



(a Component Unit of San Diego State University)

Financial Statements and Supplementary Information

June 30, 2025 and 2024
(With Independent Auditors' Report Thereon)

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GRANT THORNTON LLP

12707 High Bluff Dr., Suite 225
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 audit of the financial statements**Opinions**

We have audited the financial statements of the business type activities and the aggregate remaining fund information 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 June 30, 2025 and 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of SDSU Research Foundation as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinions

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 8 - 22, the Schedule of Changes in SDSU Research Foundation's Net OPEB Asset (Liability) and Related Ratios Last Eight Fiscal Years on page 57 and the Schedule of SDSU Research Foundation Contributions Last Eight Fiscal Years on page 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and,

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. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2025 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.

Grant Thornton LLP

San Diego, California
October 3, 2025

GRANT THORNTON LLP

12707 High Bluff Dr., Suite 225
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 (*Government Auditing Standards*), the financial statements of the business type activities and the aggregate remaining fund information 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 year ended June 30 2025, 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 October 3, 2025.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDSU Research Foundation's 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 internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, California
October 3, 2025

San Diego State University Research Foundation
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2025 and 2024

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 (FY) ended June 30, 2025 and 2024. 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 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; the Statements of Cash Flows; and the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 (SDSURF).

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.

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position

The fiduciary funds are divided into two separate fund types: Other Post Employment Benefit Trust Funds and the Custodial Funds. These funds use the accrual basis of accounting.

Financial Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of SDSURF's financial activities as of and for the years ended June 30, 2025 and 2024 (FY 2025 and FY 2024, respectively). Included are comparative analyses of current year and prior year activities and balances; a discussion of restrictions of SDSURF net position; and a discussion of capital assets and long-term debt.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Significant Events - Year Ended June 30, 2025

Fiscal Year 2025 was marked by both a significant achievement, as San Diego State University officially earned the prestigious R1 classification from the Carnegie Classification of Institutions of Higher Education, as well as new challenges, as executive orders and policy changes have caused instability in federal research funding.

A strategic priority of San Diego State University's five-year strategic plan from 2020 to 2025 was to become a premier public research university, "a new kind of Hispanic-Serving Institute (HSI)," where excellence and access converge. Following three years in which SDSU research funding grew by 64% and the number of research/scholarship doctoral degrees awarded increased significantly, the Carnegie Foundation for the Advancement of Teaching and the American Council on Education classified SDSU as an R1 research institution, the highest distinction given to doctoral universities in the Carnegie Classifications. This positions SDSU among the top tier of research institutions, only 187 or less than 5% of the 3,941 institutions classified, and among an even smaller group of only 19 institutions that excel in teaching and research and also hold R1 designations as Hispanic-Serving Institutions and Minority Serving Institutions.

SDSU is the first campus in the California State University (CSU) system to achieve R1 status. This offers greater opportunities for student research and enhances the value of an SDSU degree. For faculty and researchers, it enhances SDSU's ability to secure funding, attract talent, and expand interdisciplinary collaborations, elevating our faculty's and university's reputations. For SDSU's communities, our research and innovations will continue to drive progress in areas such as public health, entrepreneurship, technology, education, engineering, the arts and humanities, and environmental sustainability. And beyond our campus, R1 institutions are where the bulk of new knowledge about our world is created.

SDSU's designation as an R1 institution is both a pillar of the university's strategic plan and a milestone achievement for SDSURF.

Fiscal Year 2024-25 was also marked by significant disruptions in federal research funding with adverse effects for universities and research institutions nationwide. Nearly 64% of the awards received by SDSURF in FY 2024-25 were from federal agencies or pass-through of federal funding from other organizations, and this figure was closer to 70% in other years. Since the current federal administration assumed office in January 2025, a number of executive orders and policy changes have caused adverse effects and introduced significant uncertainty.

Executive orders targeting gender identity and diversity, equity, and inclusion (DEI) policies, environmental justice, and changing federal policies limiting foreign activities, among others, negatively impacted our research community with more than 55 grant terminations, restrictions on funding, delays in awards and renewals, and proposed caps on the reimbursement of indirect cost rates.

Four federal agencies, the National Institutes of Health, the Department of Energy, the National Science Foundation, and the Department of Defense - announced that they would implement a standard indirect cost rate of 15% on all new grants. Currently, SDSU, like many universities, negotiates indirect cost recovery rates at 50% or higher, and these recoveries, also known as Facilities and Administrative or F&A costs, comprise about 70% of the SDSURF operating budget revenue. Federal courts have issued injunctions against the agencies' actions, temporarily halting the government's actions for the current federal fiscal year. A group of ten professional educational associations, calling itself the Joint Associations Group or JAG, is working to develop a new proposed model to calculate indirect cost rates for the federal government that may lessen the negative impact of the current 15% proposed cap.

To support SDSU researchers whose grants have been terminated by federal agencies, the SDSU Division of Research and Innovation established emergency support funds to help mitigate the impacts of

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

termination of federal awards, the non-renewal of project years, or significantly delayed notices of award, and to support doctoral students whose funding has been affected by federal award terminations or delays. SDSURF established communications platforms to inform and assist affected researchers and to facilitate communications and processes between SDSURF, the university, and the CSU. Senior administrators successfully appealed a number of grant cancellations and along with court decisions resulted in the reinstatement of 20 grants previously terminated.

The full impacts of these and other federal policy changes are not yet known, but significant uncertainty has required SDSURF to proactively reduce expenditures and conserve resources in order to sustain a high level of service and to protect the research infrastructure. In spring 2025 SDSURF implemented a "hiring chill" to analyze the need to fill any open positions for cost savings.

Notwithstanding this uncertainty, SDSURF continued to actively submit proposals and manage awards, and SDSU researchers continued to pursue important work, securing a total of \$200.8 million in research funding in 2024-25, with \$198.9 million in external funding for research, scholarship, and creative activities awarded to SDSURF, and \$1.9 million in awards directly to SDSU. While funding decreased from the previous year, it was the second-highest research funding total in the university's history, demonstrating the strength and resilience of our research enterprise.

To continue to enhance service to SDSU principal investigators and project staff, SDSURF completed the final phases of Emburse (formerly known as ChromeRiver), the enterprise solution to better manage accounts payable and invoicing processes, including the full roll-out of travel and expense in the fall and invoicing in the spring. Single-sign-on with SDSUid credentials was implemented for four key additional enterprise systems improving security and streamlining access for all users. SDSURF also partnered with the SDSU IT Division for shared services, including end-point vulnerability management for servers and workstations and transitioning virtual server services to SDSU virtual server services.

SDSURF implemented GASB Statement No. 101, *Compensated Absences* which required a new method of accounting for accruing liabilities for compensated absences. Under the new accounting pronouncement, a liability is recognized for accrued unused vacation, personal time or sick time that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. As part of the implementation, the financial statements for the year ended June 30, 2024 were restated which reduced unrestricted net position, total net position with an offsetting increase to short and long-term liabilities.

Significant Events - Year Ended June 30, 2024

Fiscal Year 2024 was defined by workforce stabilization, a space transition, new system implementations, and significant growth in research funding.

SDSURF's staffing has stabilized with about 191 employees to support and further university research activities. Our staffing plan, which began in FY 2021, planned for a 25 percent increase in staffing, assuming 35% growth in awards over five years. Actual award volume has grown by over 60% in just three years. Department workload metrics will be reassessed to determine future staffing needed to support continued growth. Management is also focusing on recruitment, retention, and development of staff to support services provided to SDSU researchers.

Last year SDSURF completed a project to consolidate its offices in the Gateway Center to occupy one floor rather than two, utilizing the space more efficiently through hybrid work with flexible and shared spaces. This space transition reduces the research foundation's footprint and makes nearly 20,000 square feet of much-needed space available for the university.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

To better serve SDSU principal investigators and project staff, SDSURF continued its implementation of Chrome River, the enterprise solution to better manage accounts payable and purchasing cards, which began in FY 2023. Following the successful launch of the purchasing card module, the expense module launched this spring, further streamlining travel and accounts payable operations with electronic workflow and approval processes. New modules in InfoEd, the proposal submission software, were implemented to streamline the subaward preparation and communication processes; and SDSURF's time and attendance system, WorkForce, and MyRF, the web-based interface with SDSURF accounting systems, were transitioned to use SDSUId credentials for improved account security and user access.

Another important activity that will impact future revenues was the analysis of base year data and development and submission of an updated Facilities and Administrative (F&A) costs proposal to SDSURF's cognizant audit agency, U.S. Department of Health and Human Services (DHHS), to negotiate a new F&A rate agreement. The proposal was submitted in June and indicates room for recovering a higher percentage of costs associated with the research infrastructure. Monitoring of other institutions' experiences leads management to believe it will take at least a year before DHHS completes its review of the proposal and begins the negotiations process.

Management also implemented a mandatory conversion of banking systems from First Republic to JPMorgan. SDSURF's main depository bank, First Republic Bank (FRB), was acquired by JPMorgan (JPM) in the spring of 2023. Since that time, SDSURF has continued banking on the FRB platform, using all existing FRB processes including various file transmissions from SDSURF to FRB. As of May 24, 2024, per JPMorgan requirement, SDSURF converted its banking platform to JPMorgan and is now using all new systems at the bank while updating file transmissions. The conversion took place without impacting banking processes including vendor payments and payroll payments.

Most notably this year, research funding surpassed \$226 million - a nearly 20% increase compared to the prior fiscal year, and a third consecutive research funding record for SDSU - comprising 867 awards for 374 researchers from 360 funding sources.

The National Institutes of Health continued to be one of the largest sources of support with \$48.6 million in direct and pass-through funding for nearly 200 projects addressing public health, treatment development, and biomedical research.

SDSU achieved a record high total of funding from the National Science Foundation, with \$19.1 million in direct and pass-through support for projects improving energy efficiency, developing high-performance computing resources and artificial intelligence applications, and increasing research opportunities for student engineers and computer scientists.

With \$13 million in state funding managed by the California Jobs First initiative, and as the only awarded High Road Transition Collaboratives (HRTC) in San Diego and Imperial County, SDSU has partnered with organizations across the region to form the Southern Border Coalition, helping to create well-paid carbon-neutral jobs with an emphasis on empowering under-resourced communities and training the workforce for the green economy.

The university's commitments to inclusion and diversity in education and research, as a HSI and Asian American Native American and Pacific Islander-Serving Institution (AANAPISI), have elevated its position to compete for funding that prioritizes research at minority-serving institutions, with over \$1 million in grant funding in FY 2024 to support diverse student populations through the APIDA Center, Black Student Success initiatives, Behner Stiefel Center for Brazilian Studies, and other campus resource centers.

San Diego State University Research Foundation
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
June 30, 2025 and 2024

SDSU Research Foundation's condensed summary of net position as of June 30, 2025, 2024, and 2023 follows:

Condensed Summary of Net Position

	<u>2025</u>	<u>2024 (restated)</u>	<u>2023</u>
Assets			
Current assets	\$ 111,465,759	\$ 111,623,971	\$ 87,294,446
Capital assets, net	56,243,059	62,482,962	63,835,352
Other noncurrent assets	<u>128,073,843</u>	<u>122,205,993</u>	<u>129,348,563</u>
Total assets	295,782,661	296,312,926	280,478,361
Deferred outflows of resources	1,646,192	2,401,240	2,839,958
Liabilities			
Current liabilities	57,656,926	70,040,675	52,826,001
Noncurrent liabilities	<u>54,208,586</u>	<u>54,311,459</u>	<u>48,558,414</u>
Total liabilities	111,865,512	124,352,134	101,384,415
Deferred inflows of resources	65,311,967	56,711,878	62,374,018
Net position			
Net investment in capital assets	25,042,889	28,981,958	29,757,895
Restricted - nonexpendable	7,326,644	7,262,698	7,188,902
Restricted - expendable	20,166,008	22,942,363	21,863,877
Unrestricted	<u>67,715,833</u>	<u>58,463,135</u>	<u>60,749,212</u>
Total net position	<u>\$ 120,251,374</u>	<u>\$ 117,650,154</u>	<u>\$ 119,559,886</u>

Assets

Total assets decreased by \$530,000 from FY 2024 to FY 2025 mainly due to a decrease in current assets of \$158,000 and capital assets and other noncurrent assets of \$372,000.

Total assets increased by \$15.8 million from FY 2023 to FY 2024 mainly due to an increase in current assets of \$24.3 million, a decrease in capital assets of \$1.4 million, and a decrease in other noncurrent assets of \$7.1 million.

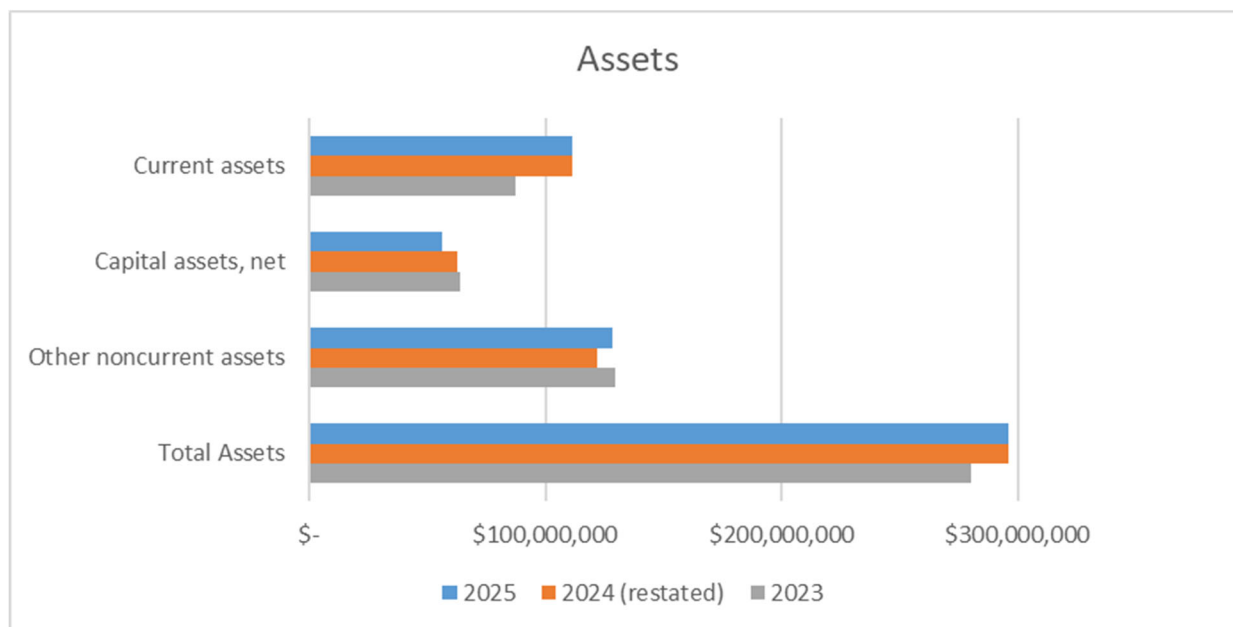
Current assets decreased by \$158,000 from FY 2024 to FY 2025 due to increase in cash and cash equivalents of \$2.4 million, \$5.4 million in short-term investments, \$568,000 in leases receivable, and \$231,000 in notes receivable. These increases were offset by decreases in restricted assets - short-term investments of \$1.3 million and \$7.4 million in accounts and pledges receivable, net.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Current assets increased by \$24.3 million from FY 2023 to FY 2024 due to an increase in short-term investments of \$13.7 million, restricted assets - short-term investments of \$2.1 million, accounts and pledges receivable, net, of \$6.7 million, and prepaid expenses of \$305,000. These increases were offset by a decrease in cash and cash equivalents of \$1.6 million, and leases receivable of \$667,000.



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

	2025	2024	2023
Land and land improvements	\$ 13,914,536	\$ 13,914,536	\$ 13,914,536
Buildings and improvements	15,070,937	16,097,203	16,799,196
Furniture, fixtures, equipment, and construction in progress	10,237,331	12,959,007	11,219,999
Right of use assets	17,020,255	19,512,216	21,901,621
Capital assets, net of accumulated depreciation	\$ 56,243,059	\$ 62,482,962	\$ 63,835,352

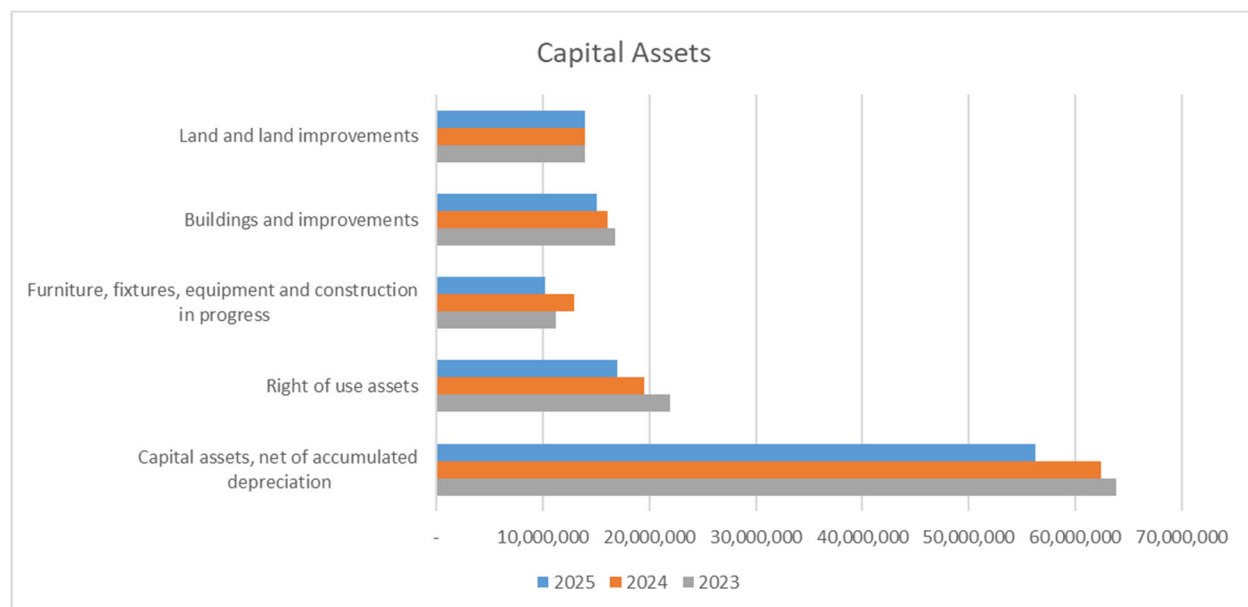
Capital assets, net decreased by \$6.2 million from FY 2024 to FY 2025 mainly due to decrease in buildings and improvements and equipment of \$3.7 million and right of use assets of \$2.5 million.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Capital assets decreased by \$1.3 million from FY 2023 to FY 2024 mainly due to a decrease in right to use assets of \$2.3 million offset by an increase in equipment acquisitions of \$1 million.



Other noncurrent assets increased by \$5.9 million from FY 2024 to FY 2025 due to an increase in restricted assets-investments of \$1.1 million, leases and PPP receivable of \$9.3 million, \$204,000 in pledges receivable net, and \$420,000 in other assets. These increases were offset by decreases in long-term investments of \$4.3 million and \$837,000 in notes receivable net of current portion.

Other noncurrent assets decreased by \$7.1 million from FY 2023 to FY 2024 mainly due to a decrease in leases receivable of \$4.7 million, pledges receivable of \$2.3 million, offset by decreases in other categories including long-term investments, notes receivable and other assets.

Deferred Outflows of Resources

Deferred outflows of resources decreased by \$755,000 from FY 2024 to FY 2025 primarily due to a decrease in OPEB Investment Experience and slight decrease in unamortized loss on bond refunding. The other postemployment benefits (OPEB) related outflows of resources are due to changes in assumptions related to the actuarial valuation.

Deferred outflows of resources decreased by \$400,000 from FY 2023 to FY 2024 primarily due to a decrease in OPEB Investment Experience and slight decrease in unamortized loss on bond refunding. The other postemployment benefits (OPEB) related outflows of resources are due to changes in assumptions related to the actuarial valuation.

Liabilities

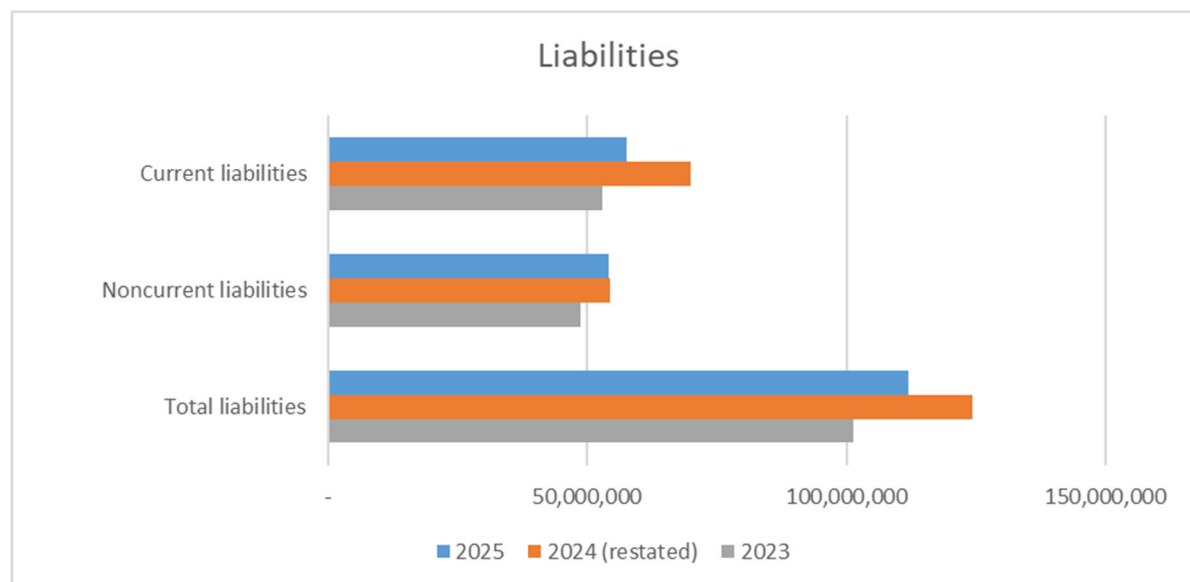
Total liabilities decreased by \$12.5 million from FY 2024 to FY 2025 due to a decrease in current liabilities of \$12.4 million and noncurrent liabilities of \$103,000.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Total liabilities, as restated, increased by \$23 million from FY 2023 to FY 2024 due to an increase in current liabilities of \$17.2 million and noncurrent liabilities of \$5.8 million.



Long-Term Obligations

Long-term obligations outstanding, net of current portion as of June 30, 2025, 2024, and 2023 are summarized below by the type of debt instrument:

Long-Term obligations

	2025	2024	2023
Revenue bonds	\$ 20,215,000	\$ 21,595,000	\$ 22,945,000
Unamortized bond premiums	29,064	34,194	34,194
Lessee Leases	13,027,420	15,539,296	16,526,748
SBITA	1,285,119	771,119	1,236,335
Total long-term obligations	34,556,603	37,939,609	40,742,277
Less: current portion	(4,465,369)	(4,680,667)	(4,408,277)
Long-term obligations, net of current portion	\$ 30,019,234	\$ 33,258,942	\$ 36,334,000

Long-term obligations, net of current portion, decreased by \$3.2 million from FY 2024 to FY 2025, mainly due to a decrease of \$1.4 million in revenue bonds and \$2.5 million in obligations related to GASB 87 - Lease Accounting, less current portion increase of \$200,000 in long-term obligations.

Long-term obligations, net of current portion, decreased by \$3.1 million from FY 2023 to FY 2024 mainly due to a decrease in revenue bonds of \$1.4 million, obligations related to GASB 87 - *Lease Accounting*, and unamortized bond premium of \$ 1.7 million.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Deferred Inflows of Resources

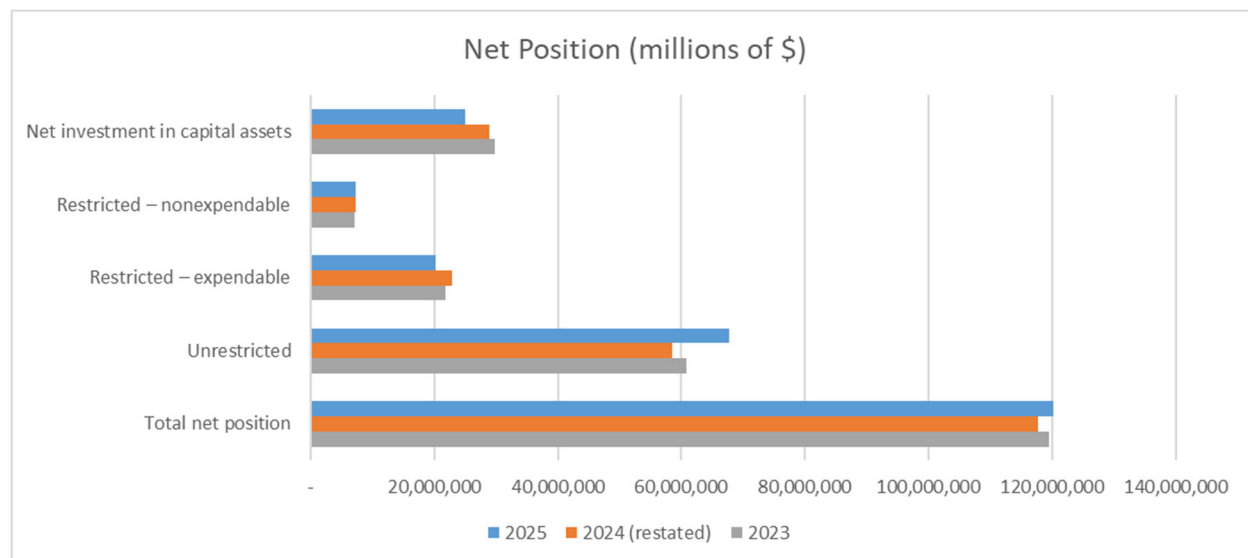
Deferred inflows of resources increased by \$8.6 million from FY 2024 to FY 2025, primarily due to a \$10.1 million increase in lease receivables offset by a decrease of \$672,000 in contributions and \$853,000 in OPEB-related inflows.

Deferred inflows of resources decreased by \$5.7 million from FY 2023 to 2024 due primarily to a decrease in lease receivable of \$5.1 million and decrease in contributions of \$600,000 of deferred inflows of resources. This decrease was offset by an increase in OPEB related inflow of resources.

Net Position

Total net position increased by \$2.6 million which corresponds to the net income for the year ending June 30, 2025. As typical, the categories within net position had amounts shift between those with restrictions (expendable and nonexpendable), net investment in capital assets and unrestricted as time and/or restrictions were evaluated and modified.

Total net position, as restated, decreased by \$1.9 million from FY 2023 to FY 2024 primarily due to a decrease of \$2.3 million in unrestricted assets, an increase of \$1.1 million in restricted expendables, an increase of \$80,000 due to unrealized gains on unitrust funds, offset by a decrease of \$800,000 in net investments in capital assets.



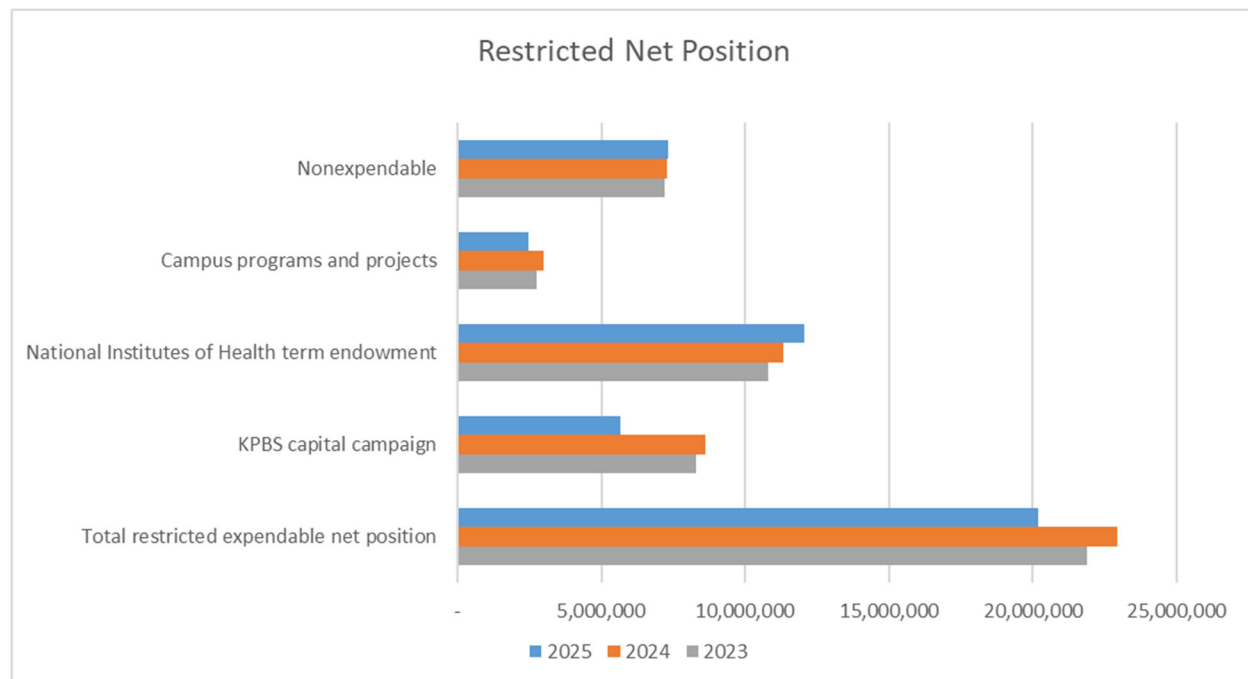
Restricted Resources

The net position of SDSURF includes funds that are restricted by donors or law. Nonexpendable net position increased by \$64,000 from FY 2024 to FY 2025 and \$74,000 from FY 2023 to FY 2024 due to earnings on existing endowments.

San Diego State University Research Foundation
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
June 30, 2025 and 2024

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

	June 30		
	2025	2024	2023
Nonexpendable	<u>\$ 7,326,644</u>	<u>\$ 7,262,698</u>	<u>\$ 7,188,902</u>
Expendable:			
Campus programs and projects	2,483,898	3,007,363	2,760,149
National Institutes of Health term endowment	12,037,013	11,317,951	10,805,871
KPBS capital campaign	<u>5,645,097</u>	<u>8,617,049</u>	<u>8,297,857</u>
 Total restricted expendable net position	<u><u>\$ 20,166,008</u></u>	<u><u>\$ 22,942,363</u></u>	<u><u>\$ 21,863,877</u></u>



San Diego State University Research Foundation
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

SDSURF's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2025, 2024, and 2023 follows:

**Condensed Summary of Revenues, Expenses and Changes in Net Position,
Years Ended June 30,**

	2025	2024 (restated)	2023
Operating revenues			
Sponsored programs support	\$ 193,889,063	\$ 174,273,906	\$ 153,573,124
Community & campus programs	26,751,696	27,751,930	31,728,616
Contributions	24,751,557	22,370,986	23,408,253
Other operating revenues	9,944,479	9,501,833	11,762,826
Total operating revenues	255,336,795	233,898,655	220,472,819
Operating expenses			
Sponsored programs	170,335,373	152,741,457	130,031,797
Community & campus programs, including fundraisers	52,290,603	49,407,011	51,300,206
Other operating expenses	36,089,774	34,677,801	30,048,308
Total operating expenses	258,715,750	236,826,269	211,380,311
Operating income (loss)	(3,378,955)	(2,927,614)	9,092,508
Net non-operating revenues (expenses)	5,916,229	7,035,866	260,557
Income (loss) before changes to permanent endowments	2,537,274	4,108,252	9,353,065
Increase in permanent endowments	63,946	73,796	501,989
Net income (loss)	2,601,220	4,182,048	9,855,054
Net position at beginning of year	117,650,154	119,559,886	109,704,832
Restatement	-	(6,091,780)	-
Net position at end of year	\$ 120,251,374	\$ 117,650,154	\$ 119,559,886

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 \$21.4 million from FY 2024 to FY 2025 primarily due to an increase in sponsored programs support of \$19.6 million, offset by community and campus programs decrease of \$1.0 million, an increase in other operating revenue of \$443,000 and an increase in contributions of \$2.4 million.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

Operating revenues increased by \$13.4 million from FY 2023 to FY 2024 primarily due to an increase in sponsored programs support of \$20.7 million, offset by community and campus programs decrease of \$4 million, a decrease in other operating revenue of \$2.2 million and a decrease in contributions of \$1 million.

Sponsored programs support revenue increased from FY 2024 to FY 2025 by \$19.6 million and \$20.7 million from FY 2023 to FY 2024 due to overall increase in awards resulting in increased research activity since revenue is recognized when the award is expended.

Community and campus programs include revenues generated by SDSU Global Campus and KPBS as well as other campus programs. The revenues decreased by \$1.0 million from FY 2024 to FY 2025 and \$4 million from FY 2023 to FY 2024. This decrease is due to a fluctuation in activity of SDSU Global Campus and other various campus programs.

Contributions increased by \$2.4 million from FY 2024 to FY 2025 and decreased by \$1 million from FY 2023 to FY 2024 primarily due to the KPBS fundraising which fluctuates normally year over year.

Other operating revenues increased by \$443,000 from FY 2024 to FY 2025, mostly due to miscellaneous increase in administrative fees charged for services.

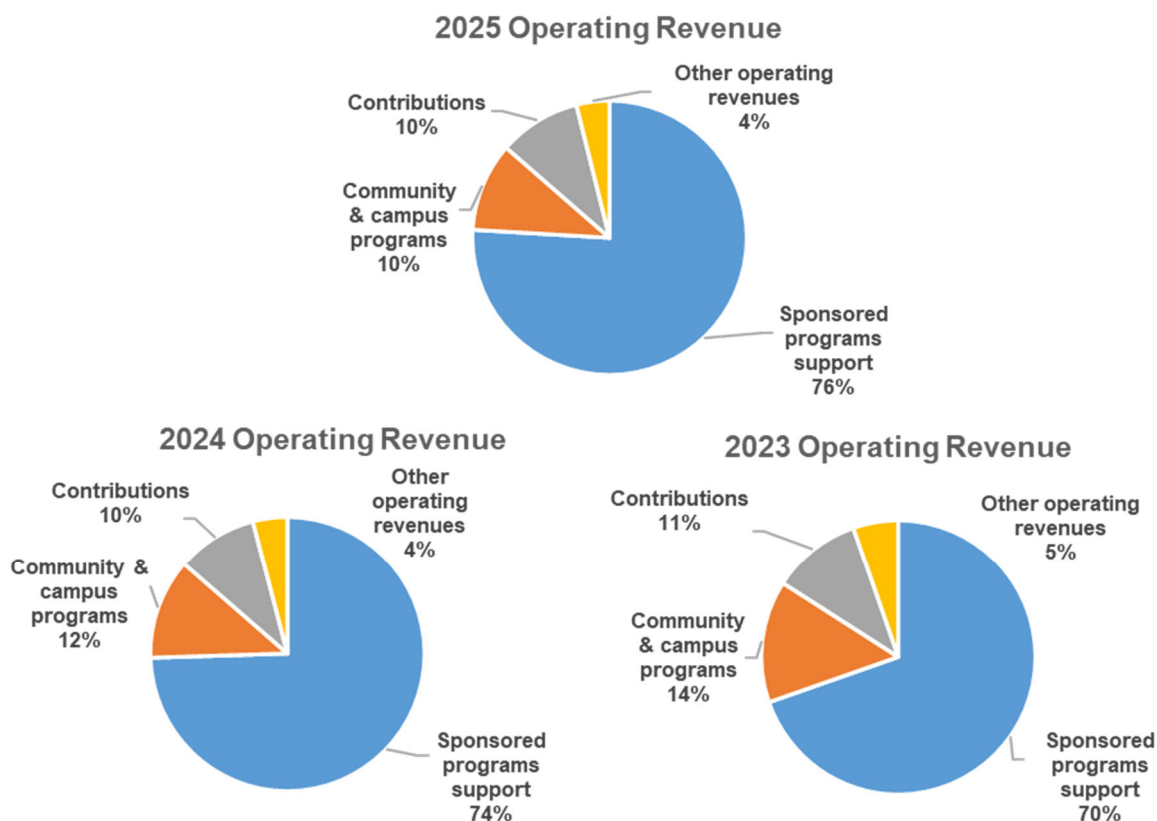
Other operating revenues decreased by \$2.3 million from FY 2023 to FY 2024 mostly due to a decrease in transfers from related entities to cover the faculty housing program and other miscellaneous activities including a one-time property tax refund in FY 2023.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

The following charts present the percentages that each category of operating revenue contributed to total revenues for the years ended June 30, 2025, 2024, and 2023:



The sources of sponsored program support revenues for the years ended June 30, 2025, 2024, and 2023 are as follows:

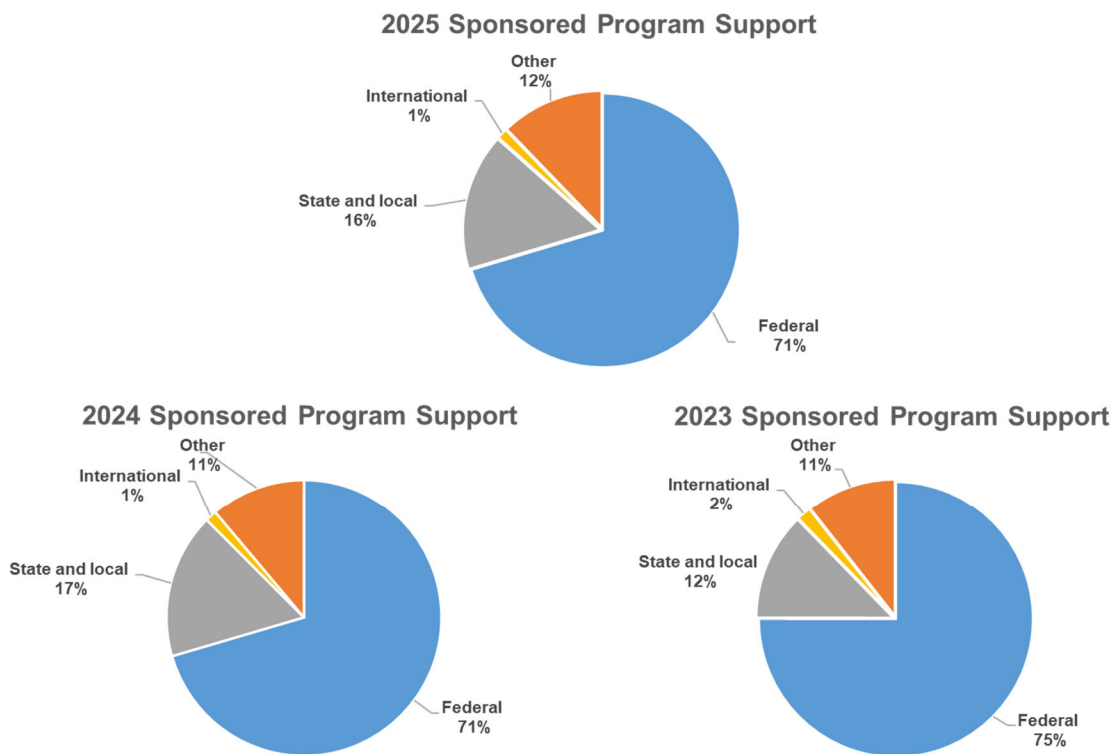
	Years Ended June 30					
	2025		2024		2023	
Federal						
Department of Health & Human Services	\$ 70,012,684	36.1%	\$ 60,613,588	34.8%	\$ 51,302,223	33.4%
Department of Education	19,747,684	10.2	16,926,747	9.7	15,665,875	10.2
Department of Defense	10,195,588	5.3	12,477,803	7.2	12,154,875	7.9
National Science Foundation	16,694,060	8.6	15,640,389	9.0	12,972,379	8.4
Department of Agriculture	8,498,730	4.4	7,589,597	4.4	7,154,320	4.7
Other	11,239,444	5.8	9,597,417	5.5	15,975,326	10.4
Total federal	136,388,190	70.4	122,827,541	70.5	115,224,997	75.0
State and local	31,423,879	16.2	29,588,901	17.0	19,406,985	12.6
International	2,419,000	1.2	2,352,298	1.3	2,597,827	1.7
Other	23,657,994	12.2	19,505,166	11.2	16,343,314	10.6
Total	\$ 193,889,063	100.0%	\$ 174,273,906	100.0%	\$ 153,573,124	100.0%

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

The following charts present the percentages that each sponsor type contributed to sponsored program support revenues for the years ended June 30, 2025, 2024, and 2023:



Operating Expenses

Operating expenses increased by \$21.9 million from FY 2024 to FY 2025 and by \$25 million from FY 2023 to FY 2024 due to increases in most categories.

Sponsored programs expenses increased by \$17.6 million from FY 2024 to FY 2025 and by \$22.7 million from FY 2023 to FY 2024 due to an increase in awards which are accounted for as an expense when spent.

Community and campus programs expenses increased by \$2.9 million from FY 2024 to FY 2025 and decreased by \$1.9 million from FY 2023 to FY 2024 due to regular fluctuations in volume in programs.

Other operating expenses increased by \$1.4 million from FY 2024 to FY 2025 mostly due to an increase in general administration expense of \$2.2 offset by a decrease in property management expense of \$400,000.

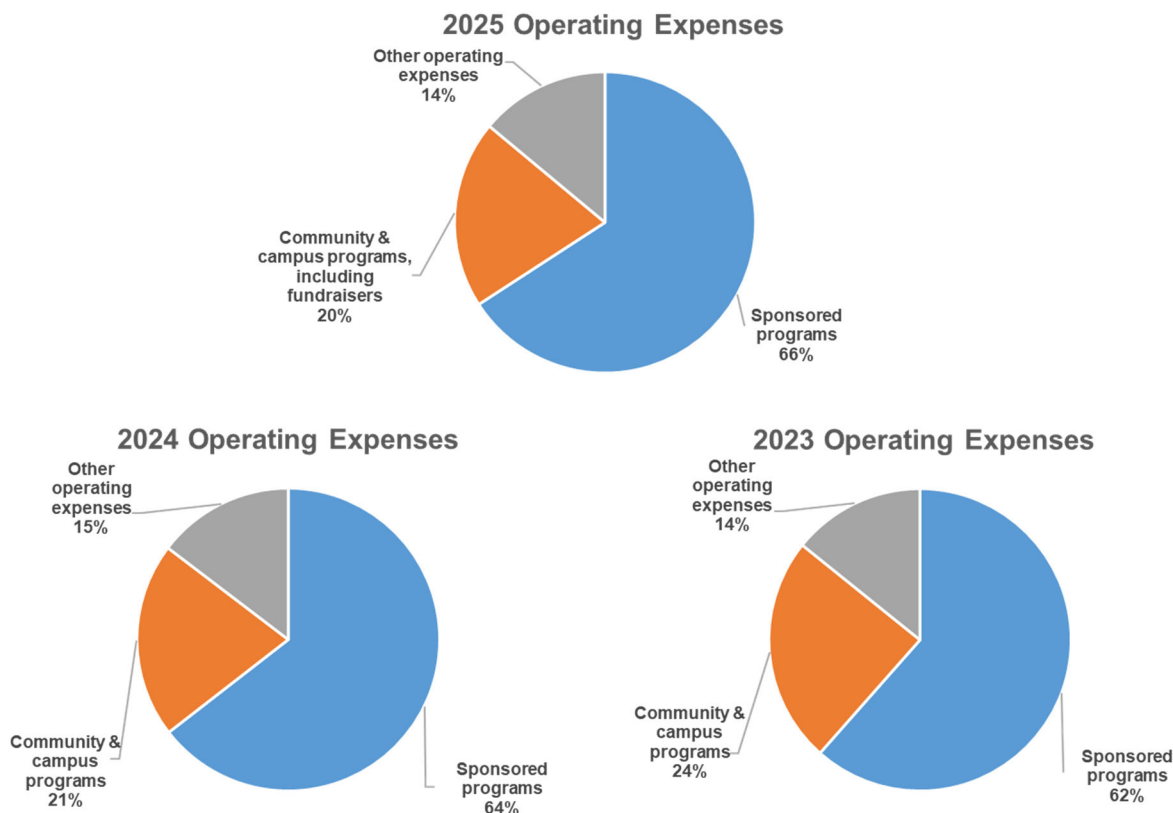
Other operating expenses increased by \$4.6 million from FY 2023 to FY 2024 due mostly to an increase in property management related and general administration expenses, as well as increases in service contracts, insurance, and overall inflation including cost of living increases.

San Diego State University Research Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2025 and 2024

The following charts present the distribution of resources by percentage of operating expense category in support of SDSURF's mission for the years ended June 30, 2025, 2024, and 2023:



Nonoperating (Expenses) Revenues

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

Net nonoperating (expenses) revenues decreased by \$1 million from FY 2024 to FY 2025 due to fluctuations in most categories but mostly due to an increase in investment income and increase in transfers to SDSU.

Net nonoperating (expenses) revenues increased by \$6.8 million from FY 2023 to FY 2024 primarily due to increase in interest income, net increase in fair value of investments, reduction in interest expense and reduction in transfers to the University and The Campanile Foundation.

San Diego State University Research Foundation

STATEMENTS OF NET POSITION

June 30,

	2025	2024 (restated)
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 15,030,593	\$ 12,655,046
Short-term investments (Note 3)	50,251,601	44,875,881
Restricted assets - short-term investments (Note 3)	5,541,385	6,866,720
Accounts and pledges receivable, net (Notes 4 and 7)	34,157,612	41,540,737
Leases and PPP receivable - current portion (Notes 4 and 10)	4,630,463	4,062,345
Notes receivable - current portion (Note 5)	763,699	763,699
Prepaid expenses	1,090,406	859,543
Total current assets	111,465,759	111,623,971
Noncurrent assets		
Pledges receivable, net (Note 4)	482,864	279,156
Long-term investments (Note 3)	35,158,170	39,502,726
Restricted assets - investments (Note 3)	20,198,503	19,057,512
Restricted assets - land	2,308,532	2,308,532
Leases and PPP receivable - net of current portion (Note 4 and 10)	59,536,675	50,251,340
Notes receivable - net of current portion (Note 5)	3,878,696	4,715,895
Capital assets, net (Notes 2 and 6)	56,243,059	62,482,962
Other assets (Notes 2 and 11)	6,510,403	6,090,832
Total noncurrent assets	184,316,902	184,688,955
Total assets	\$ 295,782,661	\$ 296,312,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES (NOTE 13)	\$ 1,646,192	\$ 2,401,240
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Notes 2 and 7)	\$ 15,421,430	\$ 16,528,945
Sponsored programs receipts over expenditures (Note 2)	32,300,056	43,898,195
Long-term obligations - current portion (Note 8)	4,465,369	4,680,667
Compensated absences - current portion (Note 2)	5,470,071	4,932,868
Total current liabilities	57,656,926	70,040,675
Noncurrent liabilities		
Long-term obligations - net of current portion (Note 8)	30,091,234	33,258,942
Other liabilities (Notes 9 and 11)	15,714,586	13,673,384
Compensated absences - net of current portion (Note 2)	8,402,766	7,379,133
Total noncurrent liabilities	54,208,586	54,311,459
Total liabilities	\$ 111,865,512	\$ 124,352,134
TOTAL DEFERRED INFLOWS OF RESOURCES (NOTE 12)	\$ 65,311,967	\$ 56,711,878
Commitments and Contingencies (Notes 9, 10, 11, and 13)		
NET POSITION		
Net investment in capital assets	\$ 25,042,889	\$ 28,981,958
Restricted for		
Nonexpendable - endowments and property	7,326,644	7,262,698
Expendable		
Campus programs and projects	2,483,898	3,007,363
National Institutes of Health term endowment	12,037,013	11,317,951
KPBS capital campaign	5,645,097	8,617,049
Unrestricted	67,715,833	58,463,135
Total net position	\$ 120,251,374	\$ 117,650,154

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,

	2025	2024 (restated)
Operating revenues		
Sponsored programs support	\$ 193,889,063	\$ 174,273,906
Community and campus programs	26,751,696	27,751,930
Contributions	24,751,557	22,370,986
Rental income (Note 10)	6,558,649	7,758,764
Other operating revenues (Note 7)	3,385,830	1,743,069
Total operating revenues	255,336,795	233,898,655
Operating expenses (Notes 9,10 and 11)		
Sponsored programs	170,335,373	152,741,457
Community and campus programs	44,748,787	42,536,214
Fundraising - broadcasting	7,541,816	6,870,797
Property management	12,707,339	13,510,854
General administration	23,382,435	21,166,947
Total operating expenses	258,715,750	236,826,269
Operating loss	(3,378,955)	(2,927,614)
Nonoperating revenues (expenses)		
Interest expense (Note 8)	(832,584)	(736,970)
Investment income, net	3,571,292	3,455,462
Net increase in fair value of investments (Note 3)	3,773,163	3,733,363
Net gain (loss) on dispositions of property and equipment (Notes 2 and 6)	-	7,500
Transfers (to) from SDSU (Note 2)	(533,142)	607,779
Transfers to The Campanile Foundation (Note 2)	(62,500)	(31,268)
Net nonoperating revenues	5,916,229	7,035,866
Income before changes to permanent endowments	2,537,274	4,108,252
Increase in permanent endowments	63,946	73,796
Net income	2,601,220	4,182,048
Net position		
Net position at beginning of year	117,650,154	119,559,886
Restatement	-	(6,091,780)
Net position at end of year	<u>\$ 120,251,374</u>	<u>\$ 117,650,154</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,

	2025	2024 (restated)
Cash flows from operating activities:		
Sponsored programs receipts	\$ 186,444,309	\$ 182,224,678
Community and campus programs receipts	28,117,156	26,670,547
Contributions	24,232,186	22,446,382
Rents received	6,812,070	6,402,880
Payments to suppliers	(92,903,381)	(78,954,403)
Payments to employees	(153,834,076)	(143,733,966)
Transfers from SDSU	1,096,573	857,779
Transfers to The Campanile Foundation	(62,500)	(31,268)
Other receipts	3,058,189	2,607,927
Net cash provided by operating activities	2,960,526	18,490,556
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(1,385,130)	(1,350,000)
Payments for right of use leased assets	(3,191,889)	(3,110,629)
Interest paid	(805,576)	(703,034)
Purchase of property and equipment	(2,010,914)	(6,596,898)
Proceeds from sale of property and equipment	-	7,500
Proceeds from KPBS capital campaign	1,787,807	1,941,429
KPBS capital campaign purchases	(1,359,913)	(497,791)
KPBS capital campaign transfers to SDSU	(1,629,715)	(250,000)
Net cash used in capital and related financing activities	(8,595,330)	(10,559,423)
Cash flows from investing activities:		
Investment income	3,566,161	3,399,208
Purchases of investments	(66,348,872)	(71,343,602)
Proceeds from sales and maturities of investments	69,955,863	60,735,860
Collection of notes receivable	837,199	837,199
Net cash provided by (used in) investing activities	8,010,351	(6,371,335)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,375,547	1,559,798
Cash and cash equivalents, beginning of year	12,655,046	11,095,249
Cash and cash equivalents, end of year	<u>\$ 15,030,593</u>	<u>\$ 12,655,046</u>

San Diego State University Research Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2025	2024 (restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (3,378,955)	\$ (2,927,613)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,444,828	9,607,248
Change in assets, liabilities, deferred outflows and inflows of resources:		
Accounts receivable	6,657,545	(6,460,996)
Pledges receivable - KPBS operating contributions	99,113	669,504
Prepaid expenses and other assets	(650,436)	(1,248,122)
Deferred outflows of resources	728,040	404,782
Accounts payable	(1,953,717)	1,242,158
Accrued expenses	1,383,406	3,131,220
Sponsored programs receipts over expenses	(11,598,137)	13,856,259
Other liabilities	2,384,184	908,405
Deferred contributions KPBS	(672,314)	(668,710)
Deferred inflows of resources	(581,050)	(923,886)
Net transfers to SDSU	1,096,573	857,779
Net transfers to The Campanile Foundation	(62,500)	(31,268)
Increase in permanent endowments	63,946	73,796
Net cash provided by operating activities	<u>\$ 2,960,526</u>	<u>\$ 18,490,556</u>
Supplemental disclosure of noncash finance and investing activity:		
Increase in fair value of investments	\$ 3,773,163	\$ 3,733,363
Increase in permanent endowments	\$ 75,011	\$ 71,270
Obtaining a right-of-use asset in exchange for a lease liability	\$ (2,340,109)	\$ (2,382,005)

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

San Diego State University Research Foundation

STATEMENTS OF FIDUCIARY NET POSITION

Years ended June 30, 2025 and 2024

	Other Postemployment Benefit Trust Funds December 31, 2024	Custodial Funds (TCF) June 30, 2025
Assets		
Cash and cash equivalents	\$ -	\$ 1,369,596
Investments	15,499,566	11,400,469
Total assets	\$ 15,499,566	\$ 12,770,065
Liabilities		
Payable to employer	\$ 137,604	\$ -
Accounts payable and accrued liabilities	5,334	-
Total liabilities	142,938	-
Total net position	\$ 15,356,628	\$ 12,770,065

	Other Postemployment Benefit Trust Funds December 31, 2023	Custodial Funds (TCF) June 30, 2024
Assets		
Cash and cash equivalents	\$ -	\$ (131,876)
Investments	14,439,936	6,081,142
Total assets	\$ 14,439,936	\$ 5,949,266
Liabilities		
Payable to employer	\$ 132,541	\$ -
Accounts payable and accrued liabilities	5,473	-
Total liabilities	138,014	-
Total net position	\$ 14,301,922	\$ 5,949,266

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

San Diego State University Research Foundation

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended June 30, 2025 and 2024

	Other Postemployment Benefit Trust Funds December 31, 2024	Custodial Funds (TCF) June 30, 2025
Additions:		
Contributions	\$ 17,518	\$ -
Net investment income	1,420,470	-
Fund Additions - Campus and community programs	-	6,229,941
Fund Additions - Student financial aid	-	1,530,012
Fund Additions - Endowment	-	119,509,243
Total additions	1,437,988	127,269,196
Deductions:		
Insurance payments	316,112	-
Professional fees	67,170	-
Fund Deductions - Campus and community programs	-	2,252,130
Fund Deductions - Student financial aid	-	207,993
Fund Deductions - Endowment	-	117,988,274
Total deductions	383,282	120,448,397
Net increase in fiduciary net position	1,054,706	6,820,799
Net position - beginning	14,301,922	5,949,266
Net position - ending	\$ 15,356,628	\$ 12,770,065

	Other Postemployment Benefit Trust Funds December 31, 2023	Custodial Funds (TCF) June 30, 2024
Additions:		
Contributions	\$ (5,351)	\$ -
Net investment income	1,910,209	-
Fund Additions - Campus and community programs	-	23,448,330
Fund Additions - Student financial aid	-	611,022
Fund Additions - Endowment	-	90,117,102
Total additions	1,904,858	114,176,454
Deductions:		
Insurance payments	296,781	-
Professional fees	64,099	-
Fund Deductions - Campus and community programs	-	23,388,193
Fund Deductions - Student financial aid	-	530,436
Fund Deductions - Endowment	-	90,936,012
Total deductions	360,880	114,854,641
Net increase in fiduciary net position	1,543,978	(678,187)
Net position - beginning	12,757,944	6,627,453
Net position - ending	\$ 14,301,922	\$ 5,949,266

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

San Diego State University Research Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

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 four other auxiliaries of the University: Associated Students of San Diego State University, Aztec Shops, Ltd., SDSU Mission Valley Enterprises and The Campanile Foundation (TCF). The auxiliaries and the University periodically provide numerous 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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

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.

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 the measurement date.

Accounts and Pledges Receivable

Accounts receivables 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.

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 after the conclusion of the related grants.

Leased assets and subscription-based IT arrangements in excess of \$10,000 which qualify under GASB 87 and GASB 96 have been capitalized as a Right of Use Asset.

Depreciation is computed using the straight-line method over the useful life of the asset or length of the associated lease. 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 and subscription-based IT arrangements are amortized over the term of the lease/agreement 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.

There were no such impairments for the years ended June 30, 2025 and June 30, 2024.

Deferred Outflows and Inflows of Resources

Contributions received that are applicable to a future reporting period are presented as deferred contributions and classified as a deferred inflow of resources.

Losses and gains on bond refundings are deferred and reported as deferred outflows of resources or deferred inflows of resources, respectively. They are amortized on the straight-line method over the life of the refunded bonds.

OPEB related deferred inflows of resources include OPEB plan experience, OPEB assumption changes, and OPEB trust investment experience. These are actuarial calculated amounts that represent differences between the most recent actuarial report and the previous actuarial report. Deferred inflows due to plan experience and assumption changes are recognized over the plan's expected average remaining service

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

life, which is currently 5.33 years. OPEB related deferred outflows of resources include the OPEB subsequent contribution, which will be recognized in the next fiscal year, and OPEB trust investment experience. The OPEB trust investment experience is an actuarial calculated amount representing the difference between projected and actual earnings on OPEB plan investments. Changes due to investment performance different from assumed earnings rate, whether a deferred inflow or deferred outflow, are amortized over five years.

Deferred inflows of resources have been recorded for leases in which SDSU Research Foundation is the lessor under GASB 87 and are recognized as lease revenue over the term of the lease. Related lease receivables are reduced as payments are received. Deferred inflows of resources have also been recorded for an asset transfer under GASB 94 and are recognized as revenue over the life of the agreement, with the underlying asset transferred at the end of the agreement term.

Other Assets

Other assets consist primarily of the net OPEB asset and deposits held by others.

Compensated Absences

SDSU Research Foundation records a liability for compensated absences in accordance with GASB Statement No. 101. Liabilities are recognized for unused personal, vacation, and sick leave that is attributable to services already rendered, accumulates from year to year, and is more likely than not to be used or paid. The liability is measured at current value as of June 30 based on employees' accumulated leave balances, pay rates, and directly related fringe benefits. The obligation is reported in two components: the portion estimated to be due within one year, based on historical usage patterns, and the portion estimated to be due in more than one year.

As of June 30, 2025 total liability for compensated absences was \$13,872,837 with long-term of \$8,402,766 and current \$5,470,071. As a result of implementation of GASB Statement No. 101 - Compensated Absences for the year ending June 30, 2024 and the required restatement, an adjustment of \$6,091,780 was made to increase liabilities both current and non-current. After the restatement, as of June 30, 2024 the long-term liability for compensated absences was \$7,379,133 and current \$4,932,868.

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 53.40% and 52.51% of its total operating revenue from federal sources during the years ended June 30, 2025 and 2024, respectively. The Department of Health and Human Services provided 27.40% and 25.90% of the total operating revenue for the years ended June 30, 2025 and 2024, respectively.

Revenue from community and campus programs is recognized as earned, which includes the revenue related to KPBS and SDSU Global Campus as well as other Campus Programs.

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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Transfers

Transfers are non-exchange cash transactions to or from 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, 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, which are subject to externally imposed conditions that can be fulfilled by the actions of SDSU Research Foundation's Board of Directors.

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, net of investment-related fees, changes in the fair value of investments, and net gain (loss) on dispositions of property and equipment.

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 are allocated 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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Income Taxes

The SDSU Research Foundation and primarily all of its affiliates are recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as charitable organizations qualifying under IRC Section 501(c)(3), except for income taxes pertaining to unrelated business income. Under accounting principles generally accepted in the United States of America, the tax effects from uncertain tax positions are to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a tax authority.

The SDSU Research Foundation completed an analysis of its uncertain tax positions in accordance with applicable accounting guidance and determined there are no amounts to be recognized on the financial statements at June 30, 2025 or 2024.

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 amounts in the June 30, 2024 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported total assets, net income, or net position.

Pronouncements Issued

For the year ended June 30, 2024, SDSU Research Foundation implemented GASB Statement 100 (GASB 100), *Accounting Changes and Error Corrections*, which provides the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and c) changes in accounting estimates to be reported prospectively by recognizing the change in the current period. SDSU Research Foundation implemented GASB 100 and found that it had no material impact on the SDSU Research Foundation's financial statements.

For the year ended June 30, 2025, SDSU Research Foundation implemented GASB Statement No. 101, *Compensated Absences*. SDSU Research Foundation accrues liabilities for compensated absences in accordance with GASB 101. A liability is recognized for:

- Unused vacation, personal time, or sick time that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid.
- The liability includes salary-related payments (e.g., employer share of social security and Medicare taxes) that are directly and incrementally associated with compensated absences.
- The liability is measured using the employee's pay rate as of the financial statement date.

As part of the implementation, the financial statements for the year ended June 30, 2024 were restated which reduced unrestricted net position, total net position and increased short and long-term liabilities. Following are the restated financial statements for the year ended June 30, 2024:

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

STATEMENT OF NET POSITION - RESTATED

June 30, 2024

	<u>2024 (as reported)</u>	<u>GASB 101 Adj</u>	<u>2024 (restated)</u>
ASSETS			
Current assets			
Cash and cash equivalents (Note 2)	\$ 12,655,046	\$ -	\$ 12,655,046
Short-term investments (Note 3)	44,875,881	-	44,875,881
Restricted assets - short-term investments (Note 3)	6,866,720	-	6,866,720
Accounts and pledges receivable, net (Notes 4 and 7)	41,540,737	-	41,540,737
Leases, SBITAs, PPP receivable (Note 4)	4,062,345	-	4,062,345
Notes receivable - current portion (Note 5)	763,699	-	763,699
Prepaid expenses	859,543	-	859,543
Total current assets	111,623,971	-	111,623,971
Noncurrent assets			
Pledges receivable, net (Note 4)	279,156	-	279,156
Long-term investments (Note 3)	39,502,726	-	39,502,726
Restricted assets - investments (Note 3)	19,057,512	-	19,057,512
Restricted assets - land	2,308,532	-	2,308,532
Leases, SBITAs, PPP receivable (Note 4)	50,251,340	-	50,251,340
Notes receivable - net of current portion (Note 5)	4,715,895	-	4,715,895
Capital assets, net (Notes 2 and 6)	62,482,962	-	62,482,962
Other assets (Notes 2 and 11)	6,090,832	-	6,090,832
Total noncurrent assets	184,688,955	-	184,688,955
Total assets	\$ 296,312,926	\$ -	\$ 296,312,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES (NOTE 13)	<u>\$ 2,401,240</u>	<u>\$ -</u>	<u>\$ 2,401,240</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses (Notes 2 and 7)	\$ 22,749,166	\$ (6,220,221)	\$ 16,528,945
Sponsored programs receipts over expenditures (Note 2)	43,898,195	-	43,898,195
Long-term obligations - current portion (Note 8)	4,680,667	-	4,680,667
Compensated Absences (Note 2)	-	4,932,868	4,932,868
Total current liabilities	71,328,028	(1,287,353)	70,040,675
Noncurrent liabilities			
Long-term obligations, net of current portion (Note 8)	33,258,942	-	33,258,942
Other liabilities (Notes 9 and 11)	13,673,384	-	13,673,384
Compensated Absences (Note 2)	-	7,379,133	7,379,133
Total noncurrent liabilities	46,932,326	7,379,133	54,311,459
Total liabilities	\$ 118,260,354	\$ 6,091,780	\$ 124,352,134
TOTAL DEFERRED INFLOWS OF RESOURCES (NOTE 12)	<u>\$ 56,711,878</u>	<u>\$ -</u>	<u>\$ 56,711,878</u>
Commitments and contingencies (Notes 9,10,11, and 13)			
NET POSITION			
Net investment in capital assets	\$ 28,981,958	\$ -	\$ 28,981,958
Restricted for			
Nonexpendable - endowments and property	7,262,698	-	7,262,698
Expendable			
Campus programs and projects	3,007,363	-	3,007,363
National Institutes of Health term endowment	11,317,951	-	11,317,951
KPBS capital campaign	8,617,049	-	8,617,049
Unrestricted	64,554,915	(6,091,780)	58,463,135
Total net position	<u>\$ 123,741,934</u>	<u>\$ (6,091,780)</u>	<u>\$ 117,650,154</u>

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - RESTATED

June 30, 2024

	2024 (as reported)	GASB 101 Adj	2024 (restated)
Operating revenues			
Sponsored programs support	\$ 174,273,906	\$ -	\$ 174,273,906
Community and campus programs	27,751,930	-	27,751,930
Contributions	22,370,986	-	22,370,986
Rental income (Note 10)	7,758,764	-	7,758,764
Other operating revenues (Note 7)	1,743,069	-	1,743,069
Total operating revenues	233,898,655	-	233,898,655
Operating expenses (Notes 9, 10, and 11)			
Sponsored programs	152,741,457	-	152,741,457
Community and campus programs	42,536,214	-	42,536,214
Fundraising - broadcasting	6,870,797	-	6,870,797
Property management	13,510,854	-	13,510,854
General administration	21,166,947	-	21,166,947
Total operating expenses	236,826,269	-	236,826,269
Operating loss	(2,927,614)	-	(2,927,614)
Nonoperating revenues (expenses):			
Interest expense (Note 8)	(736,970)	-	(736,970)
Investment income, net	3,455,462	-	3,455,462
Net increase in fair value of investments (Note 3)	3,733,363	-	3,733,363
Net gain (loss) on dispositions of property and equipment	7,500	-	7,500
Transfers (to)/from SDSU (Note 2)	607,779	-	607,779
Transfers to The Campanile Foundation (Note 2)	(31,268)	-	(31,268)
Net nonoperating revenues	7,035,866	-	7,035,866
Income before changes to permanent endowments	4,108,252	-	4,108,252
Increase in permanent endowments	73,796	-	73,796
Net income	4,182,048	-	4,182,048
Net Position:			
Net position at beginning of year	119,559,886	-	119,559,886
Restatement	-	(6,091,780)	-
Net position at end of the year (as restated)	\$ 123,741,934	\$ (6,091,780)	\$ 117,650,154

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

For the year ended June 30, 2025, SDSU Research Foundation implemented GASB Statement No. 102, *Certain Risk Disclosures* which requires disclosing risks due to certain concentrations or constraints. GASB 102 defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources. A constraint is a limitation that is imposed by an external party or by a formal action of an entity's highest level of decision-making authority. Management has evaluated the applicability of GASB 102 and determined that, as of the date of these financial statements, no concentrations or constraints exist that meet all three criteria for disclosure:

1. Known prior to issuance of the financial statements,
2. Create vulnerability to substantial impact, and
3. Have had or are more likely than not to have an associated event occur within 12 months of the issuance date.

Accordingly, no disclosures are required under GASB 102, and the implementation of this Statement has no impact on the financial statements.

The GASB has issued the following statements:

GASB Statement No. 103, *Financial Reporting Model Improvements* (effective for years beginning after June 30, 2025).

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (effective for years beginning after June 15, 2025).

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

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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Investments as of June 30, 2025 and June 30, 2024, respectively, are as follows:

	2025 Investments Held	Fiduciary Funds	2025 Investments Held by SDSURF
Short-term	\$ 61,652,070	\$ (11,400,469)	\$ 50,251,601
Short-term restricted	5,541,385	-	5,541,385
Long-term	35,158,170	-	35,158,170
Long-term restricted	20,198,503	-	20,198,503
Total investments	<u>\$ 122,550,128</u>	<u>\$ (11,400,469)</u>	<u>\$ 111,149,659</u>
	2024 Investments Held	Fiduciary Funds	2024 Investments Held by SDSURF
Short-term	\$ 50,957,022	\$ (6,081,141)	\$ 44,875,881
Short-term restricted	6,866,720	-	6,866,720
Long-term	39,502,726	-	39,502,726
Long-term restricted	19,057,512	-	19,057,512
Total investments	<u>\$ 116,383,980</u>	<u>\$ (6,081,141)</u>	<u>\$ 110,302,839</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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

The following tables summarize SDSU Research Foundation's investments within the fair value hierarchy at June 30, 2025 and June 30, 2024, respectively:

2025 Investments	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 18,185,974	\$ 18,185,974	\$ -	\$ -
Treasury bills	52,452,616	52,452,616	-	-
Deferred gift (various)	874,970	874,970	-	-
Money market funds	4,769,238	-	4,769,238	-
Real property	1,933,620	-	-	1,933,620
TCF endowment pool	44,190,455	-	-	44,190,455
Amount held by others	143,255	-	-	143,255
Total investments	\$ 122,550,128	\$ 71,513,560	\$ 4,769,238	\$ 46,267,330

2024 Investments	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 28,513,174	\$ 28,513,174	\$ -	\$ -
Treasury bills	38,897,817	38,897,817	-	-
Deferred gift (various)	846,300	846,300	-	-
Money market funds	2,892,991	-	2,892,991	-
Real property	1,797,000	-	-	1,797,000
TCF endowment pool	43,298,601	-	-	43,298,601
Amount held by others	138,097	-	-	138,097
Total investments	\$ 116,383,980	\$ 68,257,291	\$ 2,892,991	\$ 45,233,698

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

Level 1 Measurements

- Treasury Issues, Corporate Bonds and Bond 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 - based on published fair value per share for each fund.
- Certificates of Deposit - valued at cost, which approximates fair value.
- Commercial Paper - issued at a discount of face value, reflects prevailing market interest rates.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Level 3 Measurements

- 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.
- 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. 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 (TCF) Endowment Pool

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools. These investments 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, performance, and compliance with the IPS. The investment category allocations and IPS targets as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>	<u>IPS Target</u>
Growth assets	60.1%	60.4%	60.0%
Credit	8.1	8.0	8.0
Inflation hedges	12.9	12.6	13.0
Risk mitigation	18.9	19.0	19.0
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Total			

SDSU Research Foundation recognized net unrealized gain of \$3.5 million and \$3.0 million for the years ended June 30, 2025 and 2024, 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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

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, 2025 and 2024, the distribution rate of investment earnings 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 policy states that individually held working capital 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, 2025 are as follows:

	<u>Market Value Total</u>	<u>Less Than One Year</u>	<u>Two-Five Years</u>
Treasury issues	\$ 52,452,616	\$ 44,238,243	\$ 8,214,373
Corporate bonds	18,185,974	18,185,974	-
Total fixed income investments	<u>\$ 70,638,590</u>	<u>\$ 62,424,217</u>	<u>\$ 8,214,373</u>

Maturities of fixed income investments as of June 30, 2024 are as follows:

	<u>Market Value Total</u>	<u>Less Than One Year</u>	<u>Two-Five Years</u>
Treasury issues	\$ 38,897,817	\$ 30,484,667	\$ 8,413,150
Corporate bonds	28,513,174	24,446,084	4,067,090
Total fixed income investments	<u>\$ 67,410,991</u>	<u>\$ 54,930,751</u>	<u>\$ 12,480,240</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. 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. The bond mutual fund and money market funds do not have a rating provided by a nationally recognized statistical rating organization. The range of rating of corporate bonds was BBB to AAA as of June 30, 2025 and June 30, 2024.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. SDSU Research Foundation's investment policy contains no limitations as to how much can be invested with any one issuer. As of June 30, 2025 and June 30, 2024, 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 FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

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 up to \$250,000. In the ordinary course of SDSU Research Foundation's operations, deposit balances 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 and government investment pools. 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/LEASES AND PPP RECEIVABLE

Accounts and pledges receivable as of June 30, 2025 and June 30, 2024 consisted of the following:

	2025		
	Current	Noncurrent	Total
Sponsored programs	\$ 28,684,707	\$ -	\$ 28,684,707
Pledges receivable	520,335	482,864	1,003,199
Leases and PPP receivable	4,630,463	59,536,675	64,167,138
Other receivables	5,084,219	-	5,084,219
Less: allowance for doubtful accounts	(131,648)	-	(131,648)
Total accounts receivable	\$ 38,788,076	\$ 60,019,539	\$ 98,807,615
	2024		
	Current	Noncurrent	Total
Sponsored programs	\$ 32,838,092	\$ -	\$ 32,838,092
Pledges receivable	2,610,960	279,156	2,890,116
Leases and PPP receivable	4,062,345	50,251,340	54,313,685
Other receivables	6,468,539	-	6,468,539
Less: allowance for doubtful accounts	(376,854)	-	(376,854)
Total accounts receivable	\$ 45,603,082	\$ 50,530,496	\$ 96,133,578

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 FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Leases and PPP receivable consist of \$4,630,463 in current and \$59,536,675 in Leases and PPP receivable non-current receivables. This includes \$3,548,191 of a PPP installment payments of which \$310,039 is recognized as current as of June 30, 2025. This receivable has an underlying PPP asset that was recorded as of June 30, 2023. The building was purchased, constructed, and placed into service by the operator. Ownership of this underlying asset recognized in the PPP lease will transfer at the end of the lease term to the SDSU Research Foundation.

NOTE 5 - NOTES RECEIVABLE - AZTEC SHOPS, LTD.

Notes receivable from Aztec Shops as of June 30, 2025 and 2024 consisted of the following:

	2025		
	Current	Noncurrent	Total
Sanctuary suites ^(a)	\$ 471,799	\$ 2,123,096	\$ 2,594,895
Piedra del Sol and Fraternity Row ^(b)	218,400	873,600	1,092,000
College square ^(c)	43,500	522,000	565,500
College strip ^(c)	30,000	360,000	390,000
Total notes receivable	<u>\$ 763,699</u>	<u>\$ 3,878,696</u>	<u>\$ 4,642,395</u>

	2024		
	Current	Noncurrent	Total
Sanctuary suites ^(a)	\$ 471,799	\$ 2,594,895	\$ 3,066,694
Piedra del Sol and Fraternity Row ^(b)	218,400	1,092,000	1,310,400
College square ^(c)	43,500	609,000	652,500
College strip ^(c)	30,000	420,000	450,000
Total notes receivable	<u>\$ 763,699</u>	<u>\$ 4,715,895</u>	<u>\$ 5,479,594</u>

- (a) 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.
- (b) 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.
- (c) 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% were 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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

In March 2021 and April 2020, SDSU Research Foundation and Aztec Shops, Ltd. executed amendments to the four promissory notes referenced above. These amendments deferred the principal payments due April 15, 2020, October 15, 2020, April 15, 2021, and October 15, 2021. The payment terms were extended two additional years and the deferred principal payments are due at the end of each term.

NOTE 6 - CAPITAL ASSETS

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2025</u>
Nondepreciable capital assets:				
Land, land improvements	\$ 13,914,536	\$ -	\$ -	\$ 13,914,536
Construction in progress	2,043,820	150,818	(275,332)	1,919,306
 Total nondepreciable capital assets	 <u>15,958,356</u>	 <u>150,818</u>	 <u>(275,332)</u>	 <u>15,833,842</u>
Depreciable capital assets:				
Buildings and improvements	49,971,780	1,813,145	-	51,784,925
Furniture, fixtures and equipment	35,466,894	177,135	(524,465)	35,119,564
Right of use asset - leases	27,479,120	-	(1,279,079)	26,200,041
Right of use asset - SBITAs	2,185,850	923,165	(20,530)	3,088,485
 Total depreciable capital assets	 <u>115,103,644</u>	 <u>2,913,445</u>	 <u>(1,824,074)</u>	 <u>116,193,015</u>
Less accumulated depreciation:				
Buildings and improvements	(33,874,577)	(2,839,411)	-	(36,713,988)
Furniture, fixtures and equipment	(24,551,707)	(2,774,298)	524,465	(26,801,540)
Right of use asset - leases	(9,066,902)	(3,244,933)	1,695,073	(10,616,823)
Right of use asset - SBITAs	(1,085,852)	(586,126)	20,530	(1,651,447)
 Total accumulated depreciation	 <u>(68,579,038)</u>	 <u>(9,444,828)</u>	 <u>2,240,068</u>	 <u>(75,783,798)</u>
 Total capital assets, net	 <u>\$ 62,482,962</u>	 <u>\$ (6,380,565)</u>	 <u>\$ 140,662</u>	 <u>\$ 56,243,059</u>

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Nondepreciable capital assets:				
Land, land improvements	\$ 13,914,536	\$ -	\$ -	\$ 13,914,536
Construction in progress	6,623,834	2,340,012	(6,920,026)	2,043,820
Total nondepreciable capital assets	<u>20,538,370</u>	<u>2,340,012</u>	<u>(6,920,026)</u>	<u>15,958,356</u>
Depreciable capital assets:				
Buildings and improvements	65,856,588	3,199,593	(19,084,401)	49,971,780
Furniture, fixtures and equipment	27,513,872	8,184,648	(231,626)	35,466,894
Right of use asset - leases	26,088,541	4,231,166	(2,840,587)	27,479,120
Right of use asset - SBITAs	2,125,799	60,051	-	2,185,850
Total depreciable capital assets	<u>121,584,800</u>	<u>15,675,458</u>	<u>(22,156,614)</u>	<u>115,103,644</u>
Less accumulated depreciation:				
Buildings and improvements	(49,057,392)	(3,901,586)	19,084,401	(33,874,577)
Furniture, fixtures and equipment	(22,917,707)	(1,865,626)	231,626	(24,551,707)
Right of use asset - leases	(5,745,396)	(3,321,506)	-	(9,066,902)
Right of use asset - SBITAs	(567,323)	(518,529)	-	(1,085,852)
Total accumulated depreciation	<u>(78,287,818)</u>	<u>(9,607,247)</u>	<u>19,316,027</u>	<u>(68,579,038)</u>
Total capital assets, net	<u>\$ 63,835,352</u>	<u>\$ 8,408,224</u>	<u>\$ (9,760,613)</u>	<u>\$ 62,482,962</u>

Depreciation expense totaled \$9,444,828 and \$9,607,247 for the years ended June 30, 2025 and 2024, respectively.

NOTE 7 - AFFILIATED ORGANIZATIONS

The Campanile Foundation (TCF)

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

Pursuant to an agreement with TCF effective through June 30, 2027, 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, 2025 and 2024 the administrative fee received from TCF totaled approximately \$1,128,000 and \$1,095,000, respectively, and is included in other operating revenues in the accompanying statements of revenues, expenses and changes in net position.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Other

Amounts payable to the university in other liabilities totaled approximately \$7,300,000 and \$6,600,000 at June 30, 2025 and 2024 respectively, presented in Note 9 as Amounts held for others. Accounts payable and accrued expenses included amounts owed to the affiliated organizations of approximately \$442,000 and \$1,502,000 at June 30, 2025 and 2024, respectively. Accounts and pledges receivable from the affiliated organizations totaled approximately \$619,000 and \$136,000 at June 30, 2025 and 2024, respectively. These amounts occurred in the normal course of business among the affiliated organizations.

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term debt activity for the years ended June 30, 2025 and 2024 was as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
CSU SRB 2012B ^(a)	\$ 12,060,000	\$ -	\$ (710,000)	\$ 11,350,000	\$ 740,000
CSU SRB 2020D ^(b)	9,535,000	-	(670,000)	8,865,000	675,000
Unamortized bond premium CSU SRB 2020D ^(a)	34,194	-	(5,130)	29,064	-
Lessee leases	15,539,296	-	(2,511,876)	13,027,420	2,461,580
SBITAs	771,119	1,194,012	(680,012)	1,285,119	588,789
	<u>\$ 37,939,609</u>	<u>\$ 1,194,012</u>	<u>(4,577,018)</u>	<u>\$ 34,556,603</u>	<u>\$ 4,465,369</u>
Long-term obligations					
CSU SRB 2020A loss on refunding ^(a)	\$ 207,733	\$ -	\$ (16,845)	\$ 190,888	\$ -
CSU SRB 2020D loss on refunding ^(a)	125,340	-	(10,163)	115,177	-
	<u>\$ 333,073</u>	<u>\$ -</u>	<u>\$ (27,008)</u>	<u>\$ 306,065</u>	<u>\$ -</u>
Total deferred losses on refunding					
Lease/P3 deferred inflow of resources	<u>\$ 51,594,272</u>	<u>\$ 10,125,238</u>	<u>\$ -</u>	<u>\$ 61,719,510</u>	<u>\$ -</u>

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
CSU SRB 2012B ^(a)	\$ 12,745,000	\$ -	\$ (685,000)	\$ 12,060,000	\$ 710,000
CSU SRB 2020D ^(a)	10,200,000	-	(665,000)	9,535,000	670,000
Unamortized bond premium CSU SRB 2020D ^(a)	34,194	-	-	34,194	-
Lessee leases	16,526,748	1,597,909	(2,585,361)	15,539,296	2,886,838
SBITAs	1,236,335	60,051	(525,267)	771,119	413,829
	<u>\$ 40,742,277</u>	<u>\$ 1,657,960</u>	<u>\$ (4,460,628)</u>	<u>\$ 37,939,609</u>	<u>\$ 4,683,231</u>
Long-term obligations					
CSU SRB 2020A loss on refunding ^(a)	\$ 231,506	\$ -	\$ (23,733)	\$ 207,733	\$ 16,845
CSU SRB 2020D loss on refunding ^(a)	135,503	-	(10,163)	125,340	10,163
	<u>\$ 367,009</u>	<u>\$ -</u>	<u>\$ (33,936)</u>	<u>\$ 333,073</u>	<u>\$ 27,008</u>
Total deferred losses on refunding					
Lease/P3 deferred inflow of resources	<u>\$ 56,758,447</u>	<u>\$ -</u>	<u>\$ (5,164,175)</u>	<u>\$ 51,594,272</u>	

- (a) In September 2020, the CSU System refunded a portion of the 2012 system wide revenue bonds. The amount refunded was \$9,145,000 and \$880,000 of the unamortized bond premium. A new issuance of \$10,200,000 was allocated to SDSU Research Foundation with CSU 2020D system wide revenue bonds. The SRB 2020D bonds mature in November 2036 and bear a variable interest rate ranging from 3.0% to 5.0% due in semi-annual principal and interest payments consistent with the terms of the original bonds. The bonds are secured by pledged revenues, including F&A cost recovery payments. The Research Foundation's share of premium on the refunding was \$41,352 and is attributed to the 2012A bonds. The premium is being amortized over 193.5 months (Sept 2020 - Oct 2036) using the straight-line method, which approximates the effective interest method.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

The SRB 2020D bonds sold at amounts less than par. The resulting bond loss of \$163,875 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The losses are deferred and included on the Statement of Net Position as deferred outflow of resources.

- (b) In February 2020, the California State University (CSU) System issued system wide revenue bonds (SRB 2020A). Part of this reissuance (\$1,465,000) was allocated to SDSU Research Foundation to replace the SRB 2010A bonds, previously known as the 1998 certificates of participation and the 1999 insured revenue refunding bonds. The SRB 2020A bonds bear an interest rate of 5.0% and are due in semi-annual principal and interest payments consistent with the terms of the original bonds. The bonds mature in 2022 and payments are secured by pledged revenues, including F&A cost recovery payments.

The SRB 2020A bonds sold at amounts greater than par. The resulting bond premium of \$96,207 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The balance of the unamortized premium of the SRB 2010A bonds of \$130,123 was reclassified to deferred gain on bond refunding. The deferred gain is included on the Statement of Net Position as a deferred inflow of resources. The gain is being amortized as a reduction of interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. This bond matured November 1, 2022 and there are no amounts outstanding under the agreement as of June 30, 2025 and 2024.

Total interest incurred on long-term bond debt was \$647,436 and \$685,491 for the years ended June 30, 2025 and 2024, respectively.

On July 1, 2022, SDSU Research Foundation implemented GASB 96 (Statement), SBITAs. All SBITAs were tracked through an internal online software. SBITAs that were entered into the software had an agreement that conveyed the right to use the underlying software that qualified under the criteria of the Statement, were at least over a 12-month period, and were valued over our threshold of \$10,000. Obligations under SBITA arrangements were \$1,285,119 and \$771,119 as of June 30, 2025 and 2024, respectively.

In July 2016, SDSU Research Foundation entered into a revolving loan agreement with a bank which was then amended in August of 2021. 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 \$15.0 million including a \$3.0 million standby letter of credit, and a maturity date of September 26, 2026. 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, 2025 and 2024.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

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

<u>Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,415,000	\$ 617,088	\$ 2,032,088
2027	1,465,000	578,550	2,043,550
2028	1,500,000	536,924	2,036,924
2029	1,550,000	492,590	2,042,590
2030	1,590,000	445,416	2,035,416
2031-2035	6,890,000	1,255,886	8,145,886
2036-2037	5,805,000	304,671	6,109,671
Total requirements	<u>\$ 20,215,000</u>	<u>\$ 4,231,125</u>	<u>\$ 24,446,125</u>

Future principal and interest payments on lease liabilities are as follows:

<u>Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,461,580	\$ 257,158	\$ 2,718,738
2027	2,253,914	205,116	2,459,030
2028	2,247,353	160,305	2,407,658
2029	1,639,659	119,386	1,759,045
2030	1,500,292	92,079	1,592,371
2031-2035	817,891	342,001	1,159,892
2036-2040	930,600	224,400	1,155,000
2041-2045	1,062,031	89,969	1,152,000
2046	114,100	902	115,002
Total requirements	<u>\$ 13,027,420</u>	<u>\$ 1,491,316</u>	<u>\$ 14,518,736</u>

Future principal and interest payments on SBITAs are as follows:

<u>Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 588,789	\$ 35,756	\$ 624,545
2027	411,583	25,544	437,127
2028	195,007	9,383	204,390
2029	65,343	3,082	68,425
2030	24,397	1,559	25,956
Total requirements	<u>\$ 1,285,119</u>	<u>\$ 75,324</u>	<u>\$ 1,360,443</u>

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

NOTE 9 - OTHER LIABILITIES

Activities in other liabilities for the years ended June 30, 2025 and 2024 consisted of the following:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2025</u>
Amount held for others	\$ 6,631,825	\$ 680,651	\$ -	\$ 7,312,476
Workers' compensation	3,669,086	1,427,828	(549,333)	4,547,581
Unemployment insurance	2,978,221	720,335	(228,162)	3,470,394
Other obligations	394,252	-	(10,117)	384,135
	<u>\$ 13,673,384</u>	<u>\$ 2,828,813</u>	<u>\$ (787,611)</u>	<u>\$ 15,714,586</u>

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Amount held for others	\$ 6,091,260	\$ 665,370	\$ (124,805)	\$ 6,631,825
Workers' compensation	2,888,983	1,298,719	(518,616)	3,669,086
Unemployment insurance	2,850,724	682,664	(555,167)	2,978,221
Other obligations	393,447	805	-	394,252
	<u>\$ 12,224,414</u>	<u>\$ 2,647,559</u>	<u>\$ (1,198,588)</u>	<u>\$ 13,673,384</u>

Risk Management

SDSU Research Foundation is subject to risks of loss such as general liabilities torts, workers' compensation, and unemployment insurance. 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 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.

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Amounts Held for Others

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. In July 2020, SDSU Research Foundation prepaid the remaining balance of the ground lease by funding a \$5.4 million quasi-endowment held at SDSU Research Foundation for the benefit of SDSU, to be used at the direction of SDSU's President. The endowment balance, included in Other Liabilities, was \$7.3 million with investment gains of \$681,000 and \$6.6 million with investment gains of \$541,000 as of and for the years ending June 30, 2025 and 2024, respectively.

NOTE 10 - LEASING/SOFTWARE AGREEMENT ACTIVITY

Lessor Leases

As of June 30, 2025, San Diego State University Research Foundation had 54 active leases. As of June 30, 2025, the total combined value of the lease receivable is \$26,567,138 with long-term of \$22,736,675 and current \$3,830,463. The combined value of the deferred inflow of resources is \$24,919,510.

Land, buildings and improvements, with a current net book value of approximately \$28.8 million, are leased to university-related and commercial organizations. Included in rental income is sublease revenue of \$2,458,000 and \$2,048,000 for the years ended June 30, 2025 and 2024, respectively. During the year ended June 30, 2025, SDSU Research Foundation had 15 affiliated leases with SDSU. Affiliated revenue received totaled \$889,000 and \$706,000 for the years ending on June 30, 2025 and June 30, 2024, respectively.

In July 2019, a ground lease for a student housing project was executed between SDSU Research Foundation and Capstone-San Diego II, LLC, which was transferred to Aztec Shops during FY2022-23. This agreement qualifies under the adoption of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (PPPs). The lease term is from August 16, 2021, through July 31, 2071. Upon expiration or earlier termination of the lease, all improvements on the leased premises, excluding personal property, will transfer to Lessor at no cost. An addendum to the lease was executed in the year ending June 30, 2024, modifying the payments such that rent in the year ending June 30, 2025, was \$319,900. In future years, rent will be a base rent of \$320,659 plus .57% of net income of the underlying property.

In December 2020, an amended and restated ground lease agreement for a student housing project was executed. The lease term is from December 2020 through July 31, 2063. This lease has an annual payment of \$225,000 and \$223,000 for the years ended June 30, 2025 and 2024, respectively. Payments increase by 1.0% annually thereafter. Rent is paid from the surplus cash flow. If in any year, to the extent surplus cash flow is not sufficient to pay all or any portion of the rent owed, the unpaid rent shall accrue interest at 8.0% per annum.

Lessee Leases

As of June 30, 2025, San Diego State University Research Foundation had 34 active leases as lessee. See Note 8 for further details. The combined value of the right to use asset, as of June 30, 2025, of \$26,200,042 with accumulated amortization of \$10,616,824 is included within the Lease Class activities.

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. On July 1, 2020, SDSURF prepaid the remaining balance of the ground lease by depositing a

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

principal payment of \$5,400,000 in a quasi-endowment held at SDSURF for the benefit of Business and Financial Affairs (BFA) of SDSU. With the implementation of GASB 87, the prepaid expense was reclassified to a right to use asset. There is no remaining unpaid lease liability, and no interest will be recognized. For the year ending June 30, 2025, the annual depreciation is \$352,000.

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.

Software Agreements

As of June 30, 2025, San Diego State University Research Foundation, had 16 active subscriptions. As of June 30, 2025, the total combined value of the subscription liability is \$1,285,119 with long-term of \$696,330 and current \$588,789. The combined value of the right to use asset, as of June 30, 2025, of \$3,088,485 with accumulated amortization of \$1,651,448 is included within the Subscription Class activities.

NOTE 11 - POSTRETIREMENT BENEFIT PLAN

General Information about the OPEB Plan

The SDSU Foundation Health VEBA Plan for Post-Retirement Health Care Benefits (formerly 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-employment benefit obligation provided under the plan. The fair value of assets held by the VEBA trust for the years ended June 30, 2025 and 2024 was \$16,461,000 and \$15,002,000, 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.

SDSU Research Foundation provides medical, hospital, surgical, major medical, vision 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 – Benefit Eligible Employees employed by the Foundation on or after July 1, 1991, with 15 years of continuous service who have attained age 60. The age requirement is waived if the employee is retiring due to permanent total disability and is approved for benefits under the

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

“Group Long Term Disability Benefits Plan for Regular Salaried Employees of San Diego State University Foundation.”

- 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 Associate Vice President and CEO, (b) KPBS, (c) SDSU Global Campus, (d) University Relations and Development or (e) SDSU 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, 2024, there were 97 eligible retired participants or their surviving spouses receiving benefits from the Plan. At December 31, 2023, there were 94 eligible retired participants or their surviving spouses 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). Per the December 31, 2023, actuarial valuation, SDSURF did not need to make a contribution to the VEBA Trust for the fiscal year ending June 30, 2025. Instead, SDSURF was eligible to and did request a \$52,423 refund. The actuarially determined contribution (ADC) for the year ended June 30, 2025 was \$0, comprised of a \$52,423 refund from the trust and an implicit subsidy contribution of \$52,423. The actuarially determined contribution (ADC) for the year ended June 30, 2024 was \$0. No contributions to fund the future liability of the plan are required from employees.

Net OPEB Asset

Included in Other assets on the statements of net position as of June 30, 2025 and June 30, 2024, respectively, is the net OPEB asset of SDSU Research Foundation. The components of the asset balances are as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Plan fiduciary net position	\$ 15,356,628	\$ 14,301,922
Total OPEB liability	<u>(9,094,143)</u>	<u>8,600,823</u>
Net OPEB asset	<u>\$ 6,262,485</u>	<u>\$ 5,701,099</u>

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Actuarial Assumptions

The total OPEB liability for the years ended June 30, 2025 and June 30, 2024 was determined by an actuarial valuation as of December 31, 2024. The following assumptions were used to determine the total OPEB liability as of December 31, 2024:

December 31, 2024	
General inflation rate	2.5%
Salary increase	3.0% per year, used only to allocate the cost of benefits between service years
Investment rate of return	5.25%
Mortality rates	Public Retirement Plans Headcount Weighted 2010 Mortality Table with separate rates for males and females. Mortality improvement rates were projected using MacLeod Watts Scale 2022 on a fully generational basis from 2010 forward.

Discount Rate

The discount rate used to measure the total OPEB liability as of December 31, 2024 and December 31, 2023, was 5.25%, which is equal to the expected long-term yield on investments net of plan investment expenses and inflation assumption. This long-term rate of investment returns is used because the earnings are expected to fund the benefit costs. As of December 31, 2024, the VEBA Trust's investment advisor projected a long-term expected return on assets of 7.91% per year, prior to offset for investment management and advisory fees. The fees were estimated to be 0.34% and 0.17%, respectively, each year. The long-term yield was reduced to a more conservative estimate of 5.25% to provide some margin against lower market rate returns.

Sensitivity of the Net OPEB Asset to Changes in Discount Rate and Healthcare Cost

The discount rate used to calculate the net OPEB asset as of December 31, 2024, was 5.25%. Healthcare Cost Trend Rate was assumed to start at 6.5% and grade down to 3.9% for years 2075 and later. The impact of a 1.0% increase or decrease in these assumptions is shown in the chart below as of December 31, 2024.

	Sensitivity of Asset to Change in					
	Discount Rate			Healthcare Cost Trend Rate		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)	1% Decrease	Current Healthcare Cost Trend	1% Increase
Net OPEB asset	\$ 4,918,123	\$ 6,262,485	\$ 7,352,540	\$ 7,411,649	\$ 6,262,485	\$ 4,847,540
(Decrease) increase	(1,344,362)	-	1,090,055	1,149,164	-	(1,414,945)
% (Decrease) increase	(21.5%)	-	17.4%	18.3%	-	(22.6%)

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

The impact of a 1% increase or decrease in these assumptions is shown in the chart below as of December 31, 2023:

	Sensitivity of Asset to Change in					
	Discount Rate			Healthcare Cost Trend Rate		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)	1% Decrease	Current Healthcare Cost Trend	1% Increase
Net OPEB asset	\$ 4,407,536	\$ 5,701,099	\$ 6,747,577	\$ 6,787,926	\$ 5,701,099	\$ 4,362,909
(Decrease) increase	(1,293,563	-	1,046,478	1,086,827	-	(1,338,190)
% (Decrease) increase	(22.7%)	-	18.4%	19.1%	-	(23.5%)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the years ended June 30, 2025 and June 30, 2024, SDSU Research Foundation recognized a reduction to OPEB expense of \$686,180 and \$1,041,489, respectively.

The chart below shows the OPEB related deferred outflows and inflows of resources reported in the statements of net position as of June 30, 2025 and 2024.

	June 30, 2025	June 30, 2024
Deferred outflows of resources		
Changes of assumptions	\$ 255,466	\$ 441,175
OPEB investment experiences	1,084,660	1,626,991
Total OPEB related outflows of resources	<u>\$ 1,340,126</u>	<u>\$ 2,068,166</u>
Deferred inflows of resources		
OPEB plan experiences	\$ 1,045,946	\$ 1,814,845
OPEB investment experiences	1,416,109	1,470,842
Changes of assumptions	23,572	52,674
Total OPEB related inflows of resources	<u>\$ 2,485,627</u>	<u>\$ 3,338,461</u>

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

For the Fiscal Year Ending June 30,	Recognized Net Deferred Inflows of Resources
2026	\$ (587,417)
2027	71,828
2028	(470,500)
2029	(159,412)
2030	-
Total	<u>\$ (1,145,501)</u>

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

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 investment 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. As of January 1, 2020, the Plan was amended, and the 10% contribution was replaced with a 200% fixed match of each participant's contributions up to 10% of the participant's eligible adjusted gross salary. Total contributions to the Retirement Plan for the years ended June 30, 2025 and 2024 were approximately \$8,057,000 and \$7,263,000, respectively, and included in Operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 12 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

As of June 30, 2025 and 2024, SDSURF reported deferred outflows of resources and deferred inflows of resources in connection with the unamortized (loss)/gain on bond refunding, the OPEB plan, contributions to KPBS, and deferred inflows related to lessor leases, as presented in the table below:

	2025		2024	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Unamortized loss (gain) on bond refunding	\$ 306,066	\$ -	\$ 333,074	\$ -
OPEB related	1,340,126	2,485,627	2,068,166	3,338,461
Contributions - KPBS	-	1,106,830	-	1,779,143
Lessor leases	-	26,519,510	-	15,594,274
PPP	-	35,200,000	-	36,000,000
	\$ 1,646,192	\$ 65,311,967	\$ 2,401,240	\$ 56,711,878

San Diego State University Research Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

NOTE 13 - 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 14 - SUBSEQUENT EVENTS

SDSURF has reviewed its financial statements for subsequent events through October 3, 2025 the date the financial statements were issued. The federal funding that supports public broadcasting has been significantly reduced in FY 2025-26 with the rescission in funding from the federal government for the Corporation for Public Broadcasting (CPB) related to KPBS. The total CPB funding provided was \$3,919,000 and \$3,841,000 for the years ended June 30, 2025 and 2024, respectively.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

San Diego State University Research Foundation
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN SDSU RESEARCH FOUNDATION NET OPEB ASSET (LIABILITY) AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

Fiscal Year End	06/30/25	06/30/24	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18
Measurement Date	12/31/24	12/31/23	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
Discount Rate on Measurement Date	5.25%	5.25%	5.25%	5.25%	5.35%	6.00%	6.00%	6.00%
Total OPEB liability								
Service cost	\$ 330,836	\$ 276,016	\$ 267,977	\$ 335,568	\$ 281,845	\$ 318,983	\$ 308,942	\$ 299,217
Interest	461,074	461,350	440,666	583,601	569,072	719,045	680,729	640,618
Differences between expected and actual experience	-	(894,798)	-	(2,891,384)	-	(3,028,225)	-	-
Change of assumptions	-	408,898	-	(139,980)	887,525	(90,035)	-	-
Benefit payments	(298,590)	(324,504)	(320,903)	(349,077)	(387,466)	(376,908)	(345,313)	(216,762)
Net change in total OPEB liability	493,320	(73,038)	387,740	(2,461,272)	1,350,976	(2,457,140)	644,358	723,073
Total OPEB liability, beginning of year	8,600,823	8,673,861	8,286,121	10,747,393	9,396,417	11,853,557	11,209,199	10,486,126
Total OPEB liability, end of year (a)	\$ 9,094,143	\$ 8,600,823	\$ 8,673,861	\$ 8,286,121	\$ 10,747,393	\$ 9,396,417	\$ 11,853,557	\$ 11,209,199
Plan fiduciary net position								
Contributors - employers	\$ -	\$ -	\$ -	\$ 64,021	\$ 106,792	\$ 295,634	\$ 285,305	\$ 249,062
Net investment income	1,388,739	1,910,207	(1,930,235)	1,480,967	1,617,349	1,765,032	(356,123)	1,609,240
Benefit payments	(298,590)	(324,504)	(320,903)	(349,077)	(387,466)	(376,908)	(345,313)	(205,392)
Expenses paid	(8,959)	(60,865)	(72,382)	(84,391)	(79,724)	(88,140)	(27,830)	(27,500)
Change in employer contribution receivable	-	-	-	-	-	-	(92,222)	(31,757)
Change in accrued expenses	(26,484)	(3,232)	16,452	(588)	6,951	17,177	(32,432)	-
Change in accrued benefit payments	-	22,372	(15,103)	11,837	2,957	(1,705)	(17,402)	(11,370)
Net change in plan fiduciary net position	\$ 1,054,706	\$ 1,543,978	\$ (2,322,171)	\$ 1,122,769	\$ 1,266,859	\$ 1,611,090	\$ (586,017)	\$ 1,582,283
Plan fiduciary net position - beginning of year	14,301,922	12,757,944	15,080,115	13,957,346	12,690,487	11,079,397	11,665,414	10,083,131
Plan fiduciary net position - end of year (b)	\$ 15,356,628	\$ 14,301,922	\$ 12,757,944	\$ 15,080,115	\$ 13,957,346	\$ 12,690,487	\$ 11,079,397	\$ 11,665,414
Net OPEB asset (liability) (b)-(a)	\$ 6,262,485	\$ 5,701,099	\$ 4,084,083	\$ 6,793,994	\$ 3,209,953	\$ 3,294,070	\$ (774,160)	\$ 456,215
Plan fiduciary net position as a percentage of the total OPEB liability	168.86%	166.29%	147.08%	181.99%	129.87%	135.06%	93.47%	104.07%
Covered payroll	\$ 31,326,445	\$ 27,768,737	\$ 24,550,631	\$ 21,389,881	\$ 20,065,194	\$ 19,882,327	\$ 20,277,985	\$ 20,501,853
Net OPEB asset (liability) as a percentage of covered payroll	19.99%	20.53%	16.64%	31.76%	16.00%	16.57%	-3.82%	2.23%

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

San Diego State University Research Foundation

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF SDSU RESEARCH FOUNDATION CONTRIBUTIONS

LAST EIGHT FISCAL YEARS

Plan Year End	Fiscal Year Ended	ADC	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/24	6/30/25	\$ -	\$ -	\$ -	\$ 31,662,035	0.00%
12/31/23	6/30/24	-	-	-	28,220,981	0.00%
12/31/22	6/30/23	-	-	-	25,708,782	0.00%
12/31/21	6/30/22	-	-	-	21,074,435	0.00%
12/31/20	6/30/21	64,021	64,021	-	20,201,683	0.32%
12/31/19	6/30/20	52,696	106,792	(54,096)	20,408,482	0.52%
12/31/18	6/30/19	295,634	295,634	-	20,937,020	1.41%
12/31/17	6/30/18	285,305	285,305	-	20,501,853	1.39%

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

Notes to Schedule of Contributions

Methods and assumptions used to determine contribution rates

Valuation Date	12/31/2023		12/31/2021		12/31/2019		12/31/2017	
Fiscal Year End	06/30/2025	06/30/2024	06/30/2023	06/30/2022	06/30/2021	06/30/2020	06/30/2019	06/30/2018
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry Age Normal		Entry Age Normal		Entry Age Normal		Entry Age Normal	
Amortization method	Level Dollar		Level Dollar		Level Dollar		Level Dollar	
Amortization period	30 year open		30 year open		30 year open		29 year closed	30 year closed
Asset valuation method	Market Value		Market Value		Market Value		Market Value	
Inflation	2.50%		2.50%		2.50%		2.75%	
Healthcare cost trend rates	6.5% in 2025, fluctuating to an ultimate rate of 3.9% in 2075		5.8% in 2023, fluctuating to an ultimate rate of 3.9% in 2075		5.4% in 2021, fluctuating until ultimate rate of 4% in 2076		7.5% in 2019, step down 0.5% per year to 5% in 2024	
Salary increases	3.00%		3.00%		3.00%		3.25%	
Investment rate of return	5.25%		5.25%		6.00%		6.00%	
Retirement age	From 55 to 70		From 55 to 70		From 55 to 70		From 55 to 70	
Mortality	Pub10 headcount Weighted (gender distinct rates)		Pub10 headcount Weighted (gender distinct rates)		Public Retirement Plans Headcount Weighted 2010 Mortality (gender distinct rates).		RP-2014 Healthy Mortality (gender distinct rates).	
Mortality Improvement	MacLeod Watts Scale 2022		MacLeod Watts Scale 2022		MacLeod Watts Scale 2020		MacLeod Watts Scale 2018	