

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

(a Component Unit of San Diego State University)

Financial Statements

June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Table of Contents

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-38
Supplementary Information:	
Schedule 1 – Combining Schedule of Net Position	39-42
Schedule 2 – Combining Schedule of Revenues, Expenses and Changes in Net Position	43-44



Independent Auditor's Report

To the Board of Directors
San Diego State University Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego State University Research Foundation (a component unit of San Diego State University), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial position of San Diego State University Research Foundation as of June 30, 2014 and 2013, and the changes in its net position and its cash flows 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's discussion and analysis on pages 3 through 13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 financial statements, and other knowledge we obtained during our audits of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplementary information is presented on pages 39 through 44 for purposes of additional analysis and is not a required part of the financial statements.

The 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 financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2014 and 2013 dated September 19, 2014 and September 20, 2013, respectively, on our consideration of San Diego State University 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 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 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 San Diego State University Research Foundation's internal control over financial reporting and compliance.



San Diego, CA
September 19, 2014

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Management's Discussion and Analysis

This section of the San Diego State University Foundation's (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, 2014 and 2013. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

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 of resources, liabilities, and net position of SDSU Research Foundation. All amounts are reported on an accrual basis as of the statement date. This statement also identifies 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 the revenues earned and expenses incurred during the year on an accrual basis.

Statements of Cash Flows: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, 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, 2014 and 2013. 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, 2014

In January 2014, a student housing project adjacent to the University (Sanctuary Suites) was transferred to Aztec Shops, Ltd. in exchange for an unsecured note to SDSU Research Foundation.

Significant Events – Year Ended June 30, 2013

In August 2012, bonds in the amount of \$41.1 million were defeased at favorable interest rates using California State University Systemwide Revenue Bonds and previously restricted debt reserve funds related to the 2001 and 2002 bond issues. In June 2013, two student housing projects adjacent to the University (Piedra del Sol and Fraternity Row apartments) were transferred to Aztec Shops, Ltd. Aztec

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Shops, Ltd. assumed the related bond debt and bond premium and provided an unsecured note and cash to SDSU Research Foundation.

SDSU Research Foundation's condensed summary of net position as of June 30, 2014, 2013 and 2012 follows:

Condensed Summary of Net Position

	June 30		
	2014	2013	2012
Assets:			
Current assets	\$ 41,903,090	40,241,874	42,002,968
Capital assets	57,346,915	63,503,109	81,953,396
Other noncurrent assets	55,483,377	73,532,686	60,490,815
Total assets	<u>154,733,382</u>	<u>177,277,669</u>	<u>184,447,179</u>
Deferred Outflow of Resources:			
Deferred loss on bond refunding	<u>634,450</u>	<u>663,056</u>	<u>—</u>
Liabilities:			
Current liabilities	30,505,664	60,018,725	52,992,870
Noncurrent liabilities	37,080,971	37,772,294	57,035,287
Total liabilities	<u>67,586,635</u>	<u>97,791,019</u>	<u>110,028,157</u>
Net Position:			
Net investment in capital assets	22,976,432	28,211,667	30,718,540
Restricted – nonexpendable	5,309,953	4,761,303	4,735,916
Restricted – expendable	13,480,783	12,166,583	11,311,882
Unrestricted	46,014,029	35,010,153	27,652,684
Total net position	<u>\$ 87,781,197</u>	<u>80,149,706</u>	<u>74,419,022</u>

Assets

Total assets decreased \$22.5 million from FY 2013 to FY 2014 primarily because \$30.0 million of cash and investments held by SDSU Research Foundation for The Campanile Foundation was disbursed to The Campanile Foundation. Total assets decreased \$7.2 million from FY 2012 to FY 2013 primarily because student housing apartments were transferred to Aztec Shops, Ltd. These reductions were partially offset by the results of operations.

Current assets increased \$1.7 million from FY 2013 to FY 2014 primarily because of a temporary increase in accounts receivable. Current assets decreased \$1.8 million from FY 2012 to FY 2013 because current assets were invested in long-term investments.

Capital assets decreased \$6.2 million from FY 2013 to FY 2014 and \$18.5 million from FY 2012 to FY 2013 primarily because student housing apartments were transferred to Aztec Shops, Ltd. and because the annual depreciation of property and equipment exceeded capital additions.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Other noncurrent assets decreased \$18.0 million from FY 2013 to FY 2014 primarily because investments were sold to disburse \$30.0 million to The Campanile Foundation. Other noncurrent assets increased \$13.0 million from FY 2012 to FY 2013 primarily because current assets and monies received from The Campanile Foundation were invested in long-term investments. This was partially offset by the sale of investments and use of bond reserves to reduce borrowings when bond liabilities were refunded.

Deferred Outflows of Resources

Deferred outflows of resources decreased \$28,606 from FY 2013 to FY 2014 due to the amortization of the deferred loss on bond refunding. Deferred outflows of resources increased \$663,056 from FY 2012 to FY 2013 due to the net deferral of the loss on bonds refunded during the year.

Liabilities

Current liabilities decreased by \$29.5 million from FY 2013 to FY 2014 primarily because \$30.0 million was disbursed to The Campanile Foundation. Current liabilities increased by \$7.0 million from FY 2012 to FY 2013 due primarily to an increase in the amount due to The Campanile Foundation.

Noncurrent liabilities decreased \$0.7 million from FY 2013 to FY 2014 primarily due to scheduled bond payments. Noncurrent liabilities decreased \$19.3 million from FY 2012 to FY 2013 primarily due to the assumption of \$14.0 million in bond debt by Aztec Shops, Ltd. and the use of bond reserves and working capital to reduce the amount of bond debt.

Net Position

SDSU Research Foundation's net position increased \$7.6 million from FY 2013 to FY 2014 because net operating income totaled \$5.8 million and net nonoperating income totaled \$1.8 million. The total net position increased \$5.7 million from FY 2012 to FY 2013 because net operating income totaled \$5.0 million, net nonoperating income totaled \$0.3 million and the net effect of the transfer of assets to Aztec Shops, Ltd. totaled \$0.4 million.

Restricted Resources

The net position of SDSU Research Foundation includes funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction and the amount:

	Restricted Net Position		
	June 30		
	2014	2013	2012
Nonexpendable	\$ 5,309,953	4,761,303	4,735,916
Expendable:			
Campus programs and projects	\$ 11,585,360	10,391,543	9,166,672
KPBS capital campaign	750,639	780,986	811,148
Student aid	151,610	124,970	111,178
Annuity trust agreements	993,174	869,084	1,222,884
Total restricted expendable net position	\$ 13,480,783	12,166,583	11,311,882

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Nonexpendable restricted net position increased \$0.5 million from FY 2013 to FY 2014 because of the receipt of new restricted gifts and remained approximately the same from FY 2012 to FY 2013.

The increase in expendable restricted net position of \$1.3 million from FY 2013 to FY 2014 and \$0.9 million from FY 2012 to FY 2013 were due primarily to fluctuations in the market value of the underlying endowment assets. Annuity trust agreements fluctuate as a result of payments to annuitants, the receipt of new funds, and market value fluctuations.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

SDSU Research Foundation's condensed summary of revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012 follows:

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Year Ended June 30		
	2014	2013	2012
Operating revenues:			
Sponsored programs support	\$ 106,609,049	108,364,049	122,853,501
Community and campus programs	33,518,244	36,950,590	35,321,205
Contributions	17,116,304	17,686,904	17,118,459
Other operating revenues	9,289,055	12,211,632	11,578,269
Total operating revenues	<u>166,532,652</u>	<u>175,213,175</u>	<u>186,871,434</u>
Operating expenses:			
Sponsored programs	94,962,056	96,555,853	107,654,583
Community and campus programs, including fundraising	42,615,518	49,256,012	45,047,387
Other operating expenses	23,133,040	24,418,406	25,651,034
Total operating expenses	<u>160,710,614</u>	<u>170,230,271</u>	<u>178,353,004</u>
Operating income	<u>5,822,038</u>	<u>4,982,904</u>	<u>8,518,430</u>
Nonoperating revenues (expenses):			
Interest expense	(1,416,592)	(1,791,331)	(2,849,765)
Investment income, net	740,267	1,744,173	2,152,411
Net increase (decrease) in fair value of investments	2,605,767	475,859	(1,446,819)
Loss on disposition of equipment	(103,579)	(69,058)	(93,123)
Net nonoperating revenues (expenses)	<u>1,825,863</u>	<u>359,643</u>	<u>(2,237,296)</u>
Income before changes to permanent endowments and transfer of assets	7,647,901	5,342,547	6,281,134
(Decreases) in permanent endowments	<u>(46,320)</u>	<u>(25,935)</u>	<u>(9,838)</u>
Income before transfer of assets	7,601,581	5,316,612	6,271,296
Net effect from transfer of assets to Aztec Shops, Ltd.	29,910	414,072	—
Net position at beginning of year	<u>80,149,706</u>	<u>74,419,022</u>	<u>68,147,726</u>
Net position at end of year	<u>\$ 87,781,197</u>	<u>80,149,706</u>	<u>74,419,022</u>
Total revenues	\$ 169,878,686	177,433,207	187,577,026
Total expenses	<u>162,277,105</u>	<u>172,116,595</u>	<u>181,305,730</u>
	<u>\$ 7,601,581</u>	<u>5,316,612</u>	<u>6,271,296</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

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

Sponsored programs support decreased \$1.8 million from FY 2013 to FY 2014 primarily due to a reduction in American Recovery and Reinvestment Act (ARRA) revenue. Sponsored programs support decreased \$14.5 million from FY 2012 to FY 2013 due to reductions in ARRA revenue of \$4.5 million, and the federal government's funding sequestration combined with other program support reductions of \$10.0 million. Sponsored programs support included \$1.1 million, \$3.1 million and \$7.6 million in ARRA revenue in FY 2014, FY 2013 and FY 2012, respectively.

Community and campus programs include revenues generated by the College of Extended Studies, KPBS, and various academic college and department gift accounts. These revenues decreased \$3.4 million from FY 2013 to FY 2014 primarily because course fees that were previously collected by the College of Extended Studies are now paid directly to the University. Community and campus programs increased \$1.6 million from FY 2012 to FY 2013 due to increased revenues earned by the College of Extended Studies.

Contributions, primarily to KPBS, decreased \$0.6 million from FY 2013 to FY 2014 because major gifts to support construction costs for new broadcasting equipment and the broadcasting station offices were received in FY 2012-2013. Contributions increased \$0.6 million from FY 2012 to FY 2013 due to major gifts received to support construction costs for new broadcasting equipment and the broadcasting station offices.

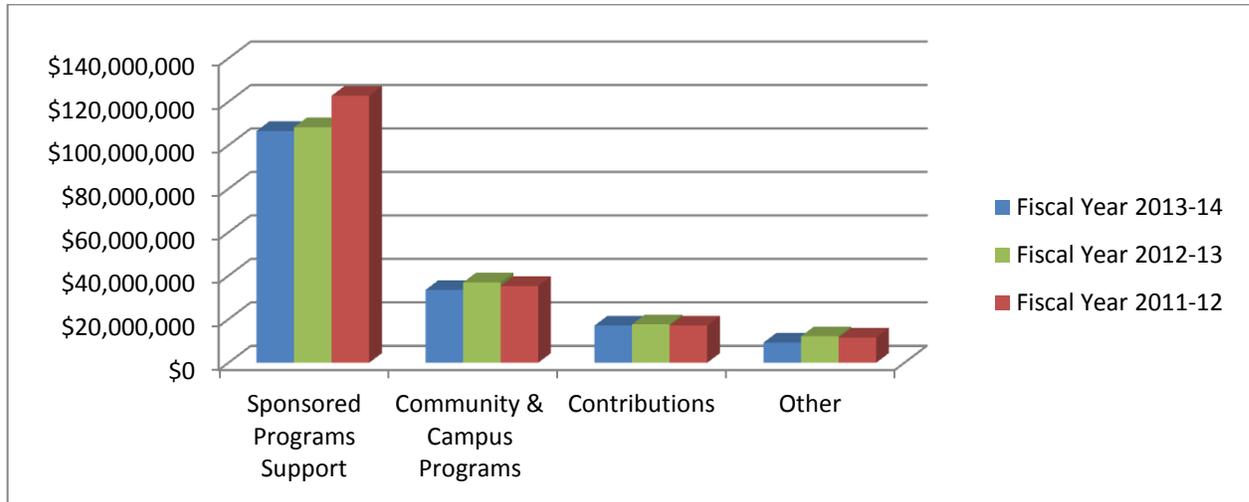
Other operating revenue decreased \$2.9 million from FY 2013 to FY 2014 primarily because student housing apartments were transferred to Aztec Shops, Ltd. Other operating revenue increased \$0.6 million from FY 2012 to FY 2013 due to an insurance settlement.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

The following chart presents the dollar amount that each category of operating revenue contributed to total revenues for the years ended June 30, 2014, 2013 and 2012:



The sources of Sponsored Programs Support for the years ended June 30, 2014, 2013 and 2012 are as follows:

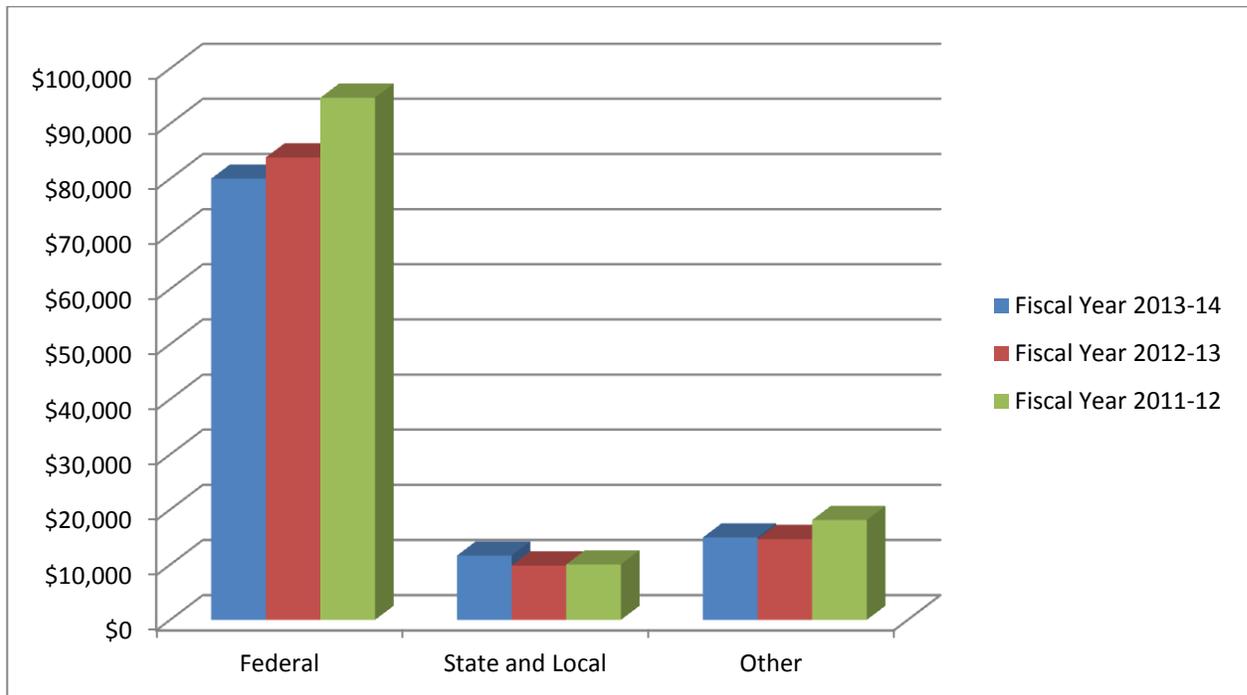
	Year Ended June 30,					
	2014		2013		2012	
	\$	%	\$	%	\$	%
Federal:						
Department of						
Health & Human Services	39,288,362	36.9	40,697,413	37.6	47,132,511	38.4
National Science Foundation	9,572,257	9.0	8,936,528	8.2	10,402,067	8.5
Department of Defense	9,413,200	8.8	10,070,899	9.3	10,631,034	8.7
Department of Education	8,652,972	8.1	10,131,584	9.3	12,509,307	10.2
Other	6,662,526	6.2	7,856,327	7.2	7,495,914	6.1
Department of Agriculture	6,422,060	6.1	6,163,351	5.8	6,523,679	5.2
	<u>80,011,377</u>	<u>75.1</u>	<u>83,856,102</u>	<u>77.4</u>	<u>94,694,512</u>	<u>77.1</u>
State and Local	11,664,047	10.9	9,848,016	9.1	10,056,819	8.2
Other	14,933,625	14.0	14,659,931	13.5	18,102,170	14.7
	<u>106,609,049</u>	<u>100.0</u>	<u>108,364,049</u>	<u>100.0</u>	<u>122,853,501</u>	<u>100.0</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

The following chart presents the amount (in thousands) that each sponsor type contributed to total Sponsored Programs Support for the years ended June 30, 2014, 2013 and 2012:



Includes \$1.1 million, \$3.1 million and \$7.6 million in American Recovery and Reinvestment Act revenue in FY 2014, FY 2012 and FY 2012, respectively.

Operating Expenses

Sponsored programs expenses decreased \$1.6 million from FY 2013 to FY 2014 and \$11.1 million from FY 2012 to FY 2013. These changes follow the related decreases in Sponsored Programs Support revenues.

Community and campus programs expenses (including fundraising) decreased \$6.6 million from FY 2013 to FY 2014 primarily due to normal fluctuations in expenditures of the funds and because course fees that were previously collected by the College of Extended Studies and remitted to the University are now paid directly to the University. Community and campus programs expenses (including fundraising) increased \$4.2 million from FY 2012 to FY 2013 due to increases in extension fees, transfers to the University, the related increases in community and campus programs revenue, and normal fluctuations in expenditures of the funds.

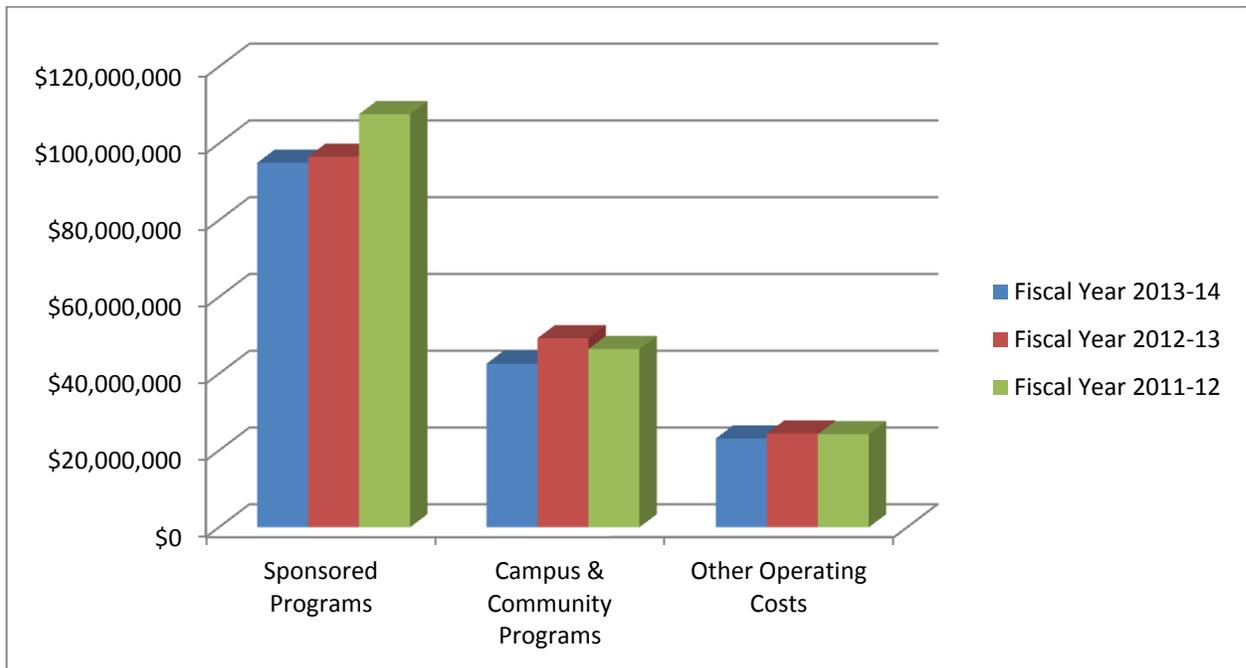
Other operating expenses decreased \$1.3 million from FY 2013 to FY 2014 due to the transfer of student housing apartments to Aztec Shops, Ltd. and decreased \$1.2 million from FY 2012 to FY 2013 due to staff reductions and other savings.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

The following chart presents the distribution of resources in support of SDSU Research Foundation's mission for the years ended June 30, 2014, 2013 and 2012:



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, and gains and losses from the sale of equipment.

Interest expense decreased \$0.4 million from FY 2014 to FY 2013 due to the full year's effect of the August 2012 bond refunding and the June 2013 transfer of the student housing apartments to Aztec Shops, Ltd. Interest expense decreased \$1.1 million from FY 2013 to FY 2012 due to the August 2012 refunding of the 2001 insured student resident revenue bonds and the 2002 insured revenue refunding bonds. The bonds were refunded at substantially lower rates and over \$5.0 million of bond reserves and working capital were used to reduce the amounts borrowed.

Investment income decreased \$1.0 million from FY 2013 to FY 2014 primarily due to changes in the banking and service agreement with The Campanile Foundation. The agreement now allows The Campanile Foundation to receive more of the income generated from cash held by SDSU Research Foundation. This reduction was partially offset by an increase of \$507,500 in the administrative fee charged by SDSU Research Foundation to The Campanile Foundation. Investment income decreased \$0.4 million from FY 2012 to FY 2013 because restricted investment assets were used to reduce borrowings.

Net increase (decrease) in fair value of investments increased \$2.1 million from FY 2013 to FY 2014 and \$1.9 million from FY 2012 to FY 2013 due to ongoing improvements in the market.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Loss on disposition of equipment remained fairly constant from FY 2013 to FY 2014 and from FY 2012 to FY 2013.

Capital Assets

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

	June 30		
	2014	2013	2012
Land, land improvements and construction in progress	\$ 17,769,327	18,948,404	20,849,581
Buildings and building improvements	32,875,690	37,985,713	54,270,320
Furniture, fixtures and equipment	6,701,898	6,568,992	6,833,495
Total capital assets, net of accumulated depreciation	\$ <u>57,346,915</u>	<u>63,503,109</u>	<u>81,953,396</u>

Capital assets decreased \$6.2 million from FY 2013 to FY 2014 and \$18.5 million from FY 2012 to FY 2013 primarily because student housing apartments were transferred to Aztec Shops, Ltd. and because the annual depreciation of property and equipment exceeded capital additions.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Management's Discussion and Analysis

June 30, 2014 and 2013

Long-Term Debt Obligations

Debt outstanding at June 30, 2014, 2013 and 2012 is summarized below by the type of debt instrument:

	June 30		
	2014	2013	2012
Revenue bonds	\$ 30,620,000	31,430,000	51,160,000
Note payable	2,768,584	2,813,053	2,854,597
Total	33,388,584	34,243,053	54,014,597
Unamortized bond premium	1,616,537	1,711,445	804,164
Total long-term debt	35,005,121	35,954,498	54,818,761
Less current portion	(882,637)	(854,480)	(1,220,366)
Total long-term debt, net of current portion	\$ 34,122,484	35,100,018	53,598,395

Long-term debt, net of current portion, decreased \$1.0 million from FY 2013 to FY 2014 due to the payment of scheduled bond payments and by \$18.5 million from FY 2012 to 2013 due to the assumption of \$14.0 million in bond debt by Aztec Shops, Ltd. and the use of bond reserves and working capital to reduce the amount of bond debt.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Net Position

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 3)	\$ 4,219,844	4,096,542
Short-term investments (note 3)	13,652,979	14,836,512
Accounts receivable (note 4)	23,905,224	21,215,939
Prepaid expenses and other assets	125,043	92,881
Total current assets	<u>41,903,090</u>	<u>40,241,874</u>
Noncurrent assets:		
Accounts receivable (note 4)	600,171	1,123,767
Long-term investments (note 3)	27,509,276	52,293,044
Restricted assets – investments (note 3)	16,937,204	15,074,353
Restricted assets – land	1,853,532	1,853,532
Notes receivable – Aztec Shops, Ltd. (note 5)	6,901,991	2,184,000
Capital assets, net (notes 5, 6 and 8)	57,346,915	63,503,109
Other assets	1,681,203	1,003,990
Total noncurrent assets	<u>112,830,292</u>	<u>137,035,795</u>
Total assets	<u>\$ 154,733,382</u>	<u>177,277,669</u>
Deferred Outflows of Resources		
Deferred loss on bond refunding (note 8)	\$ <u>634,450</u>	<u>663,056</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (note 7)	\$ 12,682,860	13,048,150
Sponsored programs receipts over expenditures	3,852,988	5,417,528
Long-term debt obligations – current portion (notes 5 and 8)	882,637	854,480
Due to The Campanile Foundation (note 7)	13,087,179	40,698,567
Total current liabilities	<u>30,505,664</u>	<u>60,018,725</u>
Noncurrent liabilities:		
Long-term debt obligations, net of current portion (notes 5 and 8)	34,122,484	35,100,018
Liabilities for amounts held for others	1,056,085	397,823
Other liabilities (note 10)	1,902,402	2,274,453
Total noncurrent liabilities	<u>37,080,971</u>	<u>37,772,294</u>
Total liabilities	<u>\$ 67,586,635</u>	<u>97,791,019</u>
Commitments and Contingencies (notes 9, 10, 11 and 12)		
Net Position		
Net investment in capital assets	\$ 22,976,432	28,211,667
Restricted for:		
Nonexpendable – endowments and property	5,309,953	4,761,303
Expendable:		
Campus programs and projects	11,585,360	10,391,543
KPBS capital campaign	750,639	780,986
Student aid	151,610	124,970
Annuity trust agreements	993,174	869,084
Unrestricted	46,014,029	35,010,153
Total net position	<u>\$ 87,781,197</u>	<u>80,149,706</u>

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Sponsored programs support	\$ 106,609,049	108,364,049
Community and campus programs	33,518,244	36,950,590
Contributions	17,116,304	17,686,904
Rental income	6,752,867	9,853,995
Other operating revenues (note 7)	<u>2,536,188</u>	<u>2,357,637</u>
Total operating revenues	<u>166,532,652</u>	<u>175,213,175</u>
Operating expenses (notes 9, 10 and 11):		
Sponsored programs (note 6)	94,962,056	96,555,853
Community and campus programs (note 6)	37,695,090	44,675,407
Fundraising – broadcasting	4,920,428	4,580,605
Property management (note 6)	8,849,615	10,697,622
General administration	<u>14,283,425</u>	<u>13,720,784</u>
Total operating expenses	<u>160,710,614</u>	<u>170,230,271</u>
Operating income	<u>5,822,038</u>	<u>4,982,904</u>
Nonoperating revenues (expenses):		
Interest expense (note 8)	(1,416,592)	(1,791,331)
Investment income, net	740,267	1,744,173
Net increase in fair value of investments (note 3)	2,605,767	475,859
Loss on dispositions of equipment	<u>(103,579)</u>	<u>(69,058)</u>
Net nonoperating revenues	<u>1,825,863</u>	<u>359,643</u>
Income before changes to permanent endowments and transfer of assets	7,647,901	5,342,547
(Decreases) in permanent endowments	<u>(46,320)</u>	<u>(25,935)</u>
Income before transfer of assets	7,601,581	5,316,612
Net effect from transfer of assets to Aztec Shops, Ltd. (note 5)	29,910	414,072
Net position:		
Net position at beginning of year	<u>80,149,706</u>	<u>74,419,022</u>
Net position at end of year	<u>\$ 87,781,197</u>	<u>80,149,706</u>

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Sponsored programs receipts	\$ 102,708,566	107,738,171
Community and campus programs receipts	33,418,815	36,713,708
Contributions	17,536,292	17,267,166
Rents received	6,808,819	10,088,999
Payments to suppliers	(66,928,120)	(74,516,158)
Payments to employees	(90,822,003)	(94,050,356)
Monies received on behalf of		
The Campanile Foundation, net	2,388,612	10,575,985
Monies disbursed to The Campanile Foundation	(30,000,000)	—
Monies collected (disbursed) on behalf of others, net	658,262	(105,770)
Other receipts	2,353,486	2,196,024
Net cash provided by (used in) operating activities	<u>(21,877,271)</u>	<u>15,907,769</u>
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	—	35,883,727
Principal payments on long-term debt	(854,480)	(41,686,533)
Interest paid	(1,580,985)	(1,921,612)
Purchase of property and equipment	(2,975,742)	(2,089,594)
Proceeds from sale of property and equipment	11,132	77,000
Net cash (used in) capital and related financing activities	<u>(5,400,075)</u>	<u>(9,737,012)</u>
Cash flows from investing activities:		
Investment income	736,751	1,817,512
Proceeds from sale of investments	40,442,499	24,582,474
Purchase of investments	(13,778,602)	(32,405,287)
Net cash provided by (used in) investing activities	<u>27,400,648</u>	<u>(6,005,301)</u>
Net increase in cash and cash equivalents	123,302	165,456
Cash and cash equivalents, beginning of year	<u>4,096,542</u>	<u>3,931,086</u>
Cash and cash equivalents, end of year	<u>\$ 4,219,844</u>	<u>4,096,542</u>

See accompanying notes to financial statements.

(Continued)

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Statements of Cash Flows (Continued)

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 5,822,038	4,982,904
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	4,329,144	4,890,312
(Increase) decrease in assets:		
Accounts receivable	(2,162,173)	(1,017,037)
Prepaid expenses and other assets	(709,187)	49,959
Increase (decrease) in liabilities:		
Accounts payable	(703,444)	(838,131)
Accrued expenses	436,057	(1,554,540)
Sponsored programs receipts over expenses	(1,564,540)	(417,067)
Due to The Campanile Foundation	(27,611,388)	10,575,985
Liabilities for amounts held for others	658,262	(105,770)
Other liabilities	(372,040)	(658,846)
Net cash provided by (used in) operating activities	\$ <u>(21,877,271)</u>	<u>15,907,769</u>
Supplemental disclosure of noncash investing activity:		
Increase in fair value of investments	\$ 2,605,767	475,859
(Decrease) in permanent endowments	(46,320)	(25,935)
Real property transferred for notes receivable	4,717,991	2,184,000

See accompanying notes to financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(1) 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 Governmental 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.

(2) Summary of Significant Accounting Policies

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

(a) *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 GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(b) *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 12 months of the statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(c) ***Cash Equivalents***

SDSU Research Foundation considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

(d) ***Investments***

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Property is reported at the appraised value.

(e) ***Accounts Receivable***

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

(f) ***Other Assets***

Other assets consist primarily of deposits held by others.

(g) ***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.

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

(h) ***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, 2014 or 2013.

(i) ***Deferred Outflow of Resources***

Losses on bond refundings are deferred and amortized on the straight-line method over the life of the refunded bonds.

(j) ***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 on retirement, employees are not paid for unused sick leave at the end of employment. Liabilities for compensated absences of approximately \$2,312,000 and \$2,324,000 as of June 30, 2014 and 2013, respectively, were included in accrued expenses.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(k) **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 incurring 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 48.0% and 47.9% of its total operating revenue from federal sources during the years ended June 30, 2014 and 2013, respectively. The Department of Health and Human Services provided 23.6% and 23.2% of the total operating revenue for the years ended June 30, 2014 and 2013, respectively.

Revenue from community and campus programs is recognized as earned. It 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.

(l) **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 or by the passage of time.

Unrestricted: All other categories of assets, net of related liabilities. In addition, unrestricted assets may be designated for specific purposes by the 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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(m) *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 other 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.

(n) *Income Taxes*

SDSU Research Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, SDSU Research Foundation has only nominal amounts that are subject to income taxes. Therefore, no provision for income taxes has been included in the accompanying financial statements.

(o) *Liabilities for Amounts Held for Others*

SDSU Research Foundation serves as trustee and administrator for various types of trust arrangements, including split-interest agreements whereby the beneficial interest is shared with one or more parties. The arrangements generally require payment of annual trust income to the income beneficiary or beneficiaries over the term of the trust with the remainderman portion of the assets reverting to SDSU Research Foundation. The liability for amounts held for others on the statements of net position represents the present value of the estimated future payments to be distributed to these beneficiaries.

(p) *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 revenues, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

(q) *Reclassifications*

Certain reclassifications have been made to the June 30, 2013 financial statements in order to conform to the presentation as of June 30, 2014. These reclassifications had no effect on results of operations or net position as previously reported.

(r) *Pronouncements Issued*

SDSU Research Foundation implemented the following GASB statements that became effective for the year ended June 30, 2013:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.*

Implementation of GASB statements 60, 61, 62 and 64 did not have a significant impact on the financial statements.

Implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, changed the names, captions and format of the financial statements, but did not have any other significant impact on the financial statements.

SDSU Research Foundation elected to implement the following GASB statements early:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for the year ending June 30, 2014)
- GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (effective for the year ending June 30, 2014).

Implementation of GASB statements 65 and 66 did not have a significant impact on the financial statements.

For the year ended June 30, 2014, SDSU Research Foundation implemented the following GASB statements early:

- GASB Statement No. 68, *Accounting and Reporting for Pensions—an amendment of GASB Statement No. 27* (effective for the year ending June 30, 2015)
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (effective for the year ending June 30, 2015)
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (effective for the year ending June 30, 2015)
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (effective for the year ending June 30, 2015).

Implementation of GASB statements 68, 69, 70 and 71 did not have a significant impact on the financial statements.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(3) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of June 30 consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,219,844	4,096,542
Short-term investments	13,652,979	14,836,512
Long-term investments	27,509,276	52,293,044
Long-term restricted investments	16,937,204	15,074,353
	<u>\$ 62,319,303</u>	<u>86,300,451</u>

The amounts above consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,219,844	4,096,542
Federally sponsored enterprises – interest bearing	3,311,306	5,897,776
Federally sponsored enterprises – zero coupon	1,044,310	1,670,555
Intermediate Term Fund (Commonfund)	451,177	445,342
Money market funds	2,070,770	739,449
Nonmarketable certificates of deposit	259,651	258,615
Marketable certificates of deposit	1,485,501	4,994,680
Corporate bonds	26,769,492	48,596,192
The Campanile Foundation Endowment Pool	17,530,791	15,436,134
Real property	1,031,821	1,031,821
Other investments	4,144,640	3,133,345
	<u>\$ 62,319,303</u>	<u>86,300,451</u>

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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

The Campanile Foundation Endowment Pool

SDSU Research Foundation invests in the TCF Endowment Pool, a unitized pool managed by TCF, another SDSU auxiliary organization. The \$17,530,791 and \$15,436,134 amounts shown above reflect the market value of SDSU Research Foundation's share of the TCF Endowment Pool as of June 30, 2014 and 2013, respectively.

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools, with primary investment categories of stocks (57% and 56%); fixed income (23% and 21%); and alternative investments, real estate and cash equivalents (20% and 23%) as of June 30, 2014 and 2013, respectively. It is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by TCF, and the investments are monitored for TCF by an investment advisor.

SDSU Research Foundation recognized unrealized gains of \$2,390,122 and \$1,356,131 for the years ended June 30, 2014 and 2013, respectively, from its investment in the TCF Endowment Pool.

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 this 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.

Other Investments

Other investments consist primarily of mutual funds held in trust as annuity securities that name SDSU Research Foundation as beneficiary.

Other investments also include real property held as an investment purchased with a donor's funds to benefit specific research programs. The property may be sold should the needs of the programs change.

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 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. The longer maturities in the portfolios are investments for deferred gifts, where assets need to correlate with the life expectancies of beneficiaries.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

Maturities as of June 30, 2014 are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	> 5 Years
U.S. Treasury							
Deferred gifts \$	—	—	—	—	—	—	—
Federally Sponsored Enterprises							
Pooled	3,311,306	1,720,130	1,094,596	—	496,580	—	—
Debt reserves	—	—	—	—	—	—	—
Deferred gifts	—	—	—	—	—	—	—
	<u>3,311,306</u>						
Federally Sponsored Enterprises – zero coupon							
Pooled	952,312	952,312	—	—	—	—	—
Deferred gifts	91,998	91,998	—	—	—	—	—
	<u>1,044,310</u>						
Certificates of Deposit							
Pooled	1,745,152	1,000,960	497,563	246,629	—	—	—
Corporate Bonds							
Pooled	26,769,492	7,785,933	6,990,118	3,863,778	6,820,100	1,309,563	—
Intermediate Term Fund (Commonfund)							
Pooled	451,177	—	451,177	—	—	—	—
	<u>\$ 33,321,437</u>	<u>11,551,333</u>	<u>9,033,454</u>	<u>4,110,407</u>	<u>7,316,680</u>	<u>1,309,563</u>	<u>—</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

Maturities as of June 30, 2013 are as follows:

	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	> 5 Years
U.S. Treasury							
Deferred gifts \$	—	—	—	—	—	—	—
Federally Sponsored Enterprises							
Pooled	5,897,776	1,751,787	1,765,208	1,100,903	—	1,279,878	—
Debt reserves	—	—	—	—	—	—	—
Deferred gifts	—	—	—	—	—	—	—
	<u>5,897,776</u>						
Federally Sponsored Enterprises – zero coupon							
Pooled	1,579,091	632,631	946,460	—	—	—	—
Deferred gifts	91,464	—	91,464	—	—	—	—
	<u>1,670,555</u>						
Certificates of Deposit							
Pooled	<u>5,253,295</u>	3,275,639	743,672	992,372	241,612	—	—
Corporate Bonds							
Pooled	<u>48,596,192</u>	8,294,670	13,808,457	13,546,534	7,138,407	5,808,124	—
Intermediate Term Fund (Commonfund)							
Pooled	445,342	—	445,342	—	—	—	—
	<u>\$ 61,863,160</u>	<u>13,954,727</u>	<u>17,800,603</u>	<u>15,639,809</u>	<u>7,380,019</u>	<u>7,088,002</u>	<u>—</u>

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. According to SDSU Research Foundation’s investment policy, fixed income investments are limited to “Investment Grade” issues. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments. The Commonfund, repurchase agreements and money market funds do not have a rating provided by a nationally recognized statistical rating organization. The table below summarizes the ratings of relevant fixed income investments of SDSU Research Foundation:

Federally sponsored enterprises – interest bearing	AA to AAA
Federally sponsored enterprises – zero coupon	AA to AAA
Corporate bonds	BBB to AAA

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

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 federally sponsored enterprises 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. No single issuer accounted for more than 5% of the total investments as of June 30, 2014 or 2013.

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. In the ordinary course of SDSU Research Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits; however, the depository bank has agreed to maintain collateral of at least 110% of the balance on deposit. In accordance with SDSU Research Foundation's investment policy, all certificates of deposit are FDIC insured and limited to \$250,000 at any one institution.

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 Commonfund. U.S. Treasury issues and Federally Sponsored Enterprise Issues are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in SDSU Research Foundation's name.

(4) Accounts Receivable

Accounts receivable as of June 30, 2014 and 2013 consisted of the following:

		2014		
		Current	Noncurrent	Total
Accounts receivable – sponsored programs	\$	19,626,830	—	19,626,830
Other receivables		4,278,394	600,171	4,878,565
	\$	23,905,224	600,171	24,505,395
		2013		
		Current	Noncurrent	Total
Accounts receivable – sponsored programs	\$	17,290,887	—	17,290,887
Other receivables		3,925,052	1,123,767	5,048,819
	\$	21,215,939	1,123,767	22,339,706

(5) Notes Receivable – Aztec Shops, Ltd.

In January 2014, SDSU Research Foundation transferred a property adjacent to the University (Sanctuary building) to Aztec Shops, Ltd. in exchange for an unsecured note in the amount of

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

\$4,717,991. Payments of interest only at 4% are payable semi-annually until April 15, 2019, at which time fixed principal payments of \$235,900 plus accrued interest are payable semi-annually. The net book value of the property at the time of the transfer was \$4,688,081, so the effect of the transfer on the June 30, 2014 statement of net position was \$29,910.

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. Aztec Shops, Ltd. assumed the related bond debt and bond premium of \$13,968,738, transferred cash of \$77,000 and provided an unsecured note to SDSU Research Foundation in the amount of \$2,184,000. The note calls for payments of interest only at 4% payable semi-annually until October 15, 2018, at which time fixed principal payments of \$109,200 plus accrued interest are payable semi-annually. The book value of the properties at the time of the transfer was \$15,815,666, so the effect of the transfer on the June 30, 2013 statement of net position was \$414,072. The estimated fair market value of the properties at the time of the transfer was \$29.8 million.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(6) Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013 consisted of the following:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Nondepreciable capital assets:				
Land and land improvements	\$ 18,948,404	—	(1,503,923)	17,444,481
Construction-in-progress	—	324,846	—	324,846
Total nondepreciable capital assets	<u>18,948,404</u>	<u>324,846</u>	<u>(1,503,923)</u>	<u>17,769,327</u>
Depreciable capital assets:				
Buildings and improvements	68,405,384	536,852	(3,541,896)	65,400,340
Furniture, fixtures and equipment	24,529,607	2,114,044	(1,345,889)	25,297,762
Total depreciable capital assets	<u>92,934,991</u>	<u>2,650,896</u>	<u>(4,887,785)</u>	<u>90,698,102</u>
Less accumulated depreciation:				
Buildings and improvements	30,419,671	2,441,081	(336,102)	32,524,650
Furniture, fixtures and equipment	17,960,615	1,888,063	(1,252,814)	18,595,864
Total accumulated depreciation	<u>48,380,286</u>	<u>4,329,144</u>	<u>(1,588,916)</u>	<u>51,120,514</u>
Depreciable capital assets, net	<u>44,554,705</u>	<u>(1,678,248)</u>	<u>(3,298,869)</u>	<u>39,577,588</u>
Total capital assets	\$ <u><u>63,503,109</u></u>	<u><u>(1,353,402)</u></u>	<u><u>(4,802,792)</u></u>	<u><u>57,346,915</u></u>
	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Nondepreciable capital assets:				
Land and land improvements	\$ 20,351,441	29,900	(1,432,937)	18,948,404
Construction-in-progress	498,140	—	(498,140)	—
Total nondepreciable capital assets	<u>20,849,581</u>	<u>29,900</u>	<u>(1,931,077)</u>	<u>18,948,404</u>
Depreciable capital assets:				
Buildings and improvements	87,684,366	1,148,927	(20,427,909)	68,405,384
Furniture, fixtures and equipment	25,075,625	1,643,101	(2,189,119)	24,529,607
Total depreciable capital assets	<u>112,759,991</u>	<u>2,792,028</u>	<u>(22,617,028)</u>	<u>92,934,991</u>
Less accumulated depreciation:				
Buildings and improvements	33,414,046	3,050,804	(6,045,179)	30,419,671
Furniture, fixtures and equipment	18,242,130	1,839,508	(2,121,023)	17,960,615
Total accumulated depreciation	<u>51,656,176</u>	<u>4,890,312</u>	<u>(8,166,202)</u>	<u>48,380,286</u>
Depreciable capital assets, net	<u>61,103,815</u>	<u>(2,098,284)</u>	<u>(14,450,826)</u>	<u>44,554,705</u>
Total capital assets	\$ <u><u>81,953,396</u></u>	<u><u>(2,068,384)</u></u>	<u><u>(16,381,903)</u></u>	<u><u>63,503,109</u></u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

Depreciation expense totaled \$4,329,144 and \$4,890,312 for the years ended June 30, 2014 and 2013, respectively, and was allocated among programs in the accompanying statements of revenues, expenses and changes in net assets as follows:

	<u>2014</u>	<u>2013</u>
Sponsored programs	\$ 1,379,248	1,314,055
Community and campus programs	358,951	375,252
Property management	<u>2,590,945</u>	<u>3,201,005</u>
Total depreciation	<u>\$ 4,329,144</u>	<u>4,890,312</u>

(7) **Affiliated Organizations**

The Campanile Foundation

The Campanile Foundation is the philanthropic auxiliary organization for the University. The amounts shown in the statements of net position as *Due to The Campanile Foundation* represent The Campanile Foundation's claim on the cash and investments of SDSU Research Foundation.

Pursuant to an agreement with The Campanile Foundation, SDSU Research Foundation provided certain administrative services that included cash management processes, gift account administration, and accounting and financial reporting assistance. SDSU Research Foundation charged an administrative fee for all non-student aid funds at the time that The Campanile Foundation expended the funds. Amounts received under this agreement for the years ended June 30, 2014 and 2013 totaled \$963,215 and \$455,701, respectively. Prior to July 1, 2013, SDSU Research Foundation also retained interest earnings on all funds that were not endowment funds. The arrangement was renegotiated through June 30, 2017.

Other

Included in accounts payable and accrued expenses were payables to the affiliated organizations in the approximate amounts of \$603,000 and \$1,283,000 at June 30, 2014 and 2013, respectively. Included in accounts receivable were receivables from the affiliated organizations in the approximate amounts of \$495,000 and \$415,000 at June 30, 2014 and 2013, respectively. These amounts occurred in the normal course of business among the affiliated organizations.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(8) Long-Term Debt Obligations

Long-term debt obligations consisted of the following as of June 30, 2014 and 2013:

	2014	2013
CSU Systemwide Revenue Bonds, Series 2010A		
Refunding previous 1999 revenue bonds ^(a)	\$ 3,980,000	4,330,000
CSU Systemwide Revenue Bonds, Series 2012 A & B		
Refunding insured 2002 revenue bonds ^(b)	26,640,000	27,100,000
Note payable ^(c)	2,768,584	2,813,053
	33,388,584	34,243,053
Unamortized bond premium ^(a and b)	1,616,537	1,711,445
	35,005,121	35,954,498
Less current portion	(882,637)	(854,480)
	\$ 34,122,484	35,100,018

(a) In April 2010, the California State University (CSU) System issued \$11,020,000 in systemwide revenue bonds (SRB 2010A) 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 semiannual principal and interest payments consistent with the terms of the original bonds. The portion related to the 1998 issue matures in 2030 and the portion related to the 1999 issue matures in 2023.

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. 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 and \$59,487 for each of the years ended June 30, 2014 and 2013.

For the portion of the 2010A bonds related to the refunding of the 1999 bond (\$4,990,000), the payments are secured by pledged revenues, including indirect cost recovery payments.

(b) In August 2012, the CSU System issued \$27,100,000 in systemwide revenue bonds (SRB 2012A and SRB 2012B) 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 semiannual principal and interest payments consistent with the terms of the original bonds. The bonds mature in 2037.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

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. The amount amortized was \$56,823 and \$47,352 for the years ended June 30, 2014 and 2013, respectively.

A loss of \$686,737 was incurred on the refunding of the SRB 2012A bonds. The loss was deferred and 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. The loss recognized was \$28,606 and \$23,681 for the years ended June 30, 2014 and 2013, respectively.

- (c) Mortgage note, secured by a first deed of trust and assignment of rents on real property, fully amortized over 30 years at a variable interest rate that is originally fixed at 6.875% until November 1, 2015.

SDSU Research Foundation has 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 \$12,000,000. The agreement calls for certain restrictive and financial covenants to be maintained. The agreement requires monthly interest-only payments at a variable interest rate of 1% above the applicable LIBOR rate. The loan agreement expires on June 30, 2016. There were no amounts outstanding on the loan as of June 30, 2014 and 2013.

Total interest incurred on all of the borrowings was approximately \$1,417,000 and \$1,791,000 for the years ended June 30, 2014 and 2013, respectively.

Future maturities on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 882,637	1,461,113	2,343,750
2016	916,017	1,428,803	2,344,820
2017	939,637	1,392,928	2,332,565
2018	983,514	1,354,413	2,337,927
2019	1,022,666	1,314,080	2,336,746
2020–2024	5,806,686	5,882,703	11,689,389
2025–2029	7,199,780	4,430,601	11,630,381
2030–2034	8,982,509	2,639,508	11,622,017
2035–2039	6,655,138	516,438	7,171,576
	<u>33,388,584</u>	<u>20,420,587</u>	<u>53,809,171</u>
Unamortized bond premium	1,616,537		
	<u>\$ 35,005,121</u>		

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

Long-term debt activity for the years ended June 30, 2014 and 2013 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
CSU SRB 2010A –					
1999 Refunding	\$ 4,330,000	—	(350,000)	3,980,000	365,000
CSU SRB 2012 –					
2002 Refunding	27,100,000	—	(460,000)	26,640,000	470,000
Note payable	2,813,053	—	(44,469)	2,768,584	47,637
Unamortized bond premium					
CSU SRB 2010A	380,849	—	(38,085)	342,764	—
CSU SRB 2012	1,330,596	—	(56,823)	1,273,773	—
	\$ <u>35,954,498</u>	<u>—</u>	<u>(949,377)</u>	<u>35,005,121</u>	<u>882,637</u>
	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
CSU SRB 2010A –					
1998 Refunding	\$ 5,380,000	—	(5,380,000)	—	—
CSU SRB 2010A –					
1999 Refunding	4,665,000	—	(335,000)	4,330,000	350,000
Student residence revenue					
bonds (2001)	9,035,000	—	(9,035,000)	—	—
CSU SRB 2012 –					
2001 Refunding	—	7,380,000	(7,380,000)	—	—
Revenue bonds (2002)	32,080,000	—	(32,080,000)	—	—
CSU SRB 2012 –					
2002 Refunding	—	27,100,000		27,100,000	460,000
Note payable	2,854,597	—	(41,544)	2,813,053	44,480
Unamortized bond premium					
CSU SRB 2010A	804,164	—	(423,315)	380,849	—
CSU SRB 2012	—	2,467,614	(1,137,018)	1,330,596	—
	\$ <u>54,818,761</u>	<u>36,947,614</u>	<u>(55,811,877)</u>	<u>35,954,498</u>	<u>854,480</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(9) Leasing Arrangements

Operating Lease Revenues

Land, buildings and improvements, with a current net book value of approximately \$36,600,000, are leased to University-related and commercial organizations. The following is a schedule of the minimum future rentals to be received on these operating leases, by year, as of June 30, 2014:

Year ending June 30:	
2015	\$ 3,713,000
2016	1,663,000
2017	1,276,000
2018	740,000
2019	318,000
2020	26,000
	<u>\$ 7,736,000</u>

Operating Lease Obligations

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 for the years ended June 30, 2014 and 2013 of \$463,300 and \$505,100, respectively.

SDSU Research Foundation has also executed commercial leases for projects located away from the campus. The lease terms expire in the fiscal years 2015-2018. Monthly lease payments currently total \$97,000.

The total minimum rental commitment at June 30, 2014 under these leases is due as follows:

Year ending June 30:	BioScience		Total
	Center	Other	
2015	\$ 502,000	1,195,000	1,697,000
2016	488,000	642,000	1,130,000
2017	490,000	425,000	915,000
2018	490,000	66,000	556,000
2019	491,000	—	491,000
2020-2024	2,468,000	—	2,468,000
2025-2029	2,491,000	—	2,491,000
2030-2034	2,536,000	—	2,536,000
2035-2037	1,014,000	—	1,014,000
	<u>\$ 10,970,000</u>	<u>2,328,000</u>	<u>13,298,000</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

(10) 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 for most of its insurance needs. However, for its unemployment and workers' compensation plans, it 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.

Liabilities under these programs were included in other liabilities on the statements of net position for the years ended June 30, 2014 and 2013 as follows:

	<u>Balance</u>	<u>Incurred Claims</u>	<u>Claims</u>	<u>Balance</u>
	<u>June 30, 2013</u>	<u>(Including IBNR)</u>	<u>Paid</u>	<u>June 30, 2014</u>
Unemployment insurance	\$ 638,272	716,346	(590,087)	764,531
Workers' compensation	<u>1,636,181</u>	<u>414,804</u>	<u>(913,114)</u>	<u>1,137,871</u>
	<u>\$ 2,274,453</u>	<u>1,131,150</u>	<u>(1,503,201)</u>	<u>1,902,402</u>
	<u>Balance</u>	<u>Incurred Claims</u>	<u>Claims</u>	<u>Balance</u>
	<u>June 30, 2012</u>	<u>(Including IBNR)</u>	<u>Paid</u>	<u>June 30, 2013</u>
Unemployment insurance	\$ 692,160	687,037	(740,925)	638,272
Workers' compensation	<u>2,241,139</u>	<u>538,063</u>	<u>(1,143,021)</u>	<u>1,636,181</u>
	<u>\$ 2,933,299</u>	<u>1,225,100</u>	<u>(1,883,946)</u>	<u>2,274,453</u>

There has been no significant reduction in insurance coverage, and the amount of settlements has not exceeded coverage in the past three years.

(11) Postretirement Benefit Plan

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

- (i) Group 1 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.
- (ii) Group 2 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 the "SDSURF Defined Contribution Retirement Plan" offered through Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) after attaining age 55 (or after attaining age 50 if the individual was employed by SDSU Research Foundation and covered by PERS on June 30, 1982), or (b) due to permanent and total

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

disability, as approved by TIAA-CREF, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”

- (iii) Group 3 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 the “SDSURF Defined Contribution Retirement Plan” offered through TIAA-CREF after attaining age 60, or (b) due to permanent total disability, as approved by TIAA-CREF, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”

Group 1 retirees pay nothing toward the cost of health insurance. SDSU Research Foundation pays all of the cost for the least expensive health insurance coverage for Group 2 and Group 3 retirees. The retiree pays the costs for more expensive coverages and the cost for dependents.

Only certain regular salaried employees of SDSU Research Foundation are eligible. Regular salaried employees are members of either (a) central staff under the programmatic direction of SDSU Research Foundation’s Executive Director, (b) KPBS, (c) Extended Studies, (d) University Advancement or (e) the University’s Department of Intercollegiate Athletics. A regular salaried employee is appointed to an approved class code, works a regular schedule of 20 hours or more per week, and is not a temporary or leased employee. The number of regular salaried employee participants at June 30, 2014 was 331. No contributions to the plan are required from employees.

On August 1, 1982, SDSU Research Foundation created a self-administered, single-employer benefit plan named the Health, Welfare, Vision, Life Insurance/AD&D and Employee Assistance Program of San Diego State University Foundation. The assets are held in a separate VEBA trust with a registered investment company. The plan issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the Human Resources Department at SDSU Research Foundation.

SDSU Research Foundation has voluntarily opted for a funding policy under which it always contributes 100% of the actuarially determined annual required contribution (ARC); therefore, there was no net Other Postretirement Benefits Other Than Pension (OPEB) obligation at June 30, 2014 or 2013. The actuarially determined contribution amounts for the years ended June 30, 2014 and 2013 were \$397,874 and \$419,143, respectively. The actuarially determined annual required contribution for the year ending June 30, 2015 is \$299,921.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

The following table sets forth the plan's funded status as of December 31, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Accumulated postretirement benefit obligation:			
Retirees	\$ 3,954,490	3,942,584	3,717,299
Fully eligible active employees	2,106,577	2,101,810	1,879,559
Other active employees	<u>2,536,535</u>	<u>2,401,657</u>	<u>2,314,227</u>
Actuarial accrued liability	8,597,602	8,446,051	7,911,085
Less plan assets at fair value	<u>8,587,125</u>	<u>7,052,651</u>	<u>6,109,732</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>10,477</u>	<u>1,393,400</u>	<u>1,801,353</u>
Funded ratio	99.9%	83.5%	77.2%
Covered payroll	18,579,753	18,323,337	17,881,731
UAAL as a percentage of covered payroll	0.1%	7.6%	10.1%

The following table shows the components of SDSU Research Foundation's annual OPEB costs for the years ended December 31, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB costs for the year:			
Service cost	\$ 296,644	288,277	273,748
30-year amortization of unfunded accrued liability	<u>101,230</u>	<u>130,866</u>	<u>123,508</u>
Annual Required Contribution	397,874	419,143	397,256
Interest on net OPEB obligation	—	—	—
Amortization of net OPEB obligation	<u>—</u>	<u>—</u>	<u>—</u>
Annual OPEB cost	\$ <u>397,874</u>	<u>419,143</u>	<u>397,256</u>

For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered health care was assumed for 2014, with such annual rate of increase gradually declining to 5.0% in 2015. The weighted-average discount rate used in estimating the accumulated postretirement benefit obligation at December 31, 2013 was 6.0%. The actuarial cost method used was Projected Unit Credit. The amortization method used was Level Dollar over a remaining amortization period of Rolling 30 Years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health-care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Notes to the Financial Statements

June 30, 2014 and 2013

future. The schedule of funding progress, presented as required supplementary information in the preceding table, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 contracts with TIAA-CREF to provide retirement and disability benefits to its employees. Benefit liabilities are funded through individually owned non-participating annuity contracts. The obligation for payment of the benefits has been transferred to TIAA-CREF. Total contributions included to fund benefits and pay administrative costs in operating expenses for the years ended June 30, 2014 and 2013 were approximately \$4,874,000 and \$5,020,000, respectively.

(12) Contingencies

As a result of inquiries from outside agencies, SDSU Research Foundation has included \$700,000 and \$231,400 in accrued expenses for the years ended June 30, 2014 and 2013, respectively.

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.

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Position

June 30, 2014

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current assets:				
Cash and cash equivalents	\$ 4,212,944	—	600	—
Short-term investments	13,413,773	516,622	—	—
Receivables:				
Sponsored programs	—	—	—	—
Other receivables	443,021	386,358	303,279	—
Receivables from other activities	—	—	1,048,411	—
Prepaid expenses and other	120,420	—	—	—
Total current assets	<u>18,190,158</u>	<u>902,980</u>	<u>1,352,290</u>	<u>—</u>
Investments and other assets:				
Long-term investments	21,318,928	9,883,422	—	—
Restricted assets – land	—	—	—	1,853,532
Accounts receivable	83,926	—	—	—
Notes receivable – Aztec Shops, Ltd.	—	5,643,454	—	—
Other assets	—	1,643,714	23,241	—
	<u>21,402,854</u>	<u>17,170,590</u>	<u>23,241</u>	<u>1,853,532</u>
Capital assets:				
Land and land improvements	—	—	—	17,444,481
Buildings and improvements	—	—	—	65,400,340
Construction-in-progress	—	—	—	324,846
Furniture, fixtures and equipment	—	—	—	25,297,762
	—	—	—	108,467,429
Less accumulated depreciation and amortization	—	—	—	51,120,514
	—	—	—	57,346,915
Total assets	<u>39,593,012</u>	<u>18,073,570</u>	<u>1,375,531</u>	<u>59,200,447</u>
Deferred outflows of resources:				
Deferred loss on bond refunding	—	—	—	634,450
Total assets and deferred outflows of resources	<u>\$ 39,593,012</u>	<u>18,073,570</u>	<u>1,375,531</u>	<u>59,834,897</u>

Schedule 1 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
—	6,300	—	—	4,219,844
—	—	116,332	(393,748)	13,652,979
19,626,830	—	—	—	19,626,830
—	3,144,314	1,422	—	4,278,394
—	42,880,831	—	(43,929,242)	—
—	4,623	—	—	125,043
<u>19,626,830</u>	<u>46,036,068</u>	<u>117,754</u>	<u>(44,322,990)</u>	<u>41,903,090</u>
—	26,000	23,101,553	(9,883,423)	44,446,480
—	—	—	—	1,853,532
—	516,245	—	—	600,171
—	—	1,258,537	—	6,901,991
—	14,248	—	—	1,681,203
<u>—</u>	<u>556,493</u>	<u>24,360,090</u>	<u>(9,883,423)</u>	<u>55,483,377</u>
—	—	—	—	17,444,481
—	—	—	—	65,400,340
—	—	—	—	324,846
—	—	—	—	25,297,762
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>108,467,429</u>
—	—	—	—	51,120,514
—	—	—	—	57,346,915
<u>19,626,830</u>	<u>46,592,561</u>	<u>24,477,844</u>	<u>(54,206,413)</u>	<u>154,733,382</u>
—	—	—	—	634,450
<u><u>19,626,830</u></u>	<u><u>46,592,561</u></u>	<u><u>24,477,844</u></u>	<u><u>(54,206,413)</u></u>	<u><u>155,367,832</u></u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

Combining Schedule of Net Position

June 30, 2014

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 6,322,459	2,109,118	617,165	—
Due to The Campanile Foundation	13,087,179	—	—	—
Payable to other activities	16,433,524	7,247,461	—	3,927,700
Long-term debt obligations, current portion	—	—	—	1,276,385
Sponsored programs receipts over expenditures	—	—	—	—
Total current liabilities	<u>35,843,162</u>	<u>9,356,579</u>	<u>617,165</u>	<u>5,204,085</u>
Noncurrent liabilities:				
Long-term debt obligations, net of current portion	—	—	—	42,389,370
Bond premium	—	—	—	1,616,537
Other liabilities	—	1,902,402	—	—
Liabilities for amounts held for others	—	—	—	—
Total liabilities	<u>35,843,162</u>	<u>11,258,981</u>	<u>617,165</u>	<u>49,209,992</u>
Net position:				
Net investment in capital assets	—	—	—	22,976,432
Restricted/nonexpendable	—	—	—	1,853,532
Restricted/expendable	—	750,639	—	—
Unrestricted	3,749,850	6,063,950	758,366	(14,205,059)
Total net position	<u>3,749,850</u>	<u>6,814,589</u>	<u>758,366</u>	<u>10,624,905</u>
Total liabilities and net position	<u>\$ 39,593,012</u>	<u>18,073,570</u>	<u>1,375,531</u>	<u>59,834,897</u>

Schedule 1 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
948,965	2,685,153	—	—	12,682,860
—	—	—	—	13,087,179
14,824,877	—	1,495,680	(43,929,242)	—
—	—	—	(393,748)	882,637
3,852,988	—	—	—	3,852,988
<u>19,626,830</u>	<u>2,685,153</u>	<u>1,495,680</u>	<u>(44,322,990)</u>	<u>30,505,664</u>
—	—	—	(9,883,423)	32,505,947
—	—	—	—	1,616,537
—	—	—	—	1,902,402
—	—	1,056,085	—	1,056,085
—	—	1,056,085	(9,883,423)	37,080,971
<u>19,626,830</u>	<u>2,685,153</u>	<u>2,551,765</u>	<u>(54,206,413)</u>	<u>67,586,635</u>
—	—	—	—	22,976,432
—	—	3,456,421	—	5,309,953
—	247,958	12,482,186	—	13,480,783
—	43,659,450	5,987,472	—	46,014,029
—	43,907,408	21,926,079	—	87,781,197
<u>19,626,830</u>	<u>46,592,561</u>	<u>24,477,844</u>	<u>(54,206,413)</u>	<u>155,367,832</u>

SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Revenues:				
Program income	\$ —	—	—	—
Facilities and administrative cost recovery	20,302,054	—	—	—
Contributions	—	—	—	—
Investment income	1,438,062	302	(2,297)	—
Net realized and unrealized gains (losses) on investments	196,191	(30,677)	—	—
Rental income	—	—	6,752,867	—
Other income	343,254	927,843	301,782	—
Total revenues	<u>22,279,561</u>	<u>897,468</u>	<u>7,052,352</u>	<u>—</u>
Expenses:				
Program expenses	14,283,425	6,745,811	6,258,670	—
Depreciation	—	—	—	4,329,144
Interest	—	—	2,122,222	—
Equipment disposals	—	—	—	103,579
Total expenses	<u>14,283,425</u>	<u>6,745,811</u>	<u>8,380,892</u>	<u>4,432,723</u>
Other activity:				
Equipment acquisitions, sponsored programs	—	—	—	(1,875,280)
	<u>14,283,425</u>	<u>6,745,811</u>	<u>8,380,892</u>	<u>2,557,443</u>
Excess (deficiency) of revenues over expenses	<u>7,996,136</u>	<u>(5,848,343)</u>	<u>(1,328,540)</u>	<u>(2,557,443)</u>
Transfers and allocations:				
General fund allocations	(4,793,193)	4,793,193	—	—
Interfund transfers in (out)	(4,331,157)	561,906	1,329,560	2,370,616
Capitalized asset transfers	(12,405)	(84,792)	—	227,432
	<u>(9,136,755)</u>	<u>5,270,307</u>	<u>1,329,560</u>	<u>2,598,048</u>
Income (loss) before transfer of assets	(1,140,619)	(578,036)	1,020	40,605
Net effect from transfer of assets to Aztec Shops, Ltd.	—	—	—	29,910
Net position, beginning of year	<u>4,890,469</u>	<u>7,392,625</u>	<u>757,346</u>	<u>10,554,390</u>
Net position, end of year	<u>\$ 3,749,850</u>	<u>6,814,589</u>	<u>758,366</u>	<u>10,624,905</u>

Schedule 2 (cont.)

Sponsored Programs	Community and Campus Programs	Endowment	Eliminating Entries	Total
106,609,049	33,518,244	—	—	140,127,293
—	—	—	(19,338,839)	963,215
—	16,593,247	476,737	—	17,069,984
—	207,510	(197,680)	(705,630)	740,267
—	(1,043)	2,441,296	—	2,605,767
—	—	—	—	6,752,867
—	—	94	—	1,572,973
<u>106,609,049</u>	<u>50,317,958</u>	<u>2,720,447</u>	<u>(20,044,469)</u>	<u>169,832,366</u>
106,609,049	43,698,634	—	(19,338,839)	158,256,750
—	—	—	—	4,329,144
—	—	—	(705,630)	1,416,592
—	—	—	—	103,579
<u>106,609,049</u>	<u>43,698,634</u>	<u>—</u>	<u>(20,044,469)</u>	<u>164,106,065</u>
—	—	—	—	(1,875,280)
<u>106,609,049</u>	<u>43,698,634</u>	<u>—</u>	<u>(20,044,469)</u>	<u>162,230,785</u>
—	6,619,324	2,720,447	—	7,601,581
—	—	—	—	—
—	303,411	(234,336)	—	—
—	(130,235)	—	—	—
—	173,176	(234,336)	—	—
—	6,792,500	2,486,111	—	7,601,581
—	—	—	—	29,910
—	37,114,908	19,439,968	—	80,149,706
—	43,907,408	21,926,079	—	87,781,197