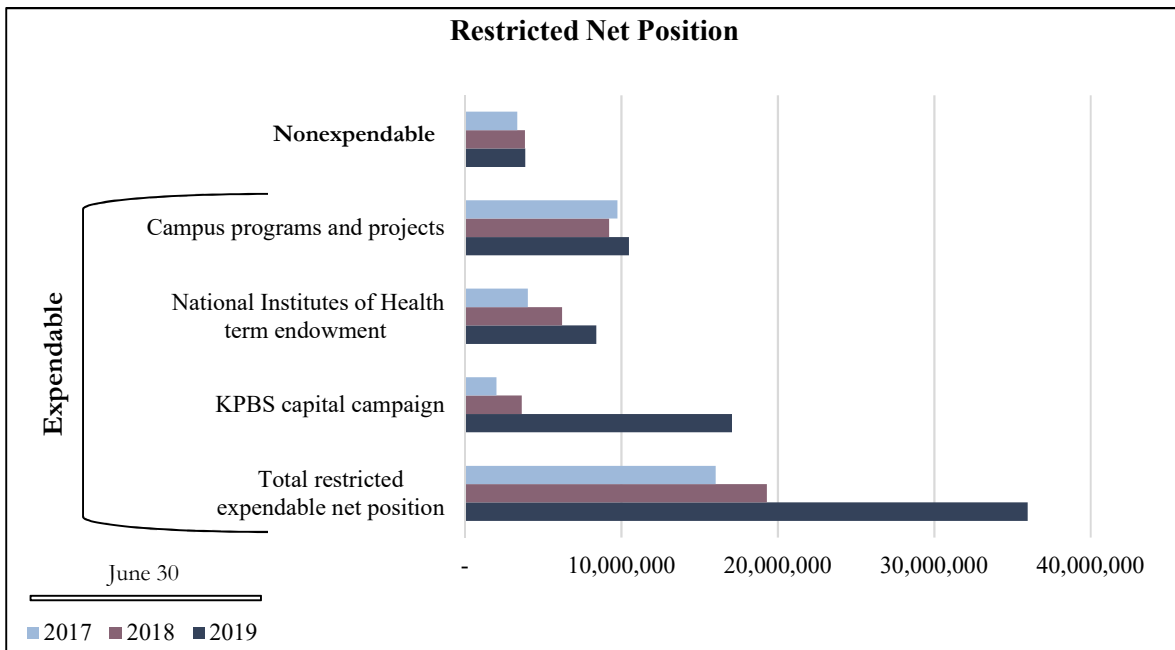
(unaudited)

June 30, 2019 and 2018

The following table summarizes restricted funds, the type of restriction and the amount:

Restricted Net Position

	June 30		
	2019	2018	2017
Nonexpendable	\$ 3,853,189	\$ 3,834,673	\$ 3,340,670
Expendable:			
Campus programs and projects	\$ 10,484,458	\$ 9,469,323	\$ 10,003,241
National Institutes of Health term endowment	8,405,742	6,213,363	4,016,056
KPBS capital campaign	17,077,149	3,626,335	2,013,861
Total restricted expendable net position	\$ 35,967,348	\$ 19,309,021	\$ 16,033,158



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

SDSU Research Foundation's condensed summary of revenues, expenses and changes in net position for the years ended June 30, 2019, 2018, and 2017 follows:

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Years Ended June 30		
	2019	2018	2017
Operating revenues:			
Sponsored programs support	\$ 121,460,755	\$ 118,936,321	\$ 117,285,492
Community and campus programs	24,057,161	25,922,553	29,391,596
Contributions	34,411,933	23,286,095	19,948,984
Other operating revenues	8,719,961	8,110,134	7,908,332
Total operating revenues	188,649,810	176,255,103	174,534,404
Operating expenses:			
Sponsored programs	103,949,154	101,220,506	101,150,748
Community and campus programs, including fundraising	41,784,478	43,709,891	44,576,808
Other operating expenses	23,685,665	23,894,088	22,645,191
Total operating expenses	169,419,297	168,824,485	168,372,747
Operating income	19,230,513	7,430,618	6,161,657
Net nonoperating revenues (expenses)	116,258	(20,235,168)	(6,684,388)
Increase in permanent endowments	29,155	49,469	83,370
Net income (loss)	19,375,926	(12,755,081)	(439,361)
Net position at beginning of year	74,365,776	87,120,857	87,560,218
Net position at end of year	\$ 93,741,702	\$ 74,365,776	\$ 87,120,857

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to SDSU Research Foundation's primary business functions.

Operating Revenues

Operating revenues increased by \$12.4 million from FY 2018 to FY 2019 due to an increase in Sponsored programs support, Contributions, and Other operating revenues offset by a decrease in Community and Campus Programs. Operating revenues increased by \$1.7 million from FY 2017 to FY 2018 primarily due to an increase in Sponsored programs support and Contributions revenues, offset by a decrease in Community and campus programs revenues.

Sponsored programs support increased from FY 2018 to FY 2019 by \$2.5 million and by \$1.7 million from FY 2017 to FY 2018 due to the continued success of SDSU's faculty in applying for and being awarded new grants and contracts.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management’s Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

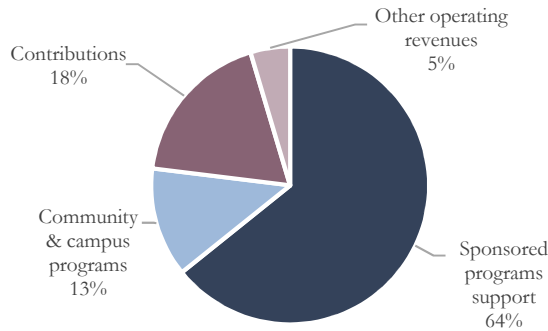
Community and campus programs include revenues generated mostly by the College of Extended Studies and KPBS as well as other campus programs. The revenues decreased by \$1.9 million from FY 2018 to FY 2019 and by \$3.5 million from FY 2017 to FY 2018 due to a decrease in activity by the College of Extended Studies as well as the reduction in revenue from the SDSU-Georgia fixed price contract.

Contributions increased \$11.1 million from FY 2018 to FY 2019 and \$3.3 million from FY 2017 to FY 2018 primarily due to KPBS’s capital campaign, as well as an increase in general contributions to KPBS.

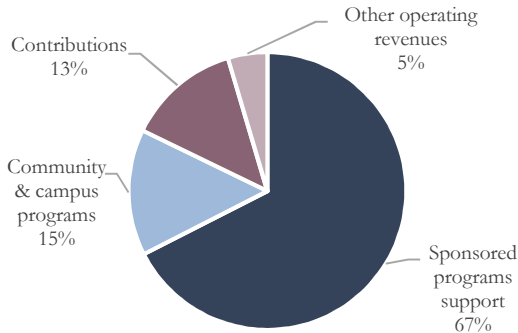
Other operating revenues increased by \$610,000 from FY 2018 to FY 2019 and \$202,000 from FY 2017 to FY 2018 due to an increase in rental income due to leases from SDSURF Foundation owned properties.

The following charts present the percentages that each category of operating revenue contributed to total revenues for the years ended June 30, 2019, 2018, and 2017:

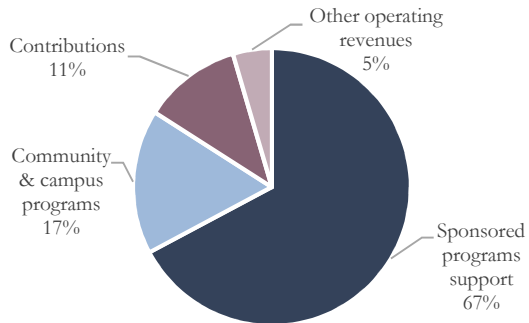
2019 Operating Revenue



2018 Operating Revenue



2017 Operating Revenue



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

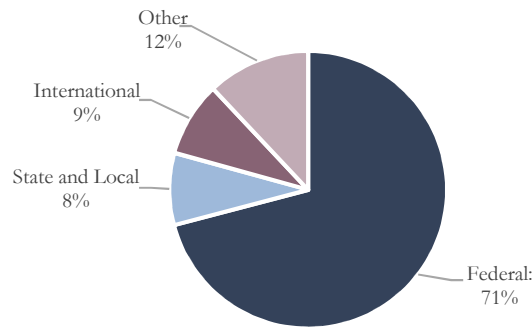
June 30, 2019 and 2018

The sources of Sponsored program support revenues for the years ended June 30, 2019, 2018, and 2017 are as follows:

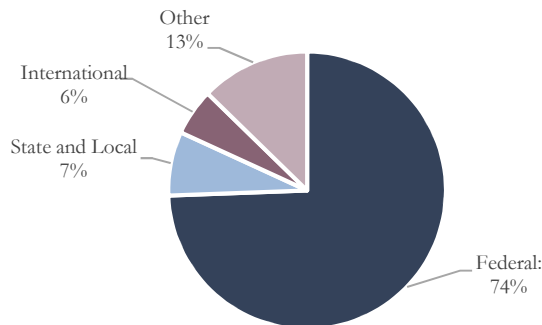
	Years Ended June 30					
	2019		2018		2017	
	\$	%	\$	%	\$	%
Federal:						
Department of Health & Human Services	42,395,271	34.9	42,591,398	35.8	43,905,262	37.5
Department of Education	12,424,300	10.2	12,365,258	10.4	11,724,328	10.0
Department of Defense	8,910,129	7.4	9,902,885	8.3	9,204,554	7.8
National Science Foundation	9,265,080	7.6	9,484,743	8.0	8,652,326	7.4
Department of Agriculture	7,042,976	5.8	7,094,809	6.0	6,774,828	5.8
Other	6,080,520	5.0	7,070,714	5.9	7,085,940	6.0
Total Federal	86,118,276	70.9	88,509,807	74.4	87,347,238	74.5
State and Local	10,194,204	8.4	8,825,282	7.4	8,074,388	7.7
International	10,551,825	8.7	6,494,362	5.5	6,199,632	5.3
Other	14,596,450	12.0	15,106,905	12.7	15,664,234	13.4
Total	121,460,755	100.0	118,936,321	100.0	117,285,492	100.0

The following charts present the percentages that each sponsor type contributed to Sponsored program support revenues for the years ended June 30, 2019, 2018, and 2017:

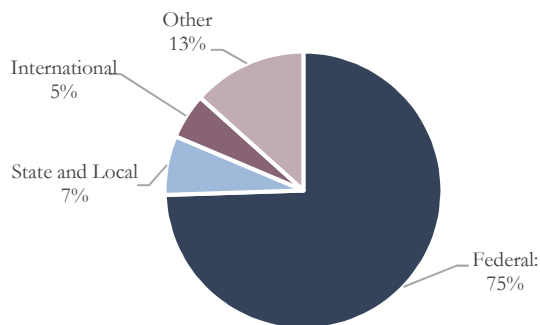
2019 Sponsored Program Support



2018 Sponsored Program Support



2017 Sponsored Program Support



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

Operating Expenses

Operating expenses increased by \$595,000 from FY 2018 to FY 2019 primarily due to an increase in Sponsored Program expense offset by a reduction in Community and campus programs and Other operating expense. Operating expenses increased by \$452,000 from FY 2017 to FY 2018 primarily due to an increase in Other operating expenses offset by a reduction in Community and campus programs expense.

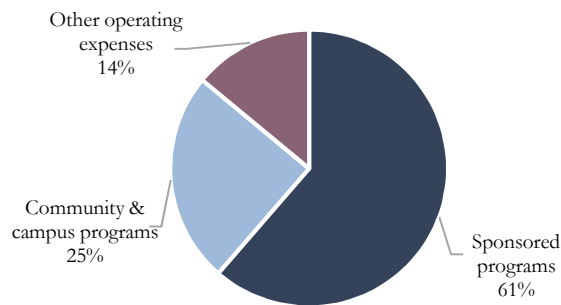
Sponsored programs expenses increased by \$2.7 million from FY 2018 to FY 2019 and \$70,000 from FY 2017 to FY 2018 due to increased award activity.

Community and campus programs expenses decreased by \$1.9 million and \$867,000, respectively, from FY 2018 to FY 2019 and from FY 2017 to FY 2018 due to a decrease in activity in the College of Extended Studies noncredit courses.

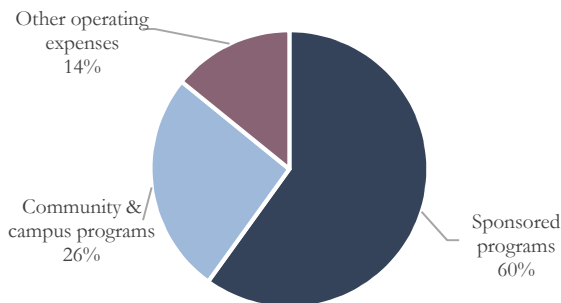
Other operating expenses decreased by \$208,000 from FY 2018 to FY 2019 due to savings in various expense categories. Other operating expenses increased by \$1.2 million from FY 2017 to FY 2018 due to an increase in general administration expenses including depreciation, facilities operating expenses, and salary cost of living increases along with fringe benefits.

The following charts present the distribution of resources by percentage of operating expense category in support of SDSU Research Foundation's mission for the years ended June 30, 2019, 2018, and 2017:

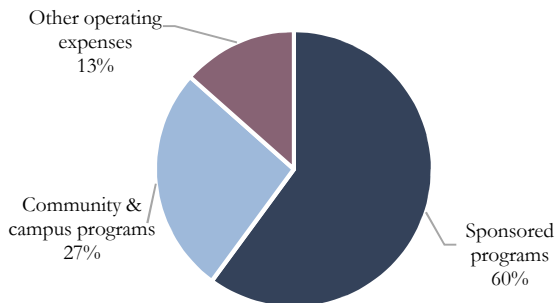
2019 Operating Expenses



2018 Operating Expenses



2017 Operating Expenses



SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

(unaudited)

June 30, 2019 and 2018

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) come from sources that are not part of SDSU Research Foundation's primary business functions. Included in this classification are interest expense, investment income, changes in the fair value of investments, gains and losses from the disposition of equipment or sale of donated property and transfers to SDSU and The Campanile Foundation.

Net nonoperating revenues (expenses) increased by \$20.4 million from FY 2018 to FY 2019 primarily due to the transfer to SDSU for the finance and construction of a campus building per an agreement with the College of Extended Studies and SDSU Research Foundation in FY 2018. Additionally, the net increase in fair value of investments was \$1.3 million from FY 2018 to FY 2019.

Net nonoperating revenues (expenses) decreased by \$13.5 million from FY 2017 to FY 2018 due to a reduction in fair value of investments from market value fluctuations and increased transfers to SDSU to finance the construction of a campus building per an agreement with the College of Extended Studies and SDSU Research Foundation offset by an increase in investment income. Additionally in FY 2017, donated property was sold for a gain.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Net Position

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents (note 2)	\$ 13,352,716	\$ 11,824,728
Short-term investments (note 3)	22,060,040	8,478,892
Restricted assets - short-term investments (note 3)	17,665,776	-
Accounts and pledges receivable, net (notes 4 and 7)	31,565,827	24,936,029
Notes receivable - current portion (note 5)	690,199	454,300
Prepaid expenses	1,003,872	678,219
Total current assets	<u>86,338,430</u>	<u>46,372,168</u>
Noncurrent assets:		
Pledges receivable, net (note 4)	4,990,197	393,305
Long-term investments (note 3)	6,550,585	13,229,554
Restricted assets – investments (note 3)	19,846,230	20,835,163
Restricted assets – land	2,308,532	2,308,532
Notes receivable - net of current portion (note 5)	7,227,492	7,917,691
Capital assets, net (notes 2, 6, and 8)	47,230,325	48,598,900
Other assets (note 2)	235,448	1,205,914
Total noncurrent assets	<u>88,388,809</u>	<u>94,489,059</u>
Total assets	<u>174,727,239</u>	<u>140,861,227</u>
Deferred Outflows of Resources		
Deferred loss on bond refunding (notes 2 and 8)	492,548	520,967
OPEB trust investment experience (notes 2 and 11)	236,284	-
OPEB subsequent contribution (notes 2 and 11)	295,634	285,305
Total Deferred Outflow of Resources	<u>1,024,466</u>	<u>806,272</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 2 and 7)	14,081,933	14,238,704
Sponsored programs receipts over expenditures (note 2)	24,834,453	11,766,616
Long-term debt obligations – current portion (note 8)	1,099,908	1,054,908
Due to The Campanile Foundation (note 7)	8,472,011	5,610,577
Total current liabilities	<u>48,488,305</u>	<u>32,670,805</u>
Noncurrent liabilities:		
Long-term debt obligations, net of current portion (note 8)	26,192,091	27,291,999
Other liabilities (notes 9 and 11)	7,329,607	6,534,870
Total noncurrent liabilities	<u>33,521,698</u>	<u>33,826,869</u>
Total liabilities	<u>82,010,003</u>	<u>66,497,674</u>
Deferred Inflows of Resources		
OPEB trust investment experience (notes 2 and 11)	-	804,049
Commitments and Contingencies (notes 9, 10, 11, and 12)		
Net Position		
Net investment in capital assets	20,174,890	20,519,041
Restricted for:		
Nonexpendable – endowments and property	3,853,189	3,834,673
Expendable:		
Campus programs and projects	10,484,458	9,469,323
National Institutes of Health term endowment	8,405,742	6,213,363
KPBS capital campaign	17,077,149	3,626,335
Unrestricted	33,746,274	30,703,041
Total net position	<u>\$ 93,741,702</u>	<u>\$ 74,365,776</u>

The accompanying notes are an integral part of these financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Sponsored programs support	\$ 121,460,755	\$ 118,936,321
Community and campus programs	24,057,161	25,922,553
Contributions	34,411,933	23,286,095
Rental income	6,630,402	5,767,903
Other operating revenues (note 7)	2,089,559	2,342,231
Total operating revenues	<u>188,649,810</u>	<u>176,255,103</u>
Operating expenses (notes 9, 10 and 11):		
Sponsored programs	103,949,154	101,220,506
Community and campus programs	35,016,557	37,175,793
Fundraising – broadcasting	6,767,921	6,534,098
Property management	8,216,807	8,635,810
General administration	15,468,858	15,258,278
Total operating expenses	<u>169,419,297</u>	<u>168,824,485</u>
Operating income	<u>19,230,513</u>	<u>7,430,618</u>
Nonoperating revenues (expenses):		
Interest expense (note 8)	(1,113,257)	(1,102,467)
Investment income, net	1,243,824	1,122,079
Net increase in fair value of investments (note 3)	1,794,705	447,597
Loss on dispositions of property and equipment	(21,178)	(78,426)
Transfers to SDSU (note 2)	(777,836)	(19,268,701)
Transfers to The Campanile Foundation (note 2)	(1,010,000)	(1,355,250)
Net nonoperating revenues (expenses)	<u>116,258</u>	<u>(20,235,168)</u>
Income (loss) before changes to permanent endowments	19,346,771	(12,804,550)
Increase in permanent endowments	<u>29,155</u>	<u>49,469</u>
Net income (loss)	19,375,926	(12,755,081)
Net position:		
Net position at beginning of year	74,365,776	87,120,857
Net position at end of year	<u>\$ 93,741,702</u>	<u>\$ 74,365,776</u>

The accompanying notes are an integral part of these financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Sponsored programs receipts	\$ 130,313,992	\$ 122,561,169
Community and campus programs receipts	21,874,133	25,647,836
Contributions	27,599,602	23,114,867
Rents received	6,538,086	5,644,602
Payments to suppliers	(66,755,114)	(68,793,567)
Payments to employees	(95,909,573)	(95,321,206)
Transfers to SDSU	(777,836)	(19,268,701)
Net transfers from (to) The Campanile Foundation	2,861,434	(2,767,080)
Other receipts	2,122,114	1,924,777
Net cash provided by (used in) operating activities	<u>27,866,838</u>	<u>(7,257,303)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(960,000)	(925,000)
Interest paid	(1,185,954)	(1,174,812)
Purchase of property and equipment	(3,024,755)	(3,892,361)
Proceeds from sale of property and equipment	9,201	107,993
Net cash used in capital and related financing activities	<u>(5,161,508)</u>	<u>(5,884,180)</u>
Cash flows from investing activities:		
Investment income	1,133,522	1,290,727
Proceeds from sale of investments	31,737,492	54,589,809
Collection of notes receivable	454,300	-
Purchase of investments	(54,502,656)	(38,998,692)
Net cash (used in) provided by investing activities	<u>(21,177,342)</u>	<u>16,881,844</u>
Net increase in cash and cash equivalents	1,527,988	3,740,361
Cash and cash equivalents, beginning of year	<u>11,824,728</u>	<u>8,084,367</u>
Cash and cash equivalents, end of year	<u>\$ 13,352,716</u>	<u>\$ 11,824,728</u>

The accompanying notes are an integral part of these financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows - Continued

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 19,230,513	\$ 7,430,618
Adjustments:		
Depreciation	4,362,951	4,392,726
Change in assets and liabilities:		
Accounts and pledges receivable	(11,116,388)	(104,046)
Prepaid expenses and other assets	188,598	320,356
OPEB asset (liability)	1,230,375	(456,215)
Deferred outflows of resources related to OPEB	(246,613)	(285,305)
Accounts payable	665,668	(193,484)
Accrued expenses	(816,229)	295,739
Sponsored programs receipts over expenses	13,067,837	2,279,019
Net transfers from (to) The Campanile Foundation	2,861,434	(2,767,080)
Other liabilities	20,577	295,021
Deferred inflows of resources related to OPEB	(804,049)	804,049
Transfers to SDSU	<u>(777,836)</u>	<u>(19,268,701)</u>
Net cash provided by (used in) operating activities	<u>\$ 27,866,838</u>	<u>\$ (7,257,303)</u>
 Supplemental disclosure of noncash investing activity:		
Increase in fair value of investments	\$ 1,794,705	\$ 447,597
Increase in permanent endowments	\$ 29,155	\$ 49,469

The accompanying notes are an integral part of these financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION

San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) was formed on February 11, 1943. It is an auxiliary organization of San Diego State University (the University), and is organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. It is a nonprofit corporation chartered to provide and augment programs that are an integral part of the educational and community service mission of the University. While SDSU Research Foundation is organized to function as a separate corporation, it is integrated into the goals and programs of the University. SDSU Research Foundation reports as a special-purpose government entity engaged only in business-type activities.

SDSU Research Foundation is responsible for the accomplishment of certain University objectives that require financial support not provided by the state. These activities occur in all aspects of university life, including the development and administration of sponsored grants and contracts for faculty and staff research and educational projects; the administration of community and campus-related programs; the financial administration of certain gifts and donations; and the investment of certain endowments and other funds. SDSU Research Foundation's financial statements are included as a component unit of the University's annual financial statements as required by the Government Accounting Standards Board (GASB).

Affiliated Organizations

SDSU Research Foundation is related to the three other auxiliaries of the University: Associated Students of San Diego State University, Aztec Shops, Ltd. and The Campanile Foundation (TCF). The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies utilized by SDSU Research Foundation follows:

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Classification of Current and Noncurrent Assets and Liabilities

SDSU Research Foundation considers assets to be current that can be reasonably expected, as a part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within twelve months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Cash and Cash Equivalents

SDSU Research Foundation considers cash and short-term highly liquid investments with original maturities of three months or less to be cash and cash equivalents. These short-term investments are stated at cost, which approximates fair value.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

All investments are reported at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Accounts and Pledges Receivable

Accounts receivable are recorded at the actual amounts expected to be collected and include both billed and unbilled amounts.

Pledges receivable are due from donors of KPBS and are recorded at net present value.

Other Assets

Other assets consist primarily of deposits held by others.

Capital Assets

Capital assets in excess of \$5,000 are recorded at cost, if purchased, or at estimated fair value, if donated. Certain equipment acquired through grants is subject to restrictions on use and disposition subsequent to the conclusion of the related grants.

Leased property meeting certain capital lease criteria is capitalized and the net present value of the related lease payments is recorded as a liability. Depreciation of assets under capital leases is recorded using the straight-line method over the shorter of the estimated useful lives or the lease terms.

Depreciation is computed by using the straight-line method over the useful life of the asset. For buildings, the useful life is generally 40 years. For building improvements, furniture, fixtures and equipment, the useful life is generally 5, 10 or 15 years. Improvements to leased property are amortized over the lesser of the term of the lease or the life of the improvement.

Asset Impairment

SDSU Research Foundation annually evaluates capital assets held for investment. The carrying values of such assets that are considered to be impaired are adjusted accordingly. Management has determined that there were no such impairments at June 30, 2019 and 2018.

Deferred Outflows and Inflows of Resources

Deferred Outflows for Losses on bond refunding's are deferred and amortized on the straight-line method over the life of the refunded bonds.

Deferred Outflows for OPEB subsequent contributions is an actuarially calculated amount that represents contributions to the OPEB Plan made after the measurement date.

Deferred Outflows and Deferred Inflows for OPEB trust investment experience is an actuarial calculated amount representing the difference between projected and actual earnings on OPEB plan investments. It is being amortized over five years.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

SDSU Research Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service and employee classification. Eligible full-time employees accrue sick leave at the rate of four hours per pay period; however, except in limited cases upon retirement, employees are not paid for unused sick leave at the end of employment. Liabilities for compensated absences of approximately \$3,299,000 and \$3,031,000 as of June 30, 2019 and 2018, respectively, are included in accrued expenses.

Revenue Recognition

Revenue from sponsored programs is recognized as sponsored programs support in the fiscal year in which all eligibility requirements have been satisfied. Sponsored programs revenue received prior to satisfaction of eligibility requirements and incurrence of the related expenses have been deferred and are reflected as Sponsored programs receipts over expenditures in the accompanying statements of net position.

SDSU Research Foundation received 45.6% and 50.2% of its total operating revenue from federal sources during the years ended June 30, 2019 and 2018, respectively. The Department of Health and Human Services provided 22.5% and 24.2% of the total operating revenue for the years ended June 30, 2019 and 2018, respectively.

Revenue from community and campus programs is recognized as earned, which includes the revenue related to KPBS and the College of Extended Studies.

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are deferred.

Transfers

Transfers are non-exchange cash transactions to related parties in support of the mission of the University.

Net Position

SDSU Research Foundation's net position is classified into the following categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – nonexpendable

Assets, net of related liabilities, that are subject to externally imposed conditions that SDSU Research Foundation retains in perpetuity. Assets in this category consist of endowments and property held by SDSU Research Foundation.

Restricted – expendable

Assets, net of related liabilities, that are subject to externally imposed conditions that can be fulfilled by the actions of SDSU Research Foundation's Board of Directors.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unrestricted

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

Restricted resources are used in accordance with SDSU Research Foundation policies. When both restricted and unrestricted resources are available for use, the determination to use restricted or unrestricted resources is made on a case-by-case basis.

Classification of Revenues and Expenses

SDSU Research Foundation considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from activities that are connected directly to SDSU Research Foundation's primary functions. Certain other transactions are reported as nonoperating revenues and expenses, including interest expense, investment income and changes in the fair value of investments.

Included in sponsored program receipts for the years ended June 30, 2019 and 2018, were \$2 million and \$2.2 million respectively, received from The National Institutes of Health. These amounts were transferred to a term endowment.

Functional Expense Allocations

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or support services. Expenses applicable to more than one activity, such as facilities-related depreciation, are allocated amongst sponsored programs, community and campus programs, and plant fund based on an evaluation from management.

Interfund Eliminations

According to SDSU Research Foundation policy, all interfund transactions have been eliminated in the accompanying financial statements.

Income Taxes

SDSU Research Foundation follows the guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

SDSU Research Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. SDSU Research Foundation has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. SDSU Research Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; to identify and evaluate other matters that may be considered tax positions. SDSU Research Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the June 30, 2018 financial statements in order to conform to the presentation as of June 30, 2019. These reclassifications were not material and had no effect on operations.

Pronouncements Issued

For the year ended June 30, 2019, SDSU Research Foundation implemented the following GASB statements, the implementation of which did not have a significant impact on the financial statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations (effective for the year ended June 30, 2019),
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (effective for the year ended June 30, 2019).

For the year ended June 30, 2018, SDSU Research Foundation implemented the following GASB statements the implementation of which did not have a significant impact on the financial statements:

- GASB Statement No. 75, Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions (effective for the year ended June 30, 2018)
- GASB Statement No. 85, Omnibus 2017 (effective for the year ended June 30, 2018)
- GASB Statement No. 86, Certain Debt Extinguishment Issues (effective for the year ended June 30, 2018).

The GASB has issued the following statements:

- GASB Statement No. 84, Fiduciary Activities (effective for the year ending June 30, 2020)
- GASB Statement No. 87, Leases (effective for the year ending June 30, 2021)
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (effective for the year ending June 30, 2021)
- GASB Statement No. 90, Majority Equity Interests (effective for the year ended June 30, 2020)
- GASB Statement No. 91, Conduit Debt Obligations (effective for the year ending June 30, 2022).

Management has not determined what, if any, impact implementation may have on the financial statements of SDSU Research Foundation.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 3 – INVESTMENTS

Investment Policy

The primary objective of the investment policy of SDSU Research Foundation is to protect the underlying assets so that the funds are available when needed by various projects and programs. A secondary objective is to maximize investment income on available investments. Various policies have been adopted to meet these objectives at the same time. Specific references are included below under various risk categories. In general, operating funds are limited in maturity ranges and type of debt instrument.

Investments as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Short-term	\$ 22,060,040	\$ 8,478,892
Short-term restricted	17,665,776	-
Long-term	6,550,585	13,229,554
Long-term restricted	19,846,230	20,835,163
	<u>\$ 66,122,631</u>	<u>\$ 42,543,609</u>

SDSU Research Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment

The following tables summarize SDSU Research Foundation’s investments within the fair value hierarchy at June 30, 2019 and June 30, 2018, respectively:

<u>2019 Investments</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Treasury Issues	\$ 3,385,788	\$ 3,385,788	\$ -	\$ -
Federal Agency Issues	131,922	131,922	-	-
Bond Index Mutual Fund	1,803,373	1,803,373	-	-
Corporate Bonds	30,565,074	30,565,074	-	-
Deferred Gift	871,928	871,928	-	-
Certificate of Deposit	2,505,037	-	2,505,037	-
Intermediate Term Fund	485,458	-	485,458	-
Money Market Funds	849,163	-	849,163	-
Real Property	1,797,000	-	-	1,797,000
TCF Endowment Pool	23,613,206	-	-	23,613,206
Amounts Held by Others	114,682	-	-	114,682
	<u>\$ 66,122,631</u>	<u>\$ 36,758,085</u>	<u>\$ 3,839,658</u>	<u>\$ 25,524,888</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 3 – INVESTMENTS – Continued

<u>2018 Investments</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Agency Issues	\$ 131,205	\$ 131,205	\$ -	\$ -
Bond Index Mutual Fund	1,672,078	1,672,078	-	-
Corporate Bonds	16,844,140	16,844,140	-	-
Deferred Gift	875,008	875,008	-	-
Intermediate Term Fund	465,352	-	465,352	-
Money Market Funds	57,743	-	57,743	-
Real Property	1,031,821	-	-	1,031,821
TCF Endowment Pool	21,317,210	-	-	21,317,210
Amounts Held by Others	120,649	-	-	120,649
Fixed Annuity Contracts	28,403	-	-	28,403
	<u>\$ 42,543,609</u>	<u>\$ 19,522,431</u>	<u>\$ 523,095</u>	<u>\$ 22,498,083</u>

The following is a description of the valuation methodologies used for assets measured at fair value:

- Level 1 Measurements

Treasury Issues, Federal Agency Issues, Corporate Bonds and Bond Index Mutual Funds – based on quoted prices available in an active market.

Deferred Gift – based on quoted prices available in an active market. The deferred gift is invested in a portfolio of cash, equity securities, fixed income securities, and real estate funds designed to provide a moderate amount of current income with moderate growth of capital.

- Level 2 Measurements

Money Market Funds and the Intermediate Term Fund – based on published fair value per share for each fund. The Intermediate Term Fund is a commingled investment fund that is limited to nonprofit institutions and other qualified investors.

Certificate of Deposit – valued at cost, which approximates fair value.

- Level 3 Measurements

Fixed Annuity Contracts – is reported at contract value which approximates fair value. The contract value equals the accumulated cash contributions, interest credited to the plan’s contracts, and transfers, if any, less any withdrawals and transfers, if any. These contracts are not available for sale or transfer on any securities exchange.

TCF Endowment Pool – SDSU Research Foundation invests in the TCF Endowment Pool, a unitized pool managed by TCF, another university auxiliary organization. The fair value is calculated as SDSU Research Foundation’s share of the pool as of the measurement date, which is based on the fair value of the underlying assets owned by the fund divided by the number of units outstanding.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 3 – INVESTMENTS – Continued

Real Property – fair value reflects most recent appraised value. Because there are no observable measures, the appraiser must rely solely on experience and knowledge of the market when using inputs for real estate assets. This investment was purchased with a donor’s funds to benefit specific research programs. The property may be sold should the needs of the programs change.

Amounts Held By Others – SDSU Research Foundation is the beneficiary of certain trusts held in an endowment portfolio managed by a community foundation. The fair value is calculated based on the fair value of the underlying assets owned by the fund.

The Campanile Foundation Endowment Pool

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools. These investment are managed by an Outside Chief Investment Officer (OCIO) based upon the Investment Policy Statement (IPS) as approved by the TCF Board of Directors. The TCF Finance and Investment Committee meets regularly with the OCIO to review the investments and their performance and the compliance with the IPS. The investment category allocations and IPS targets as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>	<u>IPS Target</u>
Growth Assets	41.2%	46.2%	50.0%
Credit	1.8%	6.5%	8.0%
Inflation Hedges	13.6%	14.5%	14.0%
Risk Mitigation	43.4%	32.8%	28.0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

SDSU Research Foundation recognized a net unrealized gain of \$895,319 and \$513,678 for the years ended June 30, 2019 and 2018, respectively, from its investment in the TCF Endowment Pool.

The TCF Endowment Pool is subject to concentrations of credit risk and the investments of the TCF Endowment Pool are exposed to both interest rate and market risk. Economic conditions can impact these risks, and resulting market values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances, and thus SDSU Research Foundation’s portion of those investments, could be materially affected. Although the market value of the investment in the TCF Endowment Pool is subject to fluctuations on a year-to-year basis, management believes the investment policies of TCF are prudent for the long-term welfare of SDSU Research Foundation.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), SDSU Research Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to SDSU Research Foundation’s programs and operations supported by its endowment while also seeking to maintain the long-term purchasing power of the endowment assets.

Endowment distributions are provided in accordance with SDSU Research Foundation and The Campanile Foundation’s investment policy statement. For the fiscal years ended June 30, 2019 and 2018, the distribution rate was 4% of the endowment principal market value using a three-year moving average.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. In order to reduce interest rate risk exposure, SDSU Research Foundation’s investment

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 3 – INVESTMENTS – Continued

policy states that individually held working capital and debt reserve fixed income investments are limited to a five-year maturity and should be staggered over various maturity dates.

Maturities of fixed income investments as of June 30, 2019 are as follows:

	Market Value Total	Less than One Year	Two - Five Years
Treasury Issues	\$ 3,385,788	\$ 3,385,788	\$ -
Federal Agency Issues	131,922	131,922	-
Bond Index Mutual Fund	1,803,373	-	1,803,373
Corporate Bonds	30,565,074	30,565,074	-
Certificate of Deposit	2,505,037	2,505,037	-
Intermediate Term Fund	485,458	-	485,458
Money Market Funds	849,163	849,163	-
	\$ 39,725,815	\$ 37,436,984	\$ 2,288,831

Maturities of fixed income investments as of June 30, 2018 are as follows:

	Market Value Total	Less than One Year	Two - Five Years
Federal Agency Issues	\$ 131,205	\$ -	\$ 131,205
Bond Index Mutual Fund	1,672,078	-	1,672,078
Corporate Bonds	16,844,140	8,392,746	8,451,394
Intermediate Term Fund	465,352	-	465,352
Money Market Funds	57,743	57,743	-
	\$ 19,170,518	\$ 8,450,489	\$ 10,720,029

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. SDSU Research Foundation's investment policy requires that fixed income investments must be rated as "Investment Grade," which is BBB or higher. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments. Federal agency issues, bond index fund, intermediate term fund, and money market funds do not have a rating provided by a nationally recognized statistical rating organization. The range of ratings of corporate bonds was BBB to A+ as of June 30, 2019 and June 30, 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Securities issued by U.S. government agencies are purchased to reduce the possibility of a loss due to a concentration of credit. SDSU Research Foundation's investment policy contains no limitations as to how much can be invested with any one issuer. As of June 30, 2019 and June 30, 2018, SDSU Research Foundation did not have any investments with a single non-federal issuer that exceeded 5% of total investments.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 3 – INVESTMENTS – Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that SDSU Research Foundation will not be able to recover its deposits in the event of a failure of a depository institution. SDSU Research Foundation deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation (FDIC) secured. As a result, custodial credit risk for deposits is remote. In the ordinary course of SDSU Research Foundation’s operations, deposit balances can exceed the FDIC insured limits.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, SDSU Research 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, government investment pools and the Intermediate Term Fund. Federally Sponsored Enterprise Issues are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in SDSU Research Foundation’s name.

NOTE 4 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable as of June 30, 2019 and 2018 consisted of the following:

	2019		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Accounts receivable - sponsored programs	\$ 23,986,907	\$ -	\$ 23,986,907
Pledges receivable	2,881,212	4,990,197	7,871,409
Other receivables	5,044,540	-	5,044,540
Less allowance for doubtful accounts	(346,832)	-	(346,832)
	<u>\$ 31,565,827</u>	<u>\$ 4,990,197</u>	<u>\$ 36,556,024</u>
	2018		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Accounts receivable - sponsored programs	\$ 19,772,307	\$ -	\$ 19,772,307
Pledges receivable	97,000	393,305	490,305
Other receivables	5,666,033	-	5,666,033
Less allowance for doubtful accounts	(599,311)	-	(599,311)
	<u>\$ 24,936,029</u>	<u>\$ 393,305</u>	<u>\$ 25,329,334</u>

It is the policy of management to review outstanding receivables at year-end for collectability and establish an allowance for doubtful accounts.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 5 – NOTES RECEIVABLE – AZTEC SHOPS, LTD.

In May 2015, SDSU Research Foundation transferred properties adjacent to the University (College Square and College Strip) to Aztec Shops, Ltd. in exchange for cash of \$2,725,000, which was used to pay off a mortgage note and unsecured notes in the amount of \$1,470,000. Payments of interest only at 4% are payable semi-annually until October 15, 2020 from Aztec Shops, Ltd., at which time fixed principal payments of \$73,500 plus accrued interest are payable semi-annually through April 15, 2030.

In January 2014, SDSU Research Foundation transferred a property adjacent to the University (Sanctuary Suites) to Aztec Shops, Ltd. in exchange for an unsecured note in the amount of \$4,717,991. Payments of interest only at 4% were payable semi-annually until April 15, 2019 at which time fixed principal payments of \$235,900 began plus accrued interest payable semi-annually through October 15, 2028.

In June 2013, SDSU Research Foundation transferred two student housing projects adjacent to the University (Piedra del Sol and Fraternity Row apartments) to Aztec Shops, Ltd. As part of the consideration for the transfer, Aztec Shops, Ltd. provided an unsecured note to SDSU Research Foundation in the amount of \$2,184,000. Payments of interest only at 4% were payable semi-annually until October 15, 2018 at which time fixed principal payments of \$109,200 plus accrued interest are payable semi-annually through April 15, 2028.

Notes receivable as of June 30, 2019 and 2018 consisted of the following:

	2019		
	Current	Noncurrent	Total
Piedra del Sol and Fraternity Row	\$ 218,400	\$ 1,747,200	\$ 1,965,600
Sanctuary Suites	471,799	4,010,292	4,482,091
College Square	-	870,000	870,000
College Strip	-	600,000	600,000
	<u>\$ 690,199</u>	<u>\$ 7,227,492</u>	<u>\$ 7,917,691</u>
	2018		
	Current	Noncurrent	Total
Piedra del Sol and Fraternity Row	\$ 218,400	\$ 1,965,600	\$ 2,184,000
Sanctuary Suites	235,900	4,482,091	4,717,991
College Square	-	870,000	870,000
College Strip	-	600,000	600,000
	<u>\$ 454,300</u>	<u>\$ 7,917,691</u>	<u>\$ 8,371,991</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2019 and 2018 consisted of the following:

	Balance			Balance
	June 30, 2018	Additions	Reductions	June 30, 2019
Nondepreciable capital assets:				
Land, land improvements	\$ 14,820,234	\$ -	\$ -	\$ 14,820,234
Construction in progress	805,520	384,231	(526,292)	663,459
Total nondepreciable capital assets	<u>15,625,754</u>	<u>384,231</u>	<u>(526,292)</u>	<u>15,483,693</u>
Depreciable capital assets:				
Buildings and improvements	68,930,329	1,908,667	-	70,838,996
Furniture, fixtures and equipment	25,966,392	1,258,149	(1,487,312)	25,737,229
Total depreciable capital assets	<u>94,896,721</u>	<u>3,166,816</u>	<u>(1,487,312)</u>	<u>96,576,225</u>
Less accumulated depreciation:				
Buildings and improvements	(40,534,489)	(2,708,247)	-	(43,242,736)
Furniture, fixtures and equipment	(21,389,086)	(1,654,704)	1,456,933	(21,586,857)
Total accumulated depreciation	<u>(61,923,575)</u>	<u>(4,362,951)</u>	<u>1,456,933</u>	<u>(64,829,593)</u>
Total capital assets, net	<u>\$ 48,598,900</u>	<u>\$ (811,904)</u>	<u>\$ (556,671)</u>	<u>\$ 47,230,325</u>
	Balance			Balance
	June 30, 2017	Additions	Reductions	June 30, 2018
Nondepreciable capital assets:				
Land, land improvements	\$ 14,931,234	\$ -	\$ (111,000)	\$ 14,820,234
Construction in progress	574,810	335,489	(104,779)	805,520
Total nondepreciable capital assets	<u>15,506,044</u>	<u>335,489</u>	<u>(215,779)</u>	<u>15,625,754</u>
Depreciable capital assets:				
Buildings and improvements	67,557,304	1,509,843	(136,818)	68,930,329
Furniture, fixtures and equipment	25,474,938	1,696,808	(1,205,354)	25,966,392
Total depreciable capital assets	<u>93,032,242</u>	<u>3,206,651</u>	<u>(1,342,172)</u>	<u>94,896,721</u>
Less accumulated depreciation:				
Buildings and improvements	(37,890,937)	(2,718,252)	74,700	(40,534,489)
Furniture, fixtures and equipment	(20,906,665)	(1,674,474)	1,192,053	(21,389,086)
Total accumulated depreciation	<u>(58,797,602)</u>	<u>(4,392,726)</u>	<u>1,266,753</u>	<u>(61,923,575)</u>
Total capital assets, net	<u>\$ 49,740,684</u>	<u>\$ (850,586)</u>	<u>\$ (291,198)</u>	<u>\$ 48,598,900</u>

Depreciation expense totaled \$4,362,951 and \$4,392,726 for the years ended June 30, 2019 and 2018, respectively.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 7 – AFFILIATED ORGANIZATIONS

The Campanile Foundation (TCF)

TCF is the philanthropic auxiliary organization for the University. The amounts shown in the Statements of Net Position as Due to The Campanile Foundation represent TCF's claim on the cash and investments of SDSU Research Foundation.

Pursuant to an agreement with TCF effective through June 30, 2023, SDSU Research Foundation shall provide administrative services that include cash management processes, gift account administration, and accounting and financial reporting assistance. SDSU Research Foundation charges an administrative fee for all non-student aid funds at the time that TCF expends the funds. Amounts received under this agreement are a combination of fees charged on TCF non-student aid funds and additional amounts paid by TCF. For the years ended June 30, 2019 and 2018 the administrative fee received from TCF totaled \$945,000 and \$900,000, respectively, and is included in other operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Other

Included in Accounts payable and accrued expenses were payables to the affiliated organizations in the approximate amounts of \$458,000 and \$714,000 at June 30, 2019 and 2018, respectively. Included in Accounts and pledges receivable were receivables from the affiliated organizations in the approximate amounts of \$155,000 and \$293,000 at June 30, 2019 and 2018, respectively. These amounts occurred in the normal course of business among the affiliated organizations.

NOTE 8 – LONG-TERM DEBT OBLIGATIONS

Long-term debt activity for the years ended June 30, 2019 and 2018 was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
CSU SRB 2010A -				
1999 Refunding (a)	\$ 2,415,000	\$ (440,000)	\$ 1,975,000	\$ 455,000
CSU SRB 2012 -				
2002 Refunding (b)	24,695,000	(520,000)	24,175,000	550,000
Unamortized bond premium				
CSU SRB 2010A (a)	190,424	(38,085)	152,339	38,085
CSU SRB 2012 (b)	1,046,483	(56,823)	989,660	56,823
	<u>\$ 28,346,907</u>	<u>\$ (1,054,908)</u>	<u>\$ 27,291,999</u>	<u>\$ 1,099,908</u>
	<u>Balance</u> <u>June 30, 2017</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
CSU SRB 2010A -				
1999 Refunding (a)	\$ 2,835,000	\$ (420,000)	\$ 2,415,000	\$ 440,000
CSU SRB 2012 -				
2002 Refunding (b)	25,200,000	(505,000)	24,695,000	520,000
Unamortized bond premium				
CSU SRB 2010A (a)	228,509	(38,085)	190,424	38,085
CSU SRB 2012 (b)	1,103,306	(56,823)	1,046,483	56,823
	<u>\$ 29,366,815</u>	<u>\$ (1,019,908)</u>	<u>\$ 28,346,907</u>	<u>\$ 1,054,908</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 8 – LONG-TERM DEBT OBLIGATIONS – Continued

- (a) In April 2010, the California State University (CSU) System issued system wide revenue bonds (SRB 2010A). Part of this reissuance (\$11,020,000) was allocated to SDSU Research Foundation to replace the 1998 certificates of participation and the 1999 insured revenue refunding bonds. The SRB 2010A bonds bear interest at rates ranging from 1.0% to 5.0%, and are due in semi-annual principal and interest payments consistent with the terms of the original bonds. The portion related to the 1998 issue (\$6,030,000) matures in 2030. The portion related to the 1999 issue (\$4,990,000) matures in 2023 and the payments are secured by pledged revenues, including F&A cost recovery payments.

In June 2013, two student housing projects with a net book value of \$15.8 million were transferred to Aztec Shops, Ltd. Aztec Shops, Ltd. assumed \$5.2 million of bond debt related to the Series 2010A bonds.

The SRB 2010A bonds sold at amounts greater than par. The resulting bond premium of \$938,009 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. A portion of the unamortized bond premium amounting to \$363,828 was transferred to Aztec Shops, Ltd. with the related debt. The amount amortized was \$38,085 for each of the years ended June 30, 2019 and 2018.

- (b) In August 2012, the CSU System issued system wide revenue bonds (SRB 2012A and SRB 2012B). Part of this reissuance (\$27,100,000) was allocated to SDSU Research Foundation to replace the 2002 SDSU Research Foundation insured revenue bonds. The SRB 2012A and 2012B bonds bear interest at rates ranging from 0.4% to 5.0%, and are due in semi-annual principal and interest payments consistent with the terms of the original bonds. The bonds mature in 2037.

The SRB 2012 bonds sold at amounts greater than par. The resulting bond premium of \$1,377,948 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The amount amortized was \$56,823 for each of the years ended June 30, 2019 and 2018.

A loss of \$686,737 was incurred on the refunding of the SRB 2012A bonds. The loss was deferred and is included on the Statements of Net Position under the caption Deferred Outflows of Resources. The loss is being recognized over the life of the bonds using the straight-line method, which approximates the effective interest method. The loss recognized was \$28,418 for each of the years ended June 30, 2019 and 2018.

In July 2016, SDSU Research Foundation entered into a revolving loan agreement with a bank. The loan is secured by two parcels of real property. The loan agreement is available for short-term cash needs, with a maximum amount available of \$12.0 million, with a maturity date of September 26, 2021. The agreement calls for certain restrictive and financial covenants to be maintained. The current agreement requires monthly interest-only payments at a variable interest rate of the prime lending rate minus 1%, but in no event less than 2.5%. There were no amounts outstanding under the agreement as of June 30, 2019 and 2018.

Total interest incurred on all borrowings was approximately \$1,068,000 and \$1,102,000 for the years ended June 30, 2019 and 2018, respectively.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 8 – LONG-TERM DEBT OBLIGATIONS – Continued

Future principal and interest payments on long-term debt are as follows:

Year ending June 30:	Principal	Interest	Total
2020	\$ 1,005,000	\$ 1,102,128	\$ 2,107,128
2021	1,045,000	1,062,349	2,107,349
2022	1,080,000	1,020,505	2,100,505
2023	1,130,000	975,671	2,105,671
2024	1,160,000	926,265	2,086,265
2025-2029	6,655,000	3,792,909	10,447,909
2030-2034	8,215,000	2,224,545	10,439,545
2035-2037	5,860,000	404,771	6,264,771
	<u>\$ 26,150,000</u>	<u>\$ 11,509,143</u>	<u>\$ 37,659,143</u>

NOTE 9 – OTHER LIABILITIES

Activities in other liabilities for the years ended June 30, 2019 and 2018 consisted of the following:

	Balance			Balance
	June 30, 2018	Additions	Reductions	June 30, 2019
Workers' compensation	\$ 2,508,805	\$ 541,725	\$ (835,474)	2,215,056
Deferred revenue - ground lease	1,859,501	-	(39,740)	1,819,761
Unemployment insurance	1,450,879	625,748	(241,665)	1,834,962
Net OPEB liability	-	774,160	-	774,160
Other obligations	715,685	112,434	(142,451)	685,668
	<u>\$ 6,534,870</u>	<u>\$ 2,054,067</u>	<u>\$ (1,259,330)</u>	<u>\$ 7,329,607</u>

	Balance			Balance
	June 30, 2017	Additions	Reductions	June 30, 2018
Workers' compensation	\$ 2,441,609	\$ 654,083	\$ (586,887)	2,508,805
Deferred revenue - ground lease	1,899,241	-	(39,740)	1,859,501
Unemployment insurance	1,294,438	563,020	(406,579)	1,450,879
Other obligations	604,561	180,354	(69,230)	715,685
	<u>\$ 6,239,849</u>	<u>\$ 1,397,457</u>	<u>\$ (1,102,436)</u>	<u>\$ 6,534,870</u>

Risk Management

SDSU Research Foundation is subject to risks of loss such as general liabilities, torts and employee health expenses. SDSU Research Foundation participates in the California State University risk management pool, California State University Risk Management Authority (CSURMA), for most of its insurance needs. CSURMA provides insurance and risk management services for California State University campuses and auxiliary organizations, including insurance and self-insurance. Auxiliary Organizations Risk Management Alliance (AORMA) operates within CSURMA to offer tailored coverage for California State University auxiliary organizations. CSURMA AORMA assumes charge of the control, negotiation, investigation, settlement, defense, or appeal of any claims made, or suits brought, or proceedings instituted against SDSU Research

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 9 – OTHER LIABILITIES – Continued

Foundation for areas covered by the pool. For their services, SDSU Research Foundation remits annual contribution payments computed in accordance with CSURMA AORMA’s rules and rates.

For its unemployment and workers’ compensation plans, SDSU Research Foundation is partially self-insured. Using insurance policies with commercial carriers to cover these risks of loss, SDSU Research Foundation maintains excess unemployment insurance coverage of \$1,500,000, in the aggregate, and excess workers’ compensation coverage for claims in excess of \$250,000 per occurrence. The unemployment and workers’ compensation liabilities are determined annually as part of management’s risk analysis based on the claims history and insurance premiums. SDSU Research Foundation engages an actuary to analyze workers’ compensation claims filed and estimate those incurred but not reported to determine the discounted ultimate cost for self-insured claims. Management’s goal is to accrue the liability to an 80-90% confidence level based on the actuary’s estimated liability with an additional accrual for deductibles.

Deferred Revenue

SDSU Research Foundation received payments of \$2 million related to a ground lease with a developer in the fiscal year ended June 30, 2017. The lease is from April 2016 to April 2066 and is being recognized ratably over the 50-year term.

NOTE 10 – LEASING ARRANGEMENTS

Operating Lease Revenues

Land, buildings and improvements, with a current net book value of approximately \$29 million, are leased to University-related and commercial organizations.

The following is a schedule of the minimum future rental payments to be received on these operating leases, by year, as of June 30, 2019:

Year ending June 30:	Affiliated Organizations	Unrelated Parties	Total
2020	\$ 1,380,000	\$ 2,597,000	\$ 3,977,000
2021	612,000	2,313,000	2,925,000
2022	467,000	1,839,000	2,306,000
2023	473,000	1,538,000	2,011,000
2024	479,000	859,000	1,338,000
Thereafter	12,803,000	3,688,000	16,491,000
	<u>\$ 16,214,000</u>	<u>\$ 12,834,000</u>	<u>\$ 29,048,000</u>

In April 2016, SDSU Research Foundation entered into a 50-year ground lease agreement of real property with a developer to construct and operate a student housing facility. The agreement provides additional lease payments to SDSU Research Foundation, not included in the schedule above, based on a percentage of the net operating surplus of the developer. The deferred revenue liability related to the ground lease is included in Other liabilities (note 9).

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 10 – LEASING ARRANGEMENTS – Continued

Operating Lease Obligations

SDSU Research Foundation leases certain land, buildings, and equipment under operating leases. The total rental expense incurred was \$4.8 and \$5.4 million for the years ended June 30, 2019 and 2018, respectively.

SDSU Research Foundation executed a 30-year ground and facility lease with the Board of Trustees of the California State University for the SDSU BioScience Center in March 2004. Lease payments began in May 2006. SDSU Research Foundation incurred rental expense under this agreement of \$475,000 and \$470,000 for the years ended June 30, 2019 and 2018, respectively.

SDSU Research Foundation has also executed commercial leases for projects located away from the campus. Terms of some leases have the option to renew and include periodic fixed escalations.

The minimum rental commitments at June 30, 2019 are as follows:

Year ending June 30:	Affiliated Organizations	Unrelated Parties	Total
2020	\$ 1,023,000	\$ 765,000	\$ 1,788,000
2021	1,004,000	770,000	1,774,000
2022	1,009,000	692,000	1,701,000
2023	1,018,000	361,000	1,379,000
2024	1,015,000	8,000	1,023,000
2025-2029	3,174,000	-	3,174,000
2030-2034	2,318,000	-	2,318,000
2035-2036	930,000	-	930,000
	\$ 11,491,000	\$ 2,596,000	\$ 14,087,000

NOTE 11 – POSTRETIREMENT BENEFIT PLAN

General Information about the OPEB Plan

The Health, Vision, Life Insurance/AD&D and Employee Assistance Program of San Diego State University Foundation (the Plan) was created by SDSU Research Foundation as a fully insured, single-employer benefit plan. The Plan was effective as of August 1, 1982 and is administered by SDSU Research Foundation. It also provides for post-retirement medical benefits to certain former regular employees and qualified dependents of the SDSU Research Foundation.

SDSU Research Foundation established a voluntary employees' beneficiary association trust (the VEBA) with a registered investment company on June 24, 1996. The VEBA holds the assets and funds the post-retirement benefit obligation provided under the plan. The fair value of assets held by the VEBA trust for the years ended June 30, 2019 and 2018 were \$12,372,000 and \$11,802,000, respectively. The plan issues stand-alone, publicly available financial reports that include financial statements and required supplementary information prepared on the accrual basis of accounting in accordance with the standards of the GASB and GAAP. The financial statements may be obtained by contacting the Human Resources Department at SDSU Research Foundation.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

SDSU Research Foundation provides medical, hospital, surgical, major medical and dental insurance benefits for retirees who meet certain eligibility requirements as established by Board policy. There are three groups of eligible retirees, as follows:

- Group 1 Retirees – Individuals who were employed as eligible employees on June 30, 1991 and at the time of retirement, had 10 years of service as eligible employees, and retired either (a) under “SDSURF Defined Contribution Retirement Plan” offered through Teachers Insurance and Annuity Association (TIAA) after attaining age 55 (or after attaining age 50 if the individual was employed by SDSU Research Foundation and covered by California Public Employees’ Retirement System (CalPERS) on June 30, 1982), or (b) due to permanent and total disability, as approved by TIAA, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”
- Group 2 Retirees – Individuals who were employed as eligible employees on or after July 1, 1991 and, at the time of retirement, had 15 years of service as eligible employees, and retired either (a) under “SDSURF Defined Contribution Retirement Plan” offered through TIAA after attaining age 60, or (b) due to permanent total disability, as approved by TIAA, under the “Group Total Disability Benefits Plan for Regular Salaries Employees of SDSURF.”
- Group 3 Retirees – Individuals who retired prior to July 1, 1991 and, as of July 1, 1991, were receiving benefits under SDSU Research Foundation’s “Health Insurance at Retirement” policy, which was approved by SDSU Research Foundation’s Board of Directors on May 14, 1984.

For Group 3 retirees, SDSU Research Foundation pays the same percentage of the premium it pays for active employees. Retirees are required to make the same contribution for spousal or domestic partner coverage, if any, that is paid by active employees to cover one dependent. For Group 1 and 2 retirees, SDSU Research Foundation’s premium contribution is based upon the cost of the least expensive plan for which the retiree is eligible. The amount of contribution is determined by the years of service the employee has earned on the date of retirement in accordance with the vesting schedule within the policy. The minimum retiree contribution for individual coverage is the amount an active employee pays for individual coverage. The minimum retiree contribution for spousal or domestic partner coverage is the amount paid by active employees to cover one dependent.

Only certain regular employees of SDSU Research Foundation are eligible. Regular employees are members of either (a) central staff under the programmatic direction of SDSU Research Foundation’s Executive Director, (b) KPBS, (c) the College of Extended Studies, (d) University Advancement or (e) the University’s Department of Intercollegiate Athletics. A regular employee is appointed to an approved class code, works a regular schedule of 30 hours or more per week, and is not a temporary or leased employee. At December 31, 2018, there were 328 active employees and 76 retired employees or their surviving spouses participating in and receiving benefits from the Plan. At December 31, 2017, there were 331 active employees and 70 retired employees or their surviving spouses participating in and receiving benefits from the Plan.

SDSU Research Foundation has voluntarily opted for a funding policy under which it contributes 100% of the actuarially determined contribution (ADC). The actuarially determined contribution (ADC) for the year ended June 30, 2019 was \$295,634, comprised of a cash contribution to the trust of \$191,183 and an implicit subsidy credit of \$104,451. The actuarially determined contribution (ADC) for the year ended June 30, 2018 was \$285,305. No contributions to fund the future liability of the plan are required from employees.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

Net OPEB Liability

Included in Other Liabilities on the Statement of Net Position as of June 30, 2019 is the net OPEB liability of SDSU Research Foundation from an actuarial valuation as of December 31, 2017. The components of the liability are as follows:

Total OPEB liability	\$ 11,853,557
Plan fiduciary net position	<u>(11,079,397)</u>
Net OPEB liability	<u><u>\$ 774,160</u></u>

Actuarial Assumptions

The total OPEB liability was determined by a rollforward of the actuarial valuation as of December 31, 2017, using the following assumptions, applied to all periods included in the measurement:

General Inflation Rate	2.75%
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Investment rate of return	6.0%

Mortality rates were based on the RP-2014 Healthy Mortality Table, with separate rates for males and females. Mortality improvement imbedded in this table using MP 2014 is backed out to mortality rates as of the base year. The base year rates are then projected using Bickmore Scale 2018 on a fully generational basis.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%, which is equal to the expected long-term yield on investments. This long term rate is used because the investments are expected to fund the benefit costs. The long-term yield of 6% is a conservative estimate and, as such, is expected to provide some margin against lower than market rate returns.

The impact of a 1% increase or decrease in the discount rate are shown in the chart below.

	Discount Rate		
	1% Decrease (5%)	Current Discount Rate (6%)	+ 1% Increase (7%)
Net OPEB liability (asset)	\$ 2,615,268	\$ 774,160	\$ (706,547)
Increase (decrease)	1,841,108	-	(1,480,707)
% Increase (decrease)	237.8%	-	(191.3%)

Medical Cost Inflation

Medical plan premiums and claim costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

<u>Effective January 1</u>	<u>Premium Increase</u>	<u>Effective January 1</u>	<u>Premium Increase</u>
2018	Actual	2022	6.0%
2019	7.5%	2023	5.5%
2020	7.0%	2024	5.0%
2021	6.5%	2025 & later	5.0%

The impact of a 1% increase or decrease in medical cost inflation is shown in the chart below:

	<u>Medical Cost Inflation</u>		
	<u>1% Decrease</u>	<u>Current Medical Trend</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ (875,061)	\$ 774,160	\$ 2,828,081
Increase (decrease)	(1,649,221)	-	2,053,921
% Increase (decrease)	(213.0%)	-	265.3%

Changes in the Net OPEB Liability (Asset)

The exhibit below shows the development by the actuary of net position and expense as of the measurement date of December 31, 2018.

	<u>Increase (Decrease)</u>		
	<u>Total OPEB liability (a)</u>	<u>Plan fiduciary net position (b)</u>	<u>Net OPEB liability (asset) (a) – (b)</u>
Balances at 12/31/17	\$ 11,209,199	\$ 11,665,414	\$ (456,215)
Changes for the year:			
Service cost	308,942	-	308,942
Interest	680,729	-	680,729
Benefit payments	(345,313)	(345,313)	-
Contributions – employer	-	285,305	(285,305)
Net investment income	-	(356,123)	356,123
Professional fees	-	(27,830)	27,830
Change in employer contribution receivable	-	(92,222)	92,222
Change in accrued expenses	-	(32,432)	32,432
Change in accrued benefit payments	-	(17,402)	17,402
Net changes	644,358	(586,017)	1,230,375
Balances at 12/31/18	\$ 11,853,557	\$ 11,079,397	\$ 774,160

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

OPEB Expense and Deferred Outflows of Resources

For the years ended June 30, 2019 and June 30, 2018, SDSU Research Foundation recognized OPEB expense of \$475,347 and \$347,834, respectively. The exhibit below shows deferred outflows of resources as of June 30, 2019.

	Deferred outflows of resources
Net difference between projected and actual earnings on investments	\$ 236,284
Contributions made subsequent to the measurement date	\$ 295,634

SDSU Research Foundation will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of deferred outflows of resources is shown below:

For the Fiscal Year Ending June 30	Recognized net deferred outflows (inflows) of resources
2020	\$ 8,818
2021	8,818
2022	8,817
2023	209,831

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Other Retirement Benefits

SDSU Research Foundation sponsors the San Diego State University Foundation Defined Contribution Retirement Plan. It is a 403(b) participant-directed defined contribution plan (the Retirement Plan) available to employees of SDSU Research Foundation if they meet certain eligibility requirements. All participants have the ability to direct the investments of their accounts under the Retirement Plan, in accordance with the investment choices as are made available and with those policies or procedures as are determined by the Retirement Plan administration. SDSU Research Foundation has no control over investment decisions made by the participants.

Participants are vested immediately in their contributions and SDSU Research Foundation contributions plus actual earnings thereon. For the years ended June 30, 2019 and 2018, SDSU Research Foundation contributed 10 percent of eligible employees' adjusted gross salary. Total contributions to the Retirement Plan and to pay administrative costs for the years ended June 30, 2019 and 2018 were approximately \$5,244,000 and \$5,164,000, respectively, and included in Operating expenses.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 12 – CONTINGENCIES

SDSU Research Foundation is involved in various legal proceedings arising in the normal course of business. Management believes that the final outcomes of these proceedings will not have a material adverse effect on SDSU Research Foundation's results of operations or financial position.

NOTE 13 – SIGNIFICANT ACTIVITIES

SDSU-Georgia project is a multi-year capacity-building effort to improve science, technology, engineering and mathematics (STEM) education in the country of Georgia. SDSU-Georgia is a branch campus of San Diego State University funded through the U.S. government's Millennium Challenge Corporation. This program provides SDSU education and degrees to students in Tbilisi, Georgia with a focus on STEM education, and is training an advanced workforce to help meet Georgia's economic needs. During the years ended June 30, 2019 and June 30, 2018, SDSU Research Foundation received sponsored program revenue related to the SDSU-Georgia project of \$9,659,461 and \$5,963,113, respectively. Starting in the 2019-2020 academic year, the program will transition to partner universities.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Schedules of Required Supplementary Information (UNAUDITED)

Schedule of Changes in SDSU Research Foundation's Net OPEB Liability and Related Ratios

Last Two Fiscal Years

Fiscal Year End	06/30/19	06/30/18
Measurement Date	<u>12/31/18</u>	<u>12/31/17</u>
Total OPEB liability		
Service Cost	\$ 308,942	\$ 299,217
Interest	680,729	640,618
Benefit payments	(345,313)	(216,762)
Net change in total OPEB liability	<u>644,358</u>	<u>723,073</u>
Total OPEB liability, beginning of year	<u>11,209,199</u>	<u>10,486,126</u>
Total OPEB liability, end of year (a)	<u>\$ 11,853,557</u>	<u>\$ 11,209,199</u>
Plan fiduciary net position *		
Contributions – employer	\$ 285,305	\$ 249,062
OPEB plan net investment income	(354,123)	1,609,240
Benefit payments	(345,313)	(205,392)
Professional fees	(27,830)	(27,500)
Change in receivable	(92,222)	(31,757)
Change in accrued expenses	(34,432)	-
Change in accrued benefit payments	(17,402)	(11,370)
Net change in plan fiduciary net position	<u>(586,017)</u>	<u>1,582,283</u>
Plan fiduciary net position, beginning of year	<u>11,665,414</u>	<u>10,083,131</u>
Plan fiduciary net position, end of year (b)	<u>\$ 11,079,397</u>	<u>\$ 11,665,414</u>
Net OPEB liability (asset) (a) – (b)	<u>\$ 774,160</u>	<u>\$ (456,215)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	93.47%	104.07%
Covered payroll	\$ 20,277,985	\$ 20,501,853
Net OPEB liability (asset) as a percentage of covered payroll	3.82%	(2.23%)

Notes to Schedule:

* The Plan fiduciary net position reflects the net position of the Health, Dental, Vision, Life Insurance / AD&D and Employee Assistance Program of SDSU Research Foundation as reflected in its stand-alone financial statements.

Certain reclassifications have been made to the June 30, 2018 schedule in order to conform to the presentation as of June 30, 2019. These reclassifications had no effect on the change in Plan fiduciary net position.

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Schedules of Required Supplementary Information (UNAUDITED)

Schedule of SDSU Research Foundation Contributions

Last Two Fiscal Years

Fiscal Year Ended	ADC	Contributions in Relation to the ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2018	\$ 285,305	\$ 285,305	-	\$ 20,501,853	1.39%
06/30/2019	\$ 295,634	\$ 295,634	-	\$ 20,937,020	1.41%

Note: This schedule is being built prospectively. Ultimately, 10 years of data will be present.

Notes to Schedule of Contributions

Valuation date	December 31, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long-term Return on Assets	6.0%
Discount Rates	6.0%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increases	3.25% per year, used only to allocate the cost of benefits between service years
General Inflation Rate	2.75% per year
Mortality (Before and After Retirement)	RP-2014 Healthy Mortality, with separated rates for males and females. Mortality improvement imbedded in this table using MP 2014 is backed out to mortality rates as of the base year in this table. The base year rates are then projected using Bickmore Scale 2018 on a fully generational basis
Termination before retirement	Group 2 Employees: None are assumed to separate from employment for reasons other than retirement or death. Group 3 Employees: Separation of employment from the Foundation for reasons other than retirement or death are determined based on Crocker-Sarason 175% of Table T-9 Less Mortality.

GRANT THORNTON LLP

12220 El Camino Real, Suite 300
San Diego, CA 92130

D +1 858 704 8000
F +1 858 704 8099

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

Board of Directors
San Diego State University Research Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the San Diego State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Diego State University) (“SDSU Research Foundation”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SDSU Research Foundation’s basic financial statements, and have issued our report thereon dated September 11, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered SDSU Research Foundation’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of SDSU Research 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 SDSU Research Foundation’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and other matters

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

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDSU Research 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 SDSU Research Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



San Diego, CA
September 11, 2019

GRANT THORNTON LLP

12220 El Camino Real, Suite 300
San Diego, CA 92130

D +1 858 704 8000
F +1 858 704 8099

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

Board of Directors
San Diego State University Research Foundation

Report on compliance for each major federal program

We have audited the compliance of the San Diego State University Research Foundation, a California State University Auxiliary Organization and Component Unit of San Diego State University (“SDSU Research Foundation”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. SDSU Research Foundation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to SDSU Research Foundation’s federal programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of SDSU Research Foundation’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SDSU Research Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SDSU Research Foundation's compliance.

Opinion on each major federal program

In our opinion, SDSU Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on internal control over compliance

Management of SDSU Research Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SDSU Research Foundation's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SDSU Research Foundation's internal control over compliance.

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

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

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

Grant Thornton LLP

San Diego, CA
September 11, 2019

San Diego State University Research Foundation
(A Component Unit of San Diego State University)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
RESEARCH & DEVELOPMENT CLUSTER				
Department of Agriculture				
Department of Agriculture - Direct Programs				
Agricultural Research Basic and Applied Research	10.001		\$ 10,744	\$ -
Higher Education - Institution Challenge Grants Program	10.217		15,671	-
Hispanic Serving Institutions Education Grants	10.223		86,440	-
Partnership Agreements	10.699		16,194	-
Norman E. Borlaug International Agricultural Science and Technology Fellowship	10.777		12,157	-
Total - Department of Agriculture			141,206	-
Department of Commerce				
Department of Commerce - Pass-Through Programs				
Excet Inc.	11.000	6925	77,380	-
Oregon State University	11.011	NA296B-A	34,099	-
California Sea Grant College Program	11.417	102314000 AMND 2	49,923	-
California Sea Grant College Program	11.417	102314000 R/HCE-04B	88,281	-
University of California at San Diego	11.417	77706771 S9001437	27,540	-
North Carolina State University	11.432	2014-2918-09	2,104	-
City College of New York	11.481	49312-C CM1064 CM2357 CM2789	204,991	-
National Fish and Wildlife Foundation	11.482	0302.16.053181	25,383	-
Total - Department of Commerce			509,701	-
Department of Defense				
Department of Defense - Direct Programs				
Department of Defense Contracts/Letters of Agreement	12.000		826,480	-
Basic and Applied Scientific Research	12.300		1,967,507	471,592
Basic Scientific Research	12.431		101,891	-
Basic, Applied, and Advanced Research in Science and Engineering	12.630		95,074	-
Air Force Defense Research Sciences Program	12.800		874,970	350,173
Department of Defense - Pass-Through Programs				
Barron Associates, Inc.	12.000	555-SC01	9,474	-
Fuse Integration	12.000	001/F0037-SDSU001	10,257	-
General Dynamics NASSCO	12.000	# 2015-402/PO# MU698889-D	76,894	-
General Dynamics NASSCO	12.000	PO MU764864-D MOD 2	131,600	-
Leidos Inc	12.000	P010209789	118,241	-
Space Micro Inc	12.000	PO NO 9286	(3,605)	-
University of California at Los Angeles	12.000	1015-S-UA013	24,650	-
Cornell University	12.300	76663-10747	9,854	-
Matsys Inc	12.300	MATSYS SA-16-03	(149)	-
Virginia Polytechnic Institute and State University	12.431	451474-19863 MOD 03	56,485	-
Virginia Polytechnic Institute and State University	12.431	451474-19863, MOD 01 & 02	12,153	-
Minority Serving Institutions STEM R&D Consortium	12.630	D01-W911SR-14-2-0001-0017	112,055	-
Minority Serving Institutions STEM R&D Consortium	12.630	D01-W911SR-14-2-0001-0023	93,850	-
Materials Sciences Corporation	12.800	PO 13733-DG24	1,669	-
N&R Engineering	12.800	FA8650-16-C-5010-01	10,649	-
University of Southern California	12.800	79709977 PO 10546180	216,677	-
Total - Department of Defense			4,746,676	821,765
Department of Housing and Urban Development				
Department of Housing and Urban Development - Direct Programs				
Department of Housing and Urban Development Contracts/Letters of Agreement	14.000		687	-
Healthy Homes Technical Studies Grants (B)	14.906		178,910	-
Total - Department of Housing and Urban Development			179,597	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

San Diego State University Research Foundation
(A Component Unit of San Diego State University)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
Department of Interior				
Department of Interior - Direct Programs				
Bureau of Ocean Energy Management (BOEM)	15.423		432,989	334,435
Environmental Studies (ES)				
Endangered Species Conservation - Recovery Implementation Funds	15.657		11,070	-
Cooperative Ecosystem Studies Units	15.678		5,052	-
Earthquake Hazards Program Assistance	15.807		93,493	-
Cooperative Research and Training Programs - Resources of the National Park System	15.945		40,536	-
Department of Interior - Pass-Through Programs				
Orange County Water District	15.506	1300	14,053	-
Metropolitan Water District of Southern California	15.530	179068	6,288	-
California Department of Fish and Wildlife	15.611	P1550009	21,121	-
Judith Ann Wheatley	15.631	AGMT SIGNED 7/11/18	13,130	-
California Department of Fish and Wildlife	15.634	P1650401	96,454	-
California Department of Fish and Wildlife	15.634	P1750002	47,798	-
California Department of Fish and Wildlife	15.634	P1850401	2,360	-
University of Southern California	15.807	104713917	97,001	-
University of Southern California	15.807	91252220	14,190	-
Total - Department of Interior			895,535	334,435
Department of Justice				
Department of Justice - Direct Programs				
Criminal Justice Research and Development - Graduate Research Fellowships	16.562		4,452	-
Total - Department of Justice			4,452	-
Department of Transportation				
Department of Transportation - Pass-Through Programs				
Virginia Polytechnic Institute and State University	20.701	451453-19863 MOD 2	145,945	-
Total - Department of Transportation			145,945	-
National Aeronautics and Space Administration				
National Aeronautics and Space Administration - Direct Programs				
National Aeronautics and Space Administration Contracts/Letters of Agreement	43.000		25,292	-
Science	43.001		369,575	1,391
Space Operations	43.007		285,944	-
Education	43.008		66,282	-
Cross Agency Support	43.009		3,070	-
Space Technology	43.012		20,211	-
National Aeronautics and Space Administration - Pass-Through Programs				
Space Telescope Science Institute	43.000	HST-GO-14674.001-A	12,103	-
Space Telescope Science Institute	43.000	HST-GO-15489.001A	7,761	-
Harvard University	43.001	124027-5105839	10,001	-
University of Montana	43.001	PG16-26872-01 AMEND 03	23,492	-
University of Southern California	43.001	SA1 #55746975-6 NNX14AO23G	433	-
Total - National Aeronautics and Space Administration			824,164	1,391

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

San Diego State University Research Foundation
(A Component Unit of San Diego State University)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
National Science Foundation				
National Science Foundation - Direct Programs				
Engineering Grants	47.041		763,701	77,558
Mathematical and Physical Sciences	47.049		1,170,716	-
Geosciences	47.050		713,048	25,383
Computer and Information Science and Engineering	47.070		498,652	4,517
Biological Sciences	47.074		750,263	111,922
Social, Behavioral, and Economic Sciences	47.075		798,392	74,861
Education and Human Resources	47.076		2,870,950	84,812
Office of International Science and Engineering	47.079		490,703	414,527
National Science Foundation - Pass-Through Programs				
Rutgers University	47.041	0293/PO 735174	51,480	-
University of Michigan	47.041	SUBK00009610 PO3005200213	7,697	-
University of Pennsylvania	47.041	566769	2,463	-
University of San Diego	47.041	A19-0014-S001 AMND 001	18,662	-
University of Texas El Paso	47.041	226100977A	18,516	-
University of Washington	47.041	UWSC6175/BPO1576 TO MOD 7	328,618	-
University of Colorado Boulder	47.049	1555478	6,383	-
Arizona State University	47.050	17-069	7,598	-
University of Southern California	47.050	91255692/ TASK#17220	5,641	-
Association of American Geographers	47.070	F7036-SDSU	18,414	-
University of Southern California	47.070	65744493 AMND 3	3,125	-
University of Illinois	47.074	092779-17191	31,994	-
University of Nebraska	47.074	45-0505-1030-303	11,180	-
Pennsylvania State University	47.075	5572-SDSU-NSF-8209	4,437	-
University of California at Santa Barbara	47.075	KK1824-01	92,851	-
University of Montana	47.075	PG119-66297-04	33,611	-
University of Texas Dallas	47.075	1503328	41,459	-
California State University San Francisco	47.076	S18-0008 A1	12,713	-
California State University San Marcos	47.076	92240/85026-SDSU	131,071	-
California State University San Marcos	47.076	92245/85033-SDSU	29,809	-
CSU Sacramento University Enterprises Inc	47.076	523901 / HRD-1302873	4,102	-
CSU Sacramento University Enterprises Inc	47.076	532991	12,074	-
Jefferson Community and Technical College	47.076	1700496	17,054	-
Mathematical Association of America	47.076	3-8-710-954	139,538	-
Sinclair Community College	47.076	SCC-1700531	17,764	-
SRI International	47.076	141-000040 AMND 2	38,775	-
University of California at Berkeley	47.076	00009792	43,334	-
University of California at Santa Barbara	47.076	KK1626 AMND 03	14,102	-
University of Colorado Boulder	47.076	1555331	60,115	-
California Institute of Technology	47.083	S401068 AMND 3	4,071	-
Total - National Science Foundation			9,265,076	793,580
Environmental Protection Agency				
Environmental Protection Agency - Direct Programs				
Environmental Protection Agency	66.000		206	-
Total - Environmental Protection Agency			206	-

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
Department of Energy				
Department of Energy - Direct Programs				
Department of Energy Contracts/Letters of Agreement	81.000		98,960	-
Office of Science Financial Assistance Program	81.049		475,517	48,631
Stewardship Science Grant Program	81.112		45,216	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		189,805	-
Department of Energy - Pass-Through Programs				
UT-Battelle LLC	81.000	PO 4000145166-MOD 5	18,339	-
Auburn University	81.049	18-ENG-211639-SDSU	6,108	-
Rapid3materials LLC	81.049	DE-SC0018533	32,324	-
University of North Carolina-Chapel Hill	81.049	5103978	20,000	-
University of Wisconsin-Madison	81.049	854K383	31,852	-
Oregon State University	81.087	G1167V-A AMND 1	7,630	-
University of Central Florida	81.087	16226104-03 AMND 01	14,171	-
University of Michigan	81.117	3003932559	28,931	-
University of Michigan	81.135	3004545249	113,762	-
Total - Department of Energy			1,082,615	48,631
Department of Education				
Department of Education - Direct Programs				
Rehabilitation Services Demonstration and Training Programs	84.325K		110,781	-
Department of Education - Pass-Through Programs				
University of California at Davis	84.324	201700390-01	76,929	-
University of North Carolina-Chapel Hill	84.324	5110973	112,395	-
University of North Carolina-Chapel Hill	84.324C	5039308 AMEND 3	15,700	-
Northeastern Technical College	84.382	PO P0020317	18,433	-
Total - Department of Education			334,238	-
Department of Health and Human Services				
DHHS - Direct Programs				
Department of Health and Human Services Contracts/Letters of Agreement	93.000		1,363,396	-
Total - DHHS			1,363,396	-
Administration for Children and Families (ACF) - Pass-Through Programs				
ETR Associates	93.092	98AP2682-01-00 PO#P43248	250,411	-
Total - Administration for Children and Families (ACF)			250,411	-
Centers for Disease Control (CDC) - Direct Programs				
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077		688,948	132,663
Centers for Disease Control (CDC) - Pass-Through Programs				
University of Michigan	93.262	3004892513	19,856	-
Total - Centers for Disease Control (CDC)			708,804	132,663
Health Resources and Services Administration - Pass-Through Programs				
University of California at San Diego	93.157	SUB #90902721.D34HP31027-01-00	15,940	-
Family Health Centers of San Diego	93.928	1 H97HA31427-01-00	30,535	-
San Ysidro Health Center	93.928	1-H97HA27421-01-00	12,497	-
Total - Health Resources and Services Administration			58,972	-

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
National Institutes of Health (NIH) - Direct Programs				
Oral Diseases and Disorders Research	93.121		603,325	89,750
Research Related to Deafness and Communication Disorders	93.173		1,793,663	549,810
Mental Health Research Grants	93.242		3,380,657	540,950
Alcohol Research Programs	93.273		2,220,914	375,638
Drug Abuse and Addiction Research Programs	93.279		149,041	-
Minority Health and Health Disparities Research	93.307		3,085,015	-
Minority Health and Health Disparities Research Endowment	93.307		8,000,000	-
Minority Health and Health Disparities Research Endowment Interest Earned	93.307		474,996	-
Nursing Research	93.361		448,488	112,515
Cancer Treatment Research	93.395		199,278	-
Cancer Biology Research	93.396		83,834	-
Cancer Centers Support Grants	93.397		1,208,574	-
Cardiovascular Diseases Research	93.837		3,177,569	249,425
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		133,858	-
Allergy and Infectious Diseases Research	93.855		362,975	-
Biomedical Research and Research Training	93.859		1,625,539	296,870
Child Health and Human Development Extramural Research	93.865		1,066,022	262,674
Aging Research	93.866		441,873	-
National Institutes of Health (NIH) - Pass-Through Programs				
Cincinnati Childrens Hospital	93.113	139868 / PO3100626586 AMND 2	200,335	-
University of California at San Diego	93.113	36153403 / PO S9000123 MOD 005	6,458	-
University of California at San Diego	93.113	75615109 PO S9001410	6,108	-
University of Illinois	93.113	16033 AMND 2	3,378	-
University of California at San Francisco	93.121	10004SC, 10573SC, AMD 1	23,167	-
University of California at San Diego	93.172	72594679 PO#S9001315	6,927	-
University of California at San Diego	93.173	S9001479 (79577135)	65,007	-
Florida State University	93.242	R01947 AMND 2	320,645	-
Kaiser Foundation Research Institute	93.242	/NW-OOS100309-SDSU AMND 7	226,057	-
Palo Alto Veterans Institute for Research	93.242	WIS0001-01 AMND 1-3	20,938	-
Rady Children's Hospital San Diego	93.242	1001923	22,587	-
Rady Children's Hospital San Diego	93.242	3501-SDSU-2 AMD 2	1,194	-
University of California at Davis	93.242	A-17-0665-S001-A02 AMND 3	17,216	-
University of California at Los Angeles	93.242	0875 G RC211 (R01MH100134-02R)	15,169	-
University of California at San Diego	93.242	89843142 PO#S9001670	49,241	-
University of San Diego	93.242	150154-U2017-001 AMND004	59,668	-
Brigham and Women's Hospital	93.279	109319/113588	50,913	-
Magee-Womens Research Institute and Foundation	93.279	6590 AMD 1	13,497	-
University of California at San Diego	93.279	69884023	21,900	-
University of Maryland	93.279	1200542/SR00002141 AMND 1-7	9,958	-
Albert Einstein College of Medicine	93.307	31106A - P0715705	37,426	-
Boston Children's Hospital	93.307	5102111-03	34,949	-
Scripps Research Institute	93.350	5-53686	50,894	-
University of California at San Diego	93.350	102377253	27,117	-
University of California at San Diego	93.350	103360133 (SUL1TR001442-04)	14,680	5,250
University of California at San Diego	93.350	66752629	138,660	-
University of California at San Diego	93.350	S9001270 (70164342)	103,366	-
Scripps/Whittier Institute for Diabetes	93.361	SUB-GRANT TO 1R01NR015754	237,654	-
Simon Fraser University	93.393	31-864031	29,311	-
University of California at San Diego	93.393	111875875	41,339	-
RAND Corporation	93.394	9920180086	20,591	-
University of Nebraska Medical Center	93.395	34-1905-2224-001	52,613	-
University of California at San Diego	93.397	109778730 INV#S9002102 CCTADCA	41,185	-
University of California at San Diego	93.397	109778730 INVS9002102 CCTADGU	44,087	-
University of California at San Diego	93.397	109938214	137,667	-
University of California at San Diego	93.397	PO 91704131	76	-
Regents of the University of California	93.398	PO - 70293096 S9001261AMD 4	79,153	-
Albert Einstein College of Medicine	93.837	31195A AMND 2 P0704589	32,289	-
Wake Forest University Health Sciences	93.837	WFUHS115749	17,759	-
University of California at San Diego	93.838	92352330 AMND 002	10,593	-
Albert Einstein College of Medicine	93.847	31180G - P0687227	33,771	-
Scripps Research Institute	93.847	SUB-GRANT TO 1 R01 DK 112322	235,958	-
Scripps/Whittier Institute for Diabetes	93.847	SUB-GRANT TO 1R18DK104250	322,669	-
Seattle Childrens Hospital & Regional Med Ctr	93.847	11335SUB MOD 3	44,136	-
University of California at San Diego	93.847	64698708-003 PO#S9001117	207,329	-
University of North Carolina-Chapel Hill	93.847	5112425 AMND 1	73,845	-
Georgetown University	93.855	412649_GR412560-SDSU	34,767	-
Georgetown University	93.855	412971 GR412954-SDSU	33,078	-

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Johns Hopkins University	93.855	2002655507	9,197	-
Torrey Pines Institute for Molecular Studies	93.855	FY2017-1134-SDSU AMND 1	383,495	-
University of California at Davis	93.855	201303042-05 AMND 5	44,645	-
University of Nebraska Medical Center	93.855	34-2005-2077-001	25,869	-
University of California at San Diego	93.859	80048660 S9001501 AMND 002	13,571	-
University of Florida	93.859	SUB00001780	1,384	-
University of Wisconsin-Madison	93.859	768K132 (2R01GM102703-05)	210,016	-
Cincinnati Childrens Hospital	93.865	SUB#135878-4 PO#3100466551	7,691	-
President & Fellows of Harvard College	93.865	114205-5107390-1388	4,012	-
President & Fellows of Harvard College	93.865	114205-5107390-1488	14,844	-
Tulane University	93.865	TUL-HSC-555756-17/18	1,204	-
Tulane University	93.865	TUL-HSC-556632-18/19	11,869	-
University of Minnesota	93.865	N003578002	18,021	-
University of Texas Medical Branch	93.865	0012076A	16,202	-
University of California at Davis	93.866	A18-0168-S006-A02	349,100	-
University of California at San Diego	93.866	103893916	74,926	-
University of California at San Diego	93.866	106774355 AMND 001	35,492	-
University of California at San Diego	93.866	108859307	137,064	-
University of California at San Diego	93.866	SUB 109352672	17,051	-
University of California at San Diego	93.866	SUBAWARD NO. 114894795	352	-
Total - National Institutes of Health (NIH)			33,108,951	2,482,882
Total - Department of Health & Human Services			35,490,534	2,615,545
Department of Homeland Security				
Department of Homeland Security - Pass-Through Programs				
Audentia, Inc.	97.000	AGMNT DTD 4/27/17	2,695	-
Total - Department of Homeland Security			2,695	-
TOTAL RESEARCH & DEVELOPMENT CLUSTER			53,622,640	4,615,347
CHILD NUTRITION CLUSTER				
Department of Agriculture				
Department of Agriculture - Pass-Through Programs				
California Department of Education	10.559	CHK 69358063	9,211	-
Total - Department of Agriculture			9,211	-
TOTAL CHILD NUTRITION CLUSTER			9,211	-
HOUSING VOUCHER CLUSTER				
Department of Housing and Urban Development				
Department of Housing and Urban Development - Pass-Through Programs				
San Diego Housing Commission	14.871	CONTRACT DTD 7/9/18	596,372	-
San Diego Housing Commission	14.871	CONTRACT DTD 7-27-17	4,678	-
Total - Department of Housing and Urban Development			601,050	-
TOTAL HOUSING VOUCHER CLUSTER			601,050	-

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
477 CLUSTER				
FHHS Admin Children and Families				
FHHS Admin Children and Families - Pass-Through Programs				
Imperial County Department of Social Services	93.558	18-0460	282,983	-
Imperial County Department of Social Services	93.558	DSS\17-0603\SDSU	7,362	-
Total - FHHS Admin Children and Families			290,345	-
TOTAL 477 CLUSTER			290,345	-
EMPLOYMENT SERVICE CLUSTER				
Department of Labor				
Department of Labor - Pass-Through Programs				
California Employment Development Department	17.207	M7105786	18,844	-
Total - Department of Labor			18,844	-
TOTAL EMPLOYMENT SERVICE CLUSTER			18,844	-
WIOA CLUSTER				
Department of Labor				
Department of Labor - Pass-Through Programs				
Imperial County Department of Social Services	17.258	CHK 584754	54,673	-
Imperial County Workforce Development Board	17.258	M.O. #13	9,665	-
Imperial County Workforce Development Board	17.278	MOA300	76,507	-
Total - Department of Labor			140,845	-
TOTAL WIOA CLUSTER			140,845	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
Department of Transportation				
Department of Transportation - Pass-Through Programs				
San Diego Association of Governments	20.205	5005345	2,343	-
Total - Department of Transportation			2,343	-
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			2,343	-
SPECIAL EDUCATION CLUSTER (IDEA)				
Department of Education				
Department of Education - Pass-Through Programs				
California Department of Education	84.027	16-14301-X842-00	(181)	-
California Department of Education	84.027	17-14301-X842-00	7,472	-
California Department of Education	84.027	18-14301-X8420-00	251,666	-
California Department of Education	84.027	PRIOR AUTHORIZATION	131	-
Federated States of Micronesia	84.027	C170167	56,320	-
Total - Department of Education			315,408	-
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			315,408	-
TRIO CLUSTER				
Department of Education				
Department of Education - Direct Programs				
TRIO Student Support Services	84.042A		301,805	-
TRIO Talent Search Program	84.044A		750,773	-
TRIO Upward Bound Program	84.047A		730,089	21,598
Total - Department of Education			1,782,667	21,598
TOTAL TRIO CLUSTER			1,782,667	21,598
MEDICAID CLUSTER				
Department of Health and Human Services				
Centers for Medicare and Medicaid Services - Pass-Through Programs				
California Department of Social Services	93.778	15-STD-01369 A1 INDEXC0DE 9990	72,100	66,487
Total - Department of Health & Human Services			72,100	66,487
TOTAL MEDICAID CLUSTER			72,100	66,487

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
OTHER FEDERAL AWARDS				
Department of Agriculture				
Department of Agriculture - Direct Programs				
Hispanic Serving Institutions Education Grants	10.223		12,199	-
Cochran Fellowship Program-International Training-Foreign Participant	10.962		30,686	-
Department of Agriculture - Pass-Through Programs				
California Department of Health Services	10.557	15-10110 TO AMND A03	6,849,675	-
Total - Department of Agriculture			6,892,560	-
Department of Defense				
Department of Defense - Direct Programs				
Department of Defense Contracts/Letters of Agreement	12.000		1,464,829	-
Basic and Applied Scientific Research	12.300		153,946	-
Language Grant Program	12.900		107,120	-
Department of Defense - Pass-Through Programs				
ACS Habitat Management	12.000	15D0801-0060	10,676	-
The Institute of International Education	12.000	2603-SDSU-1-GO-051-P09	321,621	-
Vector Planning & Services, Inc	12.000	S0090 / N66001-18-F-0046 MOD 4	8,295	-
Institute of International Education	12.357	PGO1801-SDSU-14-LTC-052-PO1-1	1,112,970	-
Institute of International Education	12.357	PGO1801-SDSU-14-LTC-052-PO3	95,483	-
The Institute of International Education	12.357	PGO1801-SDSU-14	325,349	-
San Diego Unified School District	12.556	SV19-0558-06	9,019	-
The Institute of International Education	12.579	2603-SDSU-1-LTC-052-P010	554,146	-
Total - Department of Defense			4,163,454	-
Department of Interior				
Department of Interior - Direct Programs				
U.S. Geological Survey Research and Data Collection	15.808		990,331	-
Total - Department of Interior			990,331	-
Department of Justice				
Department of Justice - Pass-Through Programs				
Department of California Highway Patrol	16.000	17C061000	96,090	-
California Office of Emergency Services	16.588	CT17048570	108,022	47,300
California Office of Emergency Services	16.588	CT18 05 8570	84,705	29,486
Total - Department of Justice			288,817	76,786
Department of Labor				
Department of Labor - Pass-Through Programs				
California Employment Development Department	17.720	M9112644	67,634	-
Total - Department of Labor			67,634	-
Department of State				
Department of State - Direct Programs				
AEECA/ESF PD Programs	19.900		17,813	-
Department of State - Pass-Through Programs				
Wilkan Group Inc	19.000	D4735-01	9,701	-
Institute of International Education	19.400	FST1901_SDSU_EGSP_2019	9,586	-
Institute of International Education	19.400	S-ECAGD-18-CA-1009/FST1801SDSU	93,405	-
Total - Department of State			130,505	-
National Aeronautics and Space Administration				
National Aeronautics and Space Administration - Direct Programs				
Space Technology	43.012		62,343	-
Total - National Aeronautics and Space Administration			62,343	-
National Endowment for the Arts				
National Endowment for the Arts - Direct Programs				
Promotion of the Arts Grants to Organizations and Individuals	45.024		46	-
Total - National Endowment for the Arts			46	-

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
Department of Education				
Department of Education - Direct Programs				
Rehabilitation Long Term Training Vocational Rehabilitation Counseling	84.129B		393,915	-
Rehabilitation of Individuals Who Are Mentally Ill	84.129H		160,112	-
Rehabilitation Long Term Training Comprehensive System of Personnel Development	84.129W		206,600	-
Centers for International Business Education Program	84.220A		272,685	-
Rehabilitation Training Continuing Education	84.264		3,927,654	2,658,693
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		85,738	-
Rehabilitation Services Demonstration and Training Programs	84.325K		890,077	-
Projects of National Significance Nondirected	84.325N		47,325	-
Department of Education - Pass-Through Programs				
California Department of Education	84.000	CN180206	49,248	-
La Mesa Spring Valley School District	84.010	2018 NCUST / LA MESA SPRING	8,192	-
Imperial County Office of Education	84.011	AGEEMENT DATE 2/28/18	47,423	-
Imperial County Office of Education	84.011	ICOE SDSURF FY19	75,350	-
Arizona Department of Economic Security	84.126	STATE OF AZ 2018	58,190	-
Colorado Department of Labor and Employment	84.126	PO# KAVA201900007305	7,856	-
Florida Department of Education, Division of Blind Services	84.126	IA-928 AMD 1	69,894	-
Florida Division of Vocational Rehabilitation	84.126	B293A0	94,285	-
Idaho Division of Vocational Rehabilitation	84.126	PO NO. VR180221TP01	11,484	-
South Carolina Commission for the Blind	84.126	CONTRACT EXECUTED 01/14/2019	32,196	-
South Carolina Commission for the Blind	84.126	PO 4600582124	4,453	-
Virginia Department of the Blind and Vision Impaired	84.126	CONTRACT SIGNED 11-13-2017	25,390	-
Wisconsin Department of Workforce Development	84.126	44500-O17-ILG0021-00	132,429	-
California Department of Rehabilitation	84.126A	30765 30766 30767 30771	15,015	-
California Department of Rehabilitation	84.126A	AGRMNT 30726	59,213	-
Hawaii Vocational Rehabilitation & Services for the Blind	84.126A	DHS-17-VR-4138	24,653	-
Iowa Department of Administrative Services	84.126A	19112	12,019	-
Wyoming Department of Workforce Services	84.126A	CONTRACT SIGNED 08-21-18	39,098	-
California Department of Developmental Services	84.181	HD 159025	606	-
California Department of Developmental Services	84.181	HD189025	280,315	-
California State University Office of the Chancellor	84.325	X0131117-SDAUX	7,131	-
California Department of Education	84.367	16-15196-3062-00	548,724	432,901
Sweetwater Union High School District	84.367	2018 NCUST/SWEETWATER UNION	48,501	-
University of California Office of the President	84.367	ESSA18-CGEP-SAN DIEGO	17,350	-
University of California Office of the President	84.367	ESSA18-CGEP-SO	131,057	-
University of California Office of the President	84.367	ESSA18-CMP-SAN DIEGO	32,216	-
University of California Office of the President	84.367	ESSA18-CWLP-SAN DIEGO	31,721	-
University of California Office of the President	84.367	ESSA18-TCAP-SAN DIEGO	75,013	-
University of California Office of the President	84.367	NCLB14 CISP SAN DIEGO	366	-
University of California Office of the President	84.367	NCLB14-CISP-SO	6,591	-
University of California Office of the President	84.367	NCLB14-CWLP-SAN DIEGO	5,148	-
University of California Office of the President	84.367	NCLB14-TCAP-SAN DIEGO	(218)	-
California Department of Rehabilitation	84.418P	30121	77,642	-
California Department of Rehabilitation	84.418P	30122 AMD 4	1,674,048	-
California Department of Rehabilitation	84.421	30277	305,283	-
Total - Department of Education			9,991,988	3,091,594
Department of Health and Human Services				
Administration on Aging - - Pass-Through Programs				
California Department of Social Services	93.747	18-3109 INDEX CODE 9990	37,656	-
Total - Administration on Aging			37,656	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

San Diego State University Research Foundation
(A Component Unit of San Diego State University)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Current Year Expenditures	Amounts Provided to Subrecipients
Administration for Children and Families (ACF) - Pass-Through Programs				
ICF Incorporated, LLC	93.000	17JJPO0159	44	-
California Department of Social Services	93.590	STRSDSU 16-19	869,619	-
California Department of Social Services	93.590	PRIOR AUTHORIZATION	618	-
California Department of Social Services	93.658	15-STD-01091-A-3 INDEX 2545	96,646	-
California Department of Social Services	93.658	18-3011 INDEX CODE 9990	4,480,865	-
County of Riverside Department of Public Social Services	93.658	CS-02716-05	13,543	-
County of Riverside Department of Public Social Services	93.658	CS-03896	489,964	-
County of San Bernardino	93.658	15-345-01	398,635	-
County of San Bernardino	93.658	18-206	1,707,151	-
Imperial County Department of Social Services	93.658	18-0390/DSS	57,136	-
Imperial County Department of Social Services	93.658	BOS APPROVED 10-03-17 M.O. #23	6,830	-
San Diego County Health and Human Services Agency	93.658	CONTRACT # 553340	827,088	-
The Child and Family Policy Institute of California	93.658	SERVICES AGMNT FY 18/19	50,940	-
University of California at Berkeley	93.658	00009897	1,938,522	-
University of California at Berkeley	93.658	GREEMENT NO. 00009248 AMND 01	14,912	-
Ventura County	93.658	C1819.21	504,103	-
Ventura County	93.658	VENTURA 17-18	13,089	-
Total - Administration for Children and Families (ACF)			11,469,705	-
Centers for Disease Control (CDC) - Direct Programs				
Sexually Transmitted Diseases (STD) Provider Education Grants	93.978		312,998	62,122
Centers for Disease Control (CDC) - Pass-Through Programs				
California Department of Health Care Services	93.283	13-90028	1,551	-
Harder + Company Community Research	93.757	553745	1,905	-
Family Health Centers of San Diego	93.940	AGREEMENT DATED 2/26/18	8,499	-
San Diego County Health and Human Services Agency	93.940	552231	29,686	-
Total - Centers for Disease Control (CDC)			354,639	62,122
Health Resources and Services Administration - Direct Programs				
PPHF Geriatric Education Centers	93.969		964,834	582,532
Health Resources and Services Administration - Pass-Through Programs				
Family Health Centers of San Diego	93.088	1 ASTWH160039-01-00	19,499	-
University of California at San Diego	93.822	108438942	52,016	-
Family Health Centers of San Diego	93.914	2018-2019	18,998	-
Family Health Centers of San Diego	93.914	AGREEMENT DATED 2/27/19	6,054	-
Family Health Centers of San Diego	93.914	LOA/AMND 1-14	13,159	-
Family Health Centers of San Diego	93.928	CONTRACT DATED 9/18/14	6,579	-
Indian Health Council	93.933	LOA CONTRACT DATED 9/26/17	478	-
Indian Health Council	93.933	LOA DATED 26 SEPTEMBER 2017	13,734	-
Indian Health Council	93.933	CONTRACT DATED 5/21/19	19,000	-
Indian Health Council	93.859	IS06GM128073-01	5,742	-
Total - Health Resources and Services Administration			1,120,093	582,532
Office of Minority Health - Pass-Through Programs				
South Bay Community Services	93.137	SBSC ACT SDSURF FY 17-18	21,753	-
Total - Office of Minority Health			21,753	-
Substance Abuse and Mental Health Services - Pass-Through Programs				
Family Health Centers of San Diego	93.243	1H79SM063356-01	12,472	-
Family Health Centers of San Diego	93.243	AGREEMENT DTD 2/5/16	970	-
Total - Substance Abuse and Mental Health Services			13,442	-
Total - Department of Health and Human Services			13,017,288	644,654
Department of Homeland Security				
Department of Homeland Security - Pass-Through Programs				
California Office of Historic Preservation	97.005	C1710005	1,459	-
Total - Department of Homeland Security			1,459	-
Agency for International Development				
Agency for International Development - Pass-Through Programs				
The City University of New York-John Jay College	98.001	CM00000029-02	131,395	-
Total - Agency for International Development			131,395	-
TOTAL OTHER FEDERAL AWARDS			35,737,820	3,813,034
TOTAL FEDERAL AWARDS			\$ 92,593,273	\$ 8,516,466

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

San Diego State University Research Foundation
(A Component Unit of San Diego State University)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of San Diego State University Research Foundation (the "SDSU Research Foundation") under the programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the SDSU Research Foundation, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles obtained in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. SDSU Research Foundation has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – ENDOWMENT AWARD

The accompanying Schedule includes \$8,474,996 in grants which consist of \$8.0 million in corpus and \$474,996 of interest earned on the cumulative endowment corpus which is considered program income in accordance with the grant award terms from the National Institutes of Health (CFDA No. 93.307) to establish an endowment fund. Included in the total grant is \$2.0 million which was received during the year ended June 30, 2019. The total amount of the endowment award is \$10.0 million and the remaining \$2.0 million will be awarded over the next year. This is considered a term endowment fund, which allows for the use of the corpus 20 years after the end of the grant period. It may be used for any purpose that expands or develops SDSU's minority and/or health disparities research capacity. Any investment income realized in any year is not to be expended until the next year(s) of the award per program guidelines. \$31,567 of interest earned was expended during the year ended June 30, 2019.

San Diego State University Research Foundation
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> none reported

Type of auditors’ report issued on compliance for major programs:	<i>Unmodified</i>
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Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	_____ yes <u> X </u> no
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Identification of major programs:

CFDA Number

Various
10.557
84.418

Name of Federal Program or Cluster

Research and Development Cluster
Women, Infants & Children
CaPROMISE: Promoting the Readiness of
Minors in Supplemental Security Income

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$2,763,548</u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no
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San Diego State University Research Foundation
(A Component Unit of San Diego State University)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies or Material Weaknesses

None reported

B. Compliance Findings

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies or Material Weaknesses

None reported

B. Compliance Findings

None reported

San Diego State University Research Foundation
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SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2018

SECTION IV – STATUS OF PRIOR FINDINGS

None reported