TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Functional Expenses	6 – 7
Statement of Functional Expenses – Prior Year	8 - 9
Statement of Cash Flows	10
Notes to the Financial Statements	11 – 34
Supplemental Information:	
Total Assets by Category – Five Year Schedule	35
Endowments by College – December 31, 2018	36
Endowments by College – December 31, 2017	37

TEXAS A&M UNIVERSITY–KINGSVILLE FOUNDATION, INC.

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P. O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Texas A&M University – Kingsville Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Texas A&M University – Kingsville Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas A&M University – Kingsville Foundation, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2017, the Texas A&M University – Kingsville Foundation, Inc., adopted new accounting guidance, ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis rather than to present the results of operations of the Foundation and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

John Womack & Co. P.C.

John Womack and Co., P.C.
Kingsville, TX
July 19, 2019

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	December 31, 2018	December 31, 2017
ASSETS:		
Cash and Cash Equivalents	$ 2,014,959	$ 3,220,748
Federal Tax Refund Receivable	16,305	16,305
Pooled Investment Funds, at Fair Value	72,829,247	75,477,844
Charitable Gift Annuity Assets Pooled Investment Funds, at Fair Value	0	1,166
Unconditional Promises to Receive	4,291,419	6,415,948
Land, Property & Equipment (net)	125,849	125,849
Total Assets	$ 79,277,779	$ 85,257,860
LIABILITIES AND NET ASSETS:		
Liabilities:		
Distributions Payable	$ 64,000	$ 1,260,069
Accounts Payable	127,879	101,483
Payroll Taxes Payable	126	3,546
Total Liabilities	192,005	1,365,098
Net Assets:		
Without Donor Restrictions	10,877,097	11,958,864
With Donor Restrictions	68,208,677	71,933,898
Total Net Assets	79,085,774	83,892,762
Total Liabilities and Net Assets	$ 79,277,779	$ 85,257,860

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

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2017

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities			
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions:			
Cash	$ 0	$ 2,670,601	$ 2,670,601
Securities	0	16,352	16,352
Unconditional Promises to Receive	0	202,500	202,500
Contributed Services	2,280	0	2,280
Total Contributions	2,280	2,889,453	2,891,733
Interest & Dividends	146,670	1,075,442	1,222,112
Royalty Income (Net of Production Taxes)	9,923	5,871	15,794
Reclassification	(513,000)	513,000	0
Net Assets Released From Restrictions	4,784,246	(4,784,246)	0
Total Revenue, Gains and Other Support	4,430,119	(300,480)	4,129,639
EXPENSES			
Program Expenses			
Texas A&M University Kingsville (TAMUK)	3,356,980	0	3,356,980
Related Support	25,000	0	25,000
Other	179,515	0	179,515
Supporting Services			
Management and General	408,486	0	408,486
Fund-Raising	383,366	0	383,366
Total Expenses	4,353,347	0	4,353,347
Nonoperating Activities			
INVESTMENT RETURN:			
Pooled Fund Portfolio Gains (Losses), Realized	445,897	3,512,929	3,958,826
Other Gains (Losses), Realized	0	(350)	(350)
Portfolio Gains (Losses), Unrealized	(1,093,505)	(6,937,320)	(8,030,825)
Pooled Investments Fees	(510,931)	0	(510,931)
Investment Return, Net (Loss)	(1,158,539)	(3,424,741)	(4,583,280)
Change in Net Assets	(1,081,767)	(3,725,221)	(4,806,988)
Net Assets as of the Beginning of Period	11,958,864	71,933,898	83,892,762
Net Assets as of the End of Period	$ 10,877,097	$ 68,208,677	$ 79,085,774

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

Year Ended December 31, 2017		
Without Donor Restrictions	With Donor Restrictions	Totals
$ 1,109	$ 1,990,484	$ 1,991,593
0	64,260	64,260
0	1,089,512	1,089,512
0	0	0
1,109	3,144,256	3,145,365
259,832	1,444,204	1,704,036
10,357	43	10,400
(319,500)	319,500	0
4,165,614	(4,165,614)	0
4,117,412	742,389	4,859,801
2,941,797	0	2,941,797
0	0	0
270,169	0	270,169
274,323	0	274,323
188,892	0	188,892
3,675,181	0	3,675,181
271,000	2,118,682	2,389,682
0	1,776	1,776
796,666	4,945,100	5,741,766
(419,295)	0	(419,295)
648,371	7,065,558	7,713,929
1,090,602	7,807,947	8,898,549
10,868,262	64,125,951	74,994,213
$ 11,958,864	$ 71,933,898	$ 83,892,762

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services		
	TAMUK	Related Support	Other
EXPENSES:			
Program Service:			
Distributions to University	$ 3,345,491	$ 0	$ 0
Miscellaneous Other-CKWRI Endowed Expenses	0	25,000	0
Total Program Service	3,345,491	25,000	0
Operating Expenses:			
TAMUK Assessment	0	0	0
Salary/Benefit/Tax Expense	0	0	0
Accounting Fees	0	0	0
Audit Fees	0	0	0
Office Expense	3,360	0	0
Travel, Mileage and Meals	6,327	0	0
Board Liability Insurance	0	0	0
Conferences, Seminars & Meetings	0	0	0
Consulting Fees	0	0	0
Publications and Printing	764	0	0
Miscellaneous	0	0	0
Depreciation Expense	0	0	0
Other:			
Annuity Interest Payment	0	0	4,860
Services - CKWRI Endowed Expenses	0	0	97,088
Services - Other University Related Expenses	0	0	37,380
Insurance	0	0	14,607
Property Management	1,038	0	1,554
CKWRI Golf Fund Raiser	0	0	0
Kick-Off Campaign	0	0	0
Other Miscellaneous	0	0	24,026
UBTI Tax Expense	0	0	0
Total Operating Expense/Other	11,489	0	179,515
Total Expenses	$ 3,356,980	$ 25,000	$ 179,515

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

Supporting Services		
Management and General	Fund-Raising	Total
$ 0	$ 0	$ 3,345,491
0	0	25,000
0	0	3,370,491
225,000	75,000	300,000
11,460	11,460	22,920
69,940	0	69,940
30,896	0	30,896
3,360	3,362	10,082
0	6,327	12,654
3,087	0	3,087
36,113	0	36,113
3,875	0	3,875
763	763	2,290
12,354	1,850	14,204
0	0	0
0	0	4,860
0	0	97,088
0	0	37,380
388	0	14,995
0	0	2,592
0	175,343	175,343
0	92,586	92,586
11,250	16,675	51,951
0	0	0
408,486	383,366	982,856
$ 408,486	$ 383,366	$ 4,353,347

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	
	TAMUK	Other
EXPENSES:		
Program Service:		
Distributions to University	$ 2,935,010	$ 0
Miscellaneous Other-CKWRI Endowed Expenses	0	25,000
Total Program Service	2,935,010	25,000
Operating Expenses:		
TAMUK Assessment	0	0
Salary/Benefit/Tax Expense	0	0
Accounting Fees	0	0
Audit Fees	0	0
Office Expense	3,044	0
Travel, Mileage and Meals	9,037	0
Board Liability Insurance	0	0
Conferences, Seminars & Meetings	0	0
Consulting Fees	0	0
Publications and Printing	351	0
Miscellaneous	0	0
Depreciation Expense	0	0
Other		
Annuity Interest Payment	0	4,860
Services - CKWRI Endowed Expenses	0	221,846
Services - Other University Related Expenses	0	5,286
Insurance	9,679	0
Property Management	981	0
Other Miscellaneous	0	13,177
UBTI Tax Expense	(16,305)	0
Total Operating Expense/Other	6,787	245,169
Total Expenses	$ 2,941,797	$ 270,169

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

Supporting Services		
Management and General	Fund-Raising	Total
$ 0	$ 0	$ 2,935,010
0	0	25,000
0	0	2,960,010
100,001	100,000	200,001
52,605	52,605	105,210
64,150	0	64,150
25,450	0	25,450
3,043	3,045	9,132
0	9,036	18,073
3,087	0	3,087
10,505	0	10,505
700	0	700
351	351	1,053
13,183	1,355	14,538
248	0	248
0	0	4,860
0	0	221,846
0	22,500	27,786
1,000	0	10,679
0	0	981
0	0	13,177
0	0	(16,305)
274,323	188,892	715,171
$ 274,323	$ 188,892	$ 3,675,181

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31, 2018	December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (4,806,988)	$ 8,898,549
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:		
Fees Paid from Investment Account (Invest Mgr. & MAP Fees)	510,930	419,296
(Increase) Decrease in Other Receivables	0	134,331
(Increase) Decrease in Unconditional Promise to Receive	2,124,528	1,397,597
Increase (Decrease) in Distribution Payable	(3,215)	215,636
Increase (Decrease) in Accounts Payable	(1,166,465)	42,084
Increase (Decrease) in Payroll Taxes Payable	(3,416)	3,544
Depreciation Expense	0	248
Unrealized Net (Gains) Losses on Investments	8,030,825	(5,741,766)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,686,199	5,369,518
CASH FLOWS FROM INVESTING ACTIVITIES:		
Write off of obsolete Fixed Assets	0	80
Contributions to Various Investment Accounts	(5,469,068)	(6,537,734)
Withdrawals from Various Investment Accounts	4,757,877	4,150,468
Reinvestment of Net Realized (Gains) Losses in Various Investment Accounts	(3,958,777)	(2,389,682)
Reinvestment of Dividends, Interest, and Other Miscellaneous Investment Income in Investment Accounts	(1,222,019)	(1,701,188)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,891,987)	(6,478,056)
NET INCREASE (DECREASE) IN CASH	(1,205,788)	(1,108,538)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,220,748	4,329,286
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,014,960	$ 3,220,748
NON-CASH INVESTING ACTIVITIES:		
Contribution of Securities	$ 16,352	$ 64,260

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

NOTE A: NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Foundation

The Texas A & M University – Kingsville Foundation, Inc., (the "Foundation") was formed to provide support to Texas A&M University – Kingsville (the "University"). The Foundation accomplishes its purpose by soliciting and acquiring funds from businesses, individuals, and other foundations as well as serving as the principal depository for endowment funds raised by others to benefit University students, faculty, and programs. These funds are then made available to the University to aid it in the accomplishment of its goals through scholarships, research, and faculty and department support.

Financial Statement Presentation

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The new standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation chose to implement this new standard for the year ended December 31, 2017.

Under ASU No. 2016-14, the Foundation is required to report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- **Net Assets Without Donor Restrictions** are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

- **Net Assets With Donor Restrictions** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

  The organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and any beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For the purposes of cash flows, the Foundation considers all unrestricted highly liquid debt securities with an initial maturity of three months or less, and certificates of deposit with a maturity of twelve months or less, to be cash equivalents. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note C (traditional structures). Investments held in alternative structures are recorded at the percentage share of the Foundation's ownership interest in partner's capital provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

Donated investments are recorded at their fair values, as determined on the date of donation. Donated securities are liquidated and the proceeds are utilized according to donor intent, whether distributed as a grant or award, invested, or endowed. Investment income and gains and losses are recorded in the period incurred.

Fair Value Measurements

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

Charitable Gift Annuity Agreements

The Foundation has entered into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. Upon the death of the beneficiaries, the assets of the gift annuity fund are held by the Foundation in accordance with the agreements.

Contributions Receivable

Contributions receivable are unconditional promises to receive that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

Allowance for Uncollectible Receivables

The amount of Promises to Receive deemed uncollectible have been insignificant in the past. Management has determined that there is a high probability of collection, as there are no significant delinquent Promises to Receive and substantially all are paying according to the pledge agreements; therefore, an allowance for Uncollectible Promises to Receive has not been established. Collections on Promises to Receive were $2,444,333 and $2,526,189 in 2018 and 2017, respectively.

Land, Property, and Equipment

Donations of land, property, and equipment are recorded at their estimated fair value at the date of gift or donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent any donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method with a five to seven-year life on equipment and ten-year life on buildings. The Foundation's policy is to capitalize all assets with an original value greater than or equal to $750.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment was considered necessary at the end of fiscal year 2018 or 2017.

Accounting for Contributions

Contributions, including unconditional promises to receive, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Services

During the years ended December 31, 2018 and 2017, the fair values of contributed services meeting the requirements for presentation in the financial statements were not material and were not recorded in the 2017 fiscal year. However, the Foundation has chosen to record the current year fair value of contributed services of $2,280.

Income Taxes

The Foundation is a not-for-profit organization exempt from Federal Income Tax in accordance with the Internal Revenue Code 501(c)(3), and is considered a public charity under Section 509(a)(3). However, the Foundation is subject to taxation on the net income, if any, derived from activities that are not considered to be related to the operations for which the Foundation's tax exemption was granted. During the year ended December 31, 2018, investments of the Foundation generated a UBTI loss of $67,325, which created a taxable loss carryforward for that amount. During the year ended December 31, 2017, investments of the Foundation generated a loss for unrelated business taxable income, resulting in no UBTI tax expense to be reported on the 2017 Form 990-T, and an asset of $16,305 representing tax deposits made for which a refund was requested and subsequently received in fiscal year 2019. Management believes that there is no change in the Foundation's not-for-profit status.

The Foundation adopted the provisions of FASB ASC 740-10-25, *Income Taxes – Overall – Recognition,* which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management of the Foundation has analyzed the Foundation's tax positions taken with respect to all applicable income tax issues for all open tax years (2015 through 2018), and has concluded that it has appropriate support for any tax positions taken or expected to be taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Expense Allocation

Expenses are charged to program services, fundraising and administrative based on direct expenditures incurred. Expenditures not directly charged to a functional expense category are allocated to those functions benefited based on reasonable allocation methods which are consistently applied, as follows:

- TAMUK Assessment is allocated based on estimated time utilized by applicable personnel

- Office expense and publication and printing expense that cannot be directly identified is allocated evenly across program, management and general, and fundraising expenses based on management's estimate of resources utilized

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The most significant estimate made by management is in the area of fair value of investments. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates are made prospectively based on such periodic evaluations.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 and No. 2015-14, Revenue from Contracts with Customers, which supersede the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation has evaluated the impact of the new standard and believes that it will not have a material effect on its financial statements.

Change in Accounting Principles

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation has implemented this ASU in the 2017 fiscal year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note B)

The changes have the following effect on net assets at January 1, 2017:

Net Asset Class:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 10,868,262	
Temporarily restricted net assets	10,882,485	
Permanently restricted net assets	53,243,466	
Net assets without donor restrictions		$ 10,868,262
Net assets with donor restrictions		64,125,951
Total net assets	$ 74,994,213	$ 74,994,213

NOTE B: LIQUIDITY AND AVAILABILITY

The following schedule lists financial assets of the Foundation that will be available for general expenditure within one year of December 31, 2018, excluding those financial assets with donor or other restrictions:

Financial assets:		
Cash and Cash Equivalents	$	2,014,959
Federal Tax Refund Receivable		16,305
Pooled Investment Funds, at Fair Value		72,829,247
Unconditional Promises to Receive, Net		4,291,419
Total financial assets		79,151,930
Less financial assets held to meet donor-imposed restrictions:		
Donor restricted endowment funds (Note F)		(65,751,542)
Less financial assets not available within one year:		
Unconditional Promises to Receive (Note K)		(2,092,937)
Less board-designated endowments (Note F)		(8,096,327)
Amount Available for general expenditures within one year	$	3,211,124

The following schedule lists financial assets of the Foundation that will be available for general expenditure within one year of December 31, 2017, excluding those financial assets with donor or other restrictions:

Financial assets:		
Cash and Cash Equivalents	$	3,220,748
Federal Tax Refund Receivable		16,305
Pooled Investment Funds, at Fair Value		75,477,844
Unconditional Promises to Receive, Net		6,415,948
Total financial assets		85,130,845
Less financial assets held to meet donor-imposed restrictions:		
Donor restricted endowment funds (Note F)		(69,046,698)
Less financial assets not available within one year:		
Unconditional Promises to Receive (Note K)		(4,071,819)
Less board-designated endowments (Note F)		(9,195,126)
Amount Available for general expenditures within one year	$	2,817,202

The above tables reflect donor-restricted and board-designated endowment funds as unavailable because it is the organization's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds available for general use or from its designated endowment funds. Note F provides more information about those funds and about the spending policies for all endowment funds.

NOTE C: POOLED INVESTMENT FUND

The Foundation Board of Trustees authorized the formation of a Pooled Investment Fund (the "Fund"), which is an account established with a national brokerage firm, to facilitate the efficient and effective management of funds available for investment. The Fund is professionally managed by a group of investment managers pursuant to a policy established by the Board. Fees for investment advisory services are deducted from the gross returns, and the Board has authorized a fee for administrative services that is also deducted from gross returns.

The investments at December 31, 2018 and 2017 are summarized as follows:

	December 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
Traditional Structures:				
Money Market Funds	$ 1,929,289	$ 1,929,289	$ 1,559,201	$ 1,559,201
Mutual Funds	1,965,950	1,412,236	3,973,217	3,270,216
Exchange Traded Funds	3,297,135	3,404,844	7,709,303	9,978,398
Corporate Stocks	43,023,718	50,020,663	33,335,518	45,910,677
Government Securities	6,260,742	6,229,378	6,068,248	5,983,683
Corporate Bonds	3,828,098	3,732,164	4,118,201	4,093,860
Mortgage Securities	2,076,914	2,073,020	1,622,396	1,600,168
Alternative Structures:				
Limited Liability Corporation	1,944,357	1,713,127	250,592	255,799
Limited Partnerships	2,166,545	2,314,526	2,725,603	2,825,842
Total	$ 66,492,748	$ 72,829,247	$ 61,362,279	$ 75,477,844

Investments held in traditional structures represent those held directly by the Foundation in custodial accounts with financial institutions. Investments held in alternative structures include those held through interests in limited partnerships.

The percentage share of the Foundation's ownership interest in partner's capital which is provided by external investment managers for alternative structures include estimates, assumptions, and methods that are reviewed by management. Changes in market conditions and the economic environment may impact the fair value of the funds and, consequently, the fair value of the Foundation's interests in the funds. At December 31, 2018 and 2017, the Foundation had $4,027,653 and $3,081,641 of investments in alternative structures, respectively, which are reported at the percentage share of the Foundation's ownership interest in partner's capital. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported fair value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported fair value, and the discount could be significant.

NOTE D: FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurement and Disclosures,* provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Foundation is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business);
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., current replacement cost);
- Income approach – Techniques that convert future amounts to a single present amount based on current market expectations about those future amounts (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018 and 2017.

Money Market Funds and ETF's – Valued at the closing price reported on the active market on which the funds are traded.

Bond Mutual Funds – Valued at the net asset value of shares held by the Foundation at year end.

Corporate Stocks – Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Government Securities – Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds – Corporate bonds are valued at the closing price reported in the active market in which the bond is traded.

Mortgage Securities – Valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments.

Limited Partnerships and LLC's – Valued at percentage share of the Foundation's ownership interest in partner's capital.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future changes. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Foundation's investments and the amounts reported in the statement of net assets and the statement of activities.

The credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. These and other economic events may have caused significant volatility to the Foundation's investment portfolio subsequent to year end.

Management reviews for other than temporary decline in accordance with the requirements of fair value measurements. The Foundation's investments in mutual funds consist primarily of investments in exchange-traded debt and equity securities. Within the fund balance, certain individual investments may have fair values measured below cost. The severity of any impairment and the duration of any impairment correlate with current market conditions. Based upon the near-term prospects of the issuer of any of those securities in relation to the severity and duration of the impairment, and based upon the Foundation's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Foundation does not consider those investments to be permanently impaired at December 31, 2018.

The following financial instruments are carried at fair value in the Foundation's financial statements: money market funds, bond mutual funds, corporate stocks, government securities, corporate bonds, mortgage securities, and limited partnerships and limited liability corporations. These fair value disclosures include information regarding the valuation of the Foundation's investments at December 31, 2018 and 2017:

	Fair Value, December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	$ 1,929,289	$ 0	$ 0	$ 1,929,289
Mutual Funds				
Real Estate Value Opportunity Fund	1,412,236	0	0	1,412,236
Exchange Traded Funds (ETF's)	3,404,844	0	0	3,404,844
Corporate Stocks:				
Manufacturing/Industrials	7,929,555	0	0	7,929,555
Financials	5,989,184	0	0	5,989,184
Consumer Discretionary	4,755,018	0	0	4,755,018
Energy	2,603,067	0	0	2,603,067
Technology	9,333,013	0	0	9,333,013
Consumer Staples	3,873,376	0	0	3,873,376
Healthcare	7,186,253	0	0	7,186,253
Other	8,351,197	0	0	8,351,197
Government Securities*	2,602,740	3,626,638	0	6,229,378
Corporate Bonds:				
Financial Institutions	0	1,399,357	0	1,399,357
Other	0	2,332,807	0	2,332,807
Mortgage Securities*	0	2,073,020	0	2,073,020
Alternative Structures (2):				
Limited Liability Corporation	0	0	1,713,127	1,713,127
Limited Partnership	0	0	2,314,526	2,314,526
Total	$ 59,369,772	$ 9,431,822	$ 4,027,653	$ 72,829,247

	Fair Value, December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	$ 1,559,201	$ 0	$ 0	$ 1,559,201
Mutual Funds				
Real Estate Value Opportunity Fund	3,270,216	0	0	3,270,216
Exchange Traded Funds (ETF's)	9,978,398	0	0	9,978,398
Corporate Stocks:				
Manufacturing/Industrials	8,216,755	0	0	8,216,755
Financials	6,442,521	0	0	6,442,521
Consumer Discretionary	4,767,879	0	0	4,767,879
Energy	2,267,413	0	0	2,267,413
Technology	8,176,998	0	0	8,176,998
Consumer Staples	3,631,935	0	0	3,631,935
Healthcare	6,332,932	0	0	6,332,932
Other	6,074,244	0	0	6,074,244
Government Securities*	2,571,629	3,412,054	0	5,983,683
Corporate Bonds:				
Financial Institutions	0	1,726,197	0	1,726,197
Other	0	2,367,663	0	2,367,663
Mortgage Securities*	0	1,600,168	0	1,600,168
Alternative Structures (2):				
Limited Liability Corporation	0	0	255,799	255,799
Limited Partnership	0	0	2,825,842	2,825,842
Total	$ 63,290,121	$ 9,106,082	$ 3,081,641	$ 75,477,844

*On the basis of its analysis of the nature, characteristics, and risks of the investments, the Foundation has determined that presenting these investments as single classes is appropriate. Industry concentrations represent amounts greater than 3% of the total portfolio value.

(1) Money Market Funds consist of investments in the Federated Government Obligation SS Fund. This fund seeks to achieve as high a level of current income obtainable from investment in short-term securities as is consistent with prudent investment management, the preservation of capital and the maintenance of liquidity. The Fund invests in a variety of money market instruments including corporate debt obligations, U.S. Government securities, bank securities, certificates of deposit and repurchase agreements.

(2) This category includes investments in one limited partnership and one limited liability corporation. These are typically classified within Level 3 of the fair value hierarchy because there is little, if any, market activity for the investment. Fair value (as determined by the percentage share of the Foundation's ownership interest in partner's capital) is provided by the Foundation's independent investment advisor based on information provided by the management of the limited partnership and limited liability corporation. These consist of the following:

A Texas limited partnership, which is a private investment partnership established by an LLC to invest primarily in Master Limited Partnerships (MLP's) and other securities that meet its criteria, including units of publicly-traded partnerships, shares of limited liability companies related to MLP's, and other publicly-traded securities which have similar characteristics to MLP's with respect to income distribution.

A Delaware limited liability company, which invests substantially all of its capital into a Master Fund (LP), an exempted limited partnership formed under the laws of the Cayman Islands.

Investments in these funds, for which observable market prices do not exist, are reported at fair value as determined by the General Partner. Fair value is determined by the General Partner using valuation methodologies after giving consideration to a range of factors, including, but not limited to, the nature of the investment, local market conditions, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

	Alternative Structures
Fair Value, December 31, 2016	$ 2,692,898
Realized and Unrealized Gains (Losses), Net	356,038
Purchases	1,250,000
Sales	(1,217,295)
Transfers In (Out) of Level 3	-
Fair Value, December 31, 2017	3,081,641
Realized and Unrealized Gains (Losses), Net	(658,565) (1)
Purchases	1,700,000
Sales	(95,423)
Transfers In (Out) of Level 3	-
Fair Value, December 31, 2018	$ 4,027,653

(1) This amount is included in the line items "Pooled Fund Portfolio Gains (Losses), Realized" and "Portfolio Gains (Losses), Unrealized" in the Statement of Activities.

For the years ended December 31, 2018 and 2017, there were no transfers into or out of levels 1, 2, or 3.

NOTE E: INVESTMENT RETURN

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2018
Interest, dividends, and realized gains and losses	$ 592,567	$ 4,588,021	$ 5,180,588
Unrealized gains (losses) on investments	(1,093,505)	(6,937,320)	(8,030,825)
Total	$ (500,938)	$ (2,349,299)	$ (2,850,237)

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2017
Interest, dividends, and realized gains and losses	$ 530,832	$ 3,564,662	$ 4,095,494
Unrealized gains (losses) on investments	796,666	4,945,100	5,741,766
Total	$ 1,327,498	$ 8,509,762	$ 9,837,260

NOTE F: ENDOWMENTS

The Foundation's endowment consists of multiple individual funds established for scholarships and a variety of other purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2009, the Foundation adopted Financial Accounting Standards Board ASC-958-210-45 & 50 (formerly Staff Position No. 117-1 [FAS 117-1]), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. Additionally, it provides for expanded disclosures about an organization's donor-restricted endowment funds and board-designated funds.

The Foundation has donor-restricted endowments that are to be used only for scholarships and other identified purposes and that are maintained in accordance with explicit donor stipulations ("Donor Restricted Endowments"). The Foundation interprets the definition of "with donor restrictions" net assets to include the original value of gifts to the Donor Restricted Endowments, except to the extent described below.

The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA, enacted in Texas on September 1, 2007) as requiring the preservation of the fair value of gifts to Donor Restricted Endowments as of the date of the gift, absent explicit donor stipulations that principal may be used for the donor's intended purpose, then the Foundation has interpreted the TUPMIFA as giving the Foundation flexibility to classify portions of Donor Restricted Endowments as "with donor restrictions" or "without donor restrictions" to the extent that such classification is consistent with the applicable gift agreement and applicable accounting rules. As a result of this interpretation, the Foundation classifies as "with donor restrictions" net assets (a) the original value of original gifts donated to Donor Restricted Endowments, (b) the original value of subsequent gifts to Donor Restricted Endowments and (c) other amounts required to be treated as principal either by Texas law or donor stipulation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2018 there were deficiencies in 58 donor-restricted perpetual endowment funds, and the amount of the deficiencies below original donor contributed corpus of $5,727,271, with market value of $5,482,399 as of that date, was $244,872. There were no deficiencies at December 31, 2017. Management does not believe that these deficiencies are permanent and therefore made no adjustment to reflect the market effects on donor restricted endowments.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purpose of the Foundation and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment funds were maintained in an investment account which was managed by an independent financial firm that followed guidance provided in an investment policy approved by the Board of Trustees. Investment goals included the objectives of providing total return through appreciation, dividends and interest income from the Fund's assets, to ensure a return necessary to at least preserve and to enhance the principal of the Funds, and to provide a dependable source of income for current operations. Under the formal written policy as it existed at December 31, 2018 and 2017, the endowment assets were invested to provide a total rate of return on investments (net of fees) that exceeds by 500 basis points the five year rolling average of the annual calendar year consumer price index as published by the U.S. government with low volatility. Actual returns in any given year might vary from this amount. In light of changing market conditions, the Board periodically reviews the investment policy, including its stated target rate of return.

The Foundation reviews requests for funds from the University on an annual basis at a called Board of Trustees meeting. At the last Foundation Board Meeting of each calendar year, the Investment Committee evaluates the requests against the results of investment earnings, and based upon the earnings available, recommends an endowment spending rate for the next academic year, which is expressed as a percentage of the average balance of each account over a previous determined number of calendar quarters. Twenty calendar quarters were used in the 2018 and 2017 fiscal years. The spending rate for the years ended December 31, 2018 and 2017 was 4.5% and 4.0% of eligible endowment accounts, respectively.

Endowment funds by net asset classification are as follows as of December 31, 2018:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		$ 65,751,542	$ 65,751,542
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	$ 474,072		474,072
Welhausen - College of Agriculture	94,531		94,531
Welhausen - College of Arts & Sciences	474,345		474,345
Welhausen - Department of Intercollegiate Athletics	491,612		491,612
Welhausen - College of Business Administration	474,345		474,345
Welhausen - College of Education and Human Performance	492,699		492,699
Welhausen - Frank H. Dotterweich College of Engineering	473,407		473,407
Reese Franke Endowment Fund	848,527		848,527
Walter Sells & Helen B. Sells Presidential Endowment	1,052,803		1,052,803
Welhausen - President's Scholarship	492,277		492,277
Welhausen Match Program	289,500		289,500
Welhausen Match Program - Tallant Endowment	438,000		438,000
Welhausen Ranch Proceeds	2,000,209		2,000,209
	$ 8,096,327	$ 65,751,542	$ 73,847,869

Endowment funds by net asset classification are as follows as of December 31, 2017:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		$ 69,046,698	$ 69,046,698
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	$ 520,594		520,594
Welhausen - College of Agriculture	104,584		104,584
Welhausen - College of Arts & Sciences	540,994		540,994
Welhausen - Department of Intercollegiate Athletics	519,891		519,891
Welhausen - College of Business Administration	540,994		540,994
Welhausen - College of Education and Human Performance	540,994		540,994
Welhausen - Frank H. Dotterweich College of Engineering	519,891		519,891
Reese Franke Endowment Fund	897,337		897,337
Walter Sells & Helen B. Sells Presidential Endowment	1,162,978		1,162,978
Welhausen - President's Scholarship	520,594		520,594
Welhausen Match Program	713,113		713,113
Welhausen Ranch Proceeds	2,613,162		2,613,162
	$ 9,195,126	$ 69,046,698	$ 78,241,824

At the February 2017 Board Meeting, the trustees agreed to designate $1,000,000 from the proceeds of the sale of the Welhausen property to be set aside to match any new endowments of at least $50,000. As of December 31, 2018, $710,500 of these funds have been used to match qualifying endowments, leaving a balance of $289,500 for future matching.

At the November 2018 Board Meeting, the trustees agreed to designate $500,000 from the proceeds of the sale of the Welhausen property to be set aside to match gifts of $10,000 or more to the Steve and Karen Tallant Presidential Scholarship Endowment (not to exceed $250,000 per individual). The match is available for gift commitments on or before December 31, 2019. As of December 31, 2018, $62,000 of these funds have been used to match qualifying gifts, leaving a balance of $438,000.

Changes in endowment funds for the years ended December 31, 2018 and December 31, 2017 are as follows:

	Without Donor Restictions	With Donor Restrictions	Total
Endowment:			
Net Assets, January 1, 2017	$ 8,505,887	$ 60,178,544	$ 68,684,431
Contributions	0	2,930,749	2,930,749
Endowment Activity			
Welhausen Matching Program	(319,500)	319,500	0
Investment Return, as restricted:			
Income	219,774	1,592,649	1,812,423
Realized Gains (Losses)	229,602	2,118,683	2,348,285
Unrealized Gains (Losses)	689,368	4,945,102	5,634,470
Investment Mgmt Fees	0	(419,295)	(419,295)
Realized Gains (Losses)-Other	0	1,776	1,776
Distributions Payable Activity:			
Paid	(130,004)	(1,943,184)	(2,073,188)
Annual Operating Fee	0	(677,873)	(677,873)
Other	(1)	47	46
Net Assets, December 31, 2017	$ 9,195,126	$ 69,046,698	$ 78,241,824
Contributions	0	2,166,567	2,166,567
Reclassification	0	26,343	26,343
Endowment Activity			
Welhausen Matching Program	(453,000)	453,000	0
Investment Return, as restricted:			
Income	120,137	1,075,442	1,195,579
Realized Gains (Losses)	361,276	3,512,604	3,873,880
Unrealized Gains (Losses)	(931,930)	(6,937,319)	(7,869,249)
Investment Mgmt Fees	0	(510,931)	(510,931)
Distributions Payable Activity:			
Paid	(195,285)	(2,344,230)	(2,539,515)
Annual Operating Fee	0	(736,647)	(736,647)
Other	3	15	18
Net Assets, December 31, 2018	$ 8,096,327	$ 65,751,542	$ 73,847,869

NOTE G: NET ASSETS WITH DONOR RESTRICTIONS

The Foundation has restricted net assets from endowments for various purposes, pursuant to the wishes of the donors, to further the goals and projects of the University. Primarily, the funds are used for scholarships, faculty awards, special projects, research and development and faculty development. The following table reflects the restrictions on net assets at December 31, 2018 and 2017:

	2018	2017
Scholarships	$ 15,989,417	$ 16,532,144
Special Projects - Wildlife	5,751,038	6,307,565
Faculty Awards	247,893	246,331
Research (Wildlife & Engineering)	13,598,047	14,049,431
Operations Support	21,735,405	23,245,885
Faculty Development	117,506	118,595
Faculty Support	8,575,614	9,397,766
Other	2,193,757	2,036,181
	$ 68,208,677	$ 71,933,898

NOTE H: NET ASSETS RELEASED FROM RESTRICTION

Net assets which met temporary donor restrictions were released from those restrictions for use by the Foundation for the purposes specified by the donors. These were utilized by the Foundation as follows:

	2018 Net Assets Released From Restrictions	2017 Net Assets Released From Restrictions
Scholarships	$ 590,308	$ 501,903
Special Projects - Wildlife	536,761	437,228
Faculty Awards	9,525	9,180
Research (Wildlife & Engineering)	533,015	404,110
Operations Support	1,402,385	1,285,710
Faculty Development	3,960	3,185
Faculty Support	324,105	306,565
Investment and Management Fees	1,247,560	1,097,168
Other	136,627	120,565
Total Released for Distributions	$ 4,784,246	$ 4,165,614

NOTE I: LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	Without Donor Restrictions	With Donor Restrictions	December 31, 2018
Land	$ 0	$ 125,849	$ 125,849
Furniture, fixtures, & equipment	0	0	0
	0	125,849	125,849
Less accumulated depreciation	0	0	0
Total	$ 0	$ 125,849	$ 125,849

	Without Donor Restrictions	With Donor Restrictions	December 31, 2017
Land	$ 0	$ 125,849	$ 125,849
Furniture, fixtures, & equipment	18,260	38,500	56,760
	18,260	164,349	182,609
Less accumulated depreciation	(18,260)	(38,500)	(56,760)
Total	$ 0	$ 125,849	$ 125,849

NOTE J: CONCENTRATION OF CUSTODIAL RISK FOR CASH HELD IN THE BANK

The Foundation maintains minimum balances in its bank account as a matter of policy and practice. However, on occasion, such balances exceed the statutory insured limits for short periods as the result of clustering of donations. Such donations are generally transferred to the pooled investment fund within a few banking days following their receipt.

NOTE K: UNCONDITIONAL PROMISES TO RECEIVE

Unconditional promises to receive consist of the following:

		December 31, 2018		December 31, 2017
Total gross unconditional promises to receive	$	4,662,148	$	6,901,482
Less: Unamortized discount		(370,729)		(485,534)
Net unconditional promises to receive	$	4,291,419	$	6,415,948
Amount due in:				
Less than one year	$	2,198,482	$	2,344,129
One to five years		2,092,252		4,071,134
Six to ten years		685		685
	$	4,291,419	$	6,415,948

The effective interest rate on discounted receivables ranges from .45% to 9.62%.

NOTE L: FUNDRAISING COSTS

Fundraising costs include both direct costs and allocated costs. Costs have been allocated from Operating Expense categories to Fundraising based on appropriate allocations methods, as discussed in Note A. The total amount allocated from Operating Expense categories for the year ended December 31, 2018 was $98,762, and direct fundraising costs were $284,604 for a total cost of $383,366. The total amount allocated from Operating Expense categories for the year ended December 31, 2017 was $162,731, and direct fundraising costs were $26,161 for a total cost of $188,892.

NOTE M: DISTRIBUTION OF INVESTMENT LOSSES

In past years, the Foundation has recognized significant amounts in realized and unrealized losses on investments. FASB ASC 958-320-50-1 (formerly Statement on Financial Accounting Standards (SFAS) Number 124) requires, unless donor stipulations exist to the contrary, that losses not affect endowed net assets, even if the fair value falls below the original principal amount. Instead, these losses reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation have not been reached before the loss occurs. Any remaining losses reduce net assets without donor restrictions. Gains occurring in subsequent years that restore the endowed net assets are reported as increases in net assets without restrictions. In 2017, the Foundation recognized a net $9,837,260 gain in realized and unrealized income on investments. In the current year, the foundation recognized a net $2,850,237 loss in realized and unrealized income on investments.

As a result of fiscal year 2018 activity, the Foundation's net asset categories reflect these gains and losses distributed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Pooled Fund Portfolio Gains (Losses), Realized:			
Due to Donor Restrictions	$ 0	$ 4,554	$ 4,554
To the Extent of Appreciation	0	4,583,817	4,583,817
Remainder	592,567	0	592,567
Total Pooled Fund Gains (Losses), Realized	592,567	4,588,371	5,180,938
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	(350)	(350)
Remainder	0	0	0
Total Other Losses, Realized	0	(350)	(350)
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	(8,921)	(8,921)
To the Extent of Appreciation	0	(6,928,399)	(6,928,399)
Remainder	(1,093,505)	0	(1,093,505)
Total Portfolio Gains (Losses), Unrealized	(1,093,505)	(6,937,320)	(8,030,825)
Total Gains (Losses) Recognized	$ (500,938)	$ (2,349,299)	$ (2,850,237)

As a result of fiscal year 2017 activity, the Foundation's net asset categories reflect these gains and losses distributed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Pooled Fund Portfolio Gains (Losses), Realized:			
Due to Donor Restrictions	$ 0	$ 4,130	$ 4,130
To the Extent of Appreciation	0	3,558,756	3,558,756
Remainder	530,832	0	530,832
Total Pooled Fund Gains (Losses), Realized	530,832	3,562,886	4,093,718
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	1,776	1,776
Remainder	0	0	0
Total Other Losses, Realized	0	1,776	1,776
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	6,333	6,333
To the Extent of Appreciation	0	4,938,767	4,938,767
Remainder	796,666	0	796,666
Total Portfolio Gains (Losses), Unrealized	796,666	4,945,100	5,741,766
Total Gains (Losses) Recognized	$ 1,327,498	$ 8,509,762	$ 9,837,260

NOTE N: RELATED PARTY TRANSACTIONS

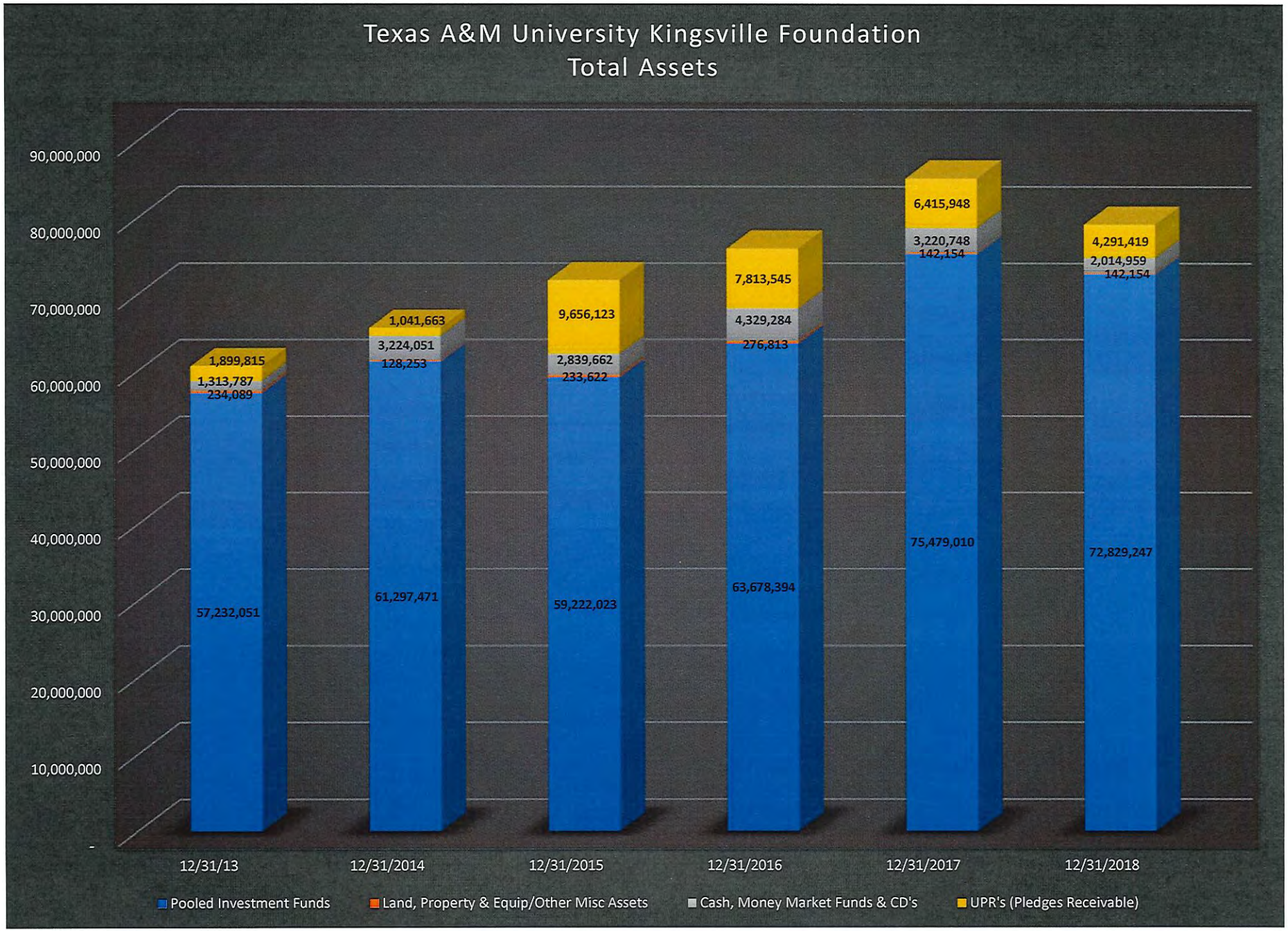
The Foundation receives contributions for the direct benefit of Texas A&M University – Kingsville as designated by contributors. The Foundation distributed $555,093 in such contributions to the University during 2018 and $656,817 in 2017.

NOTE O: SUBSEQUENT EVENTS

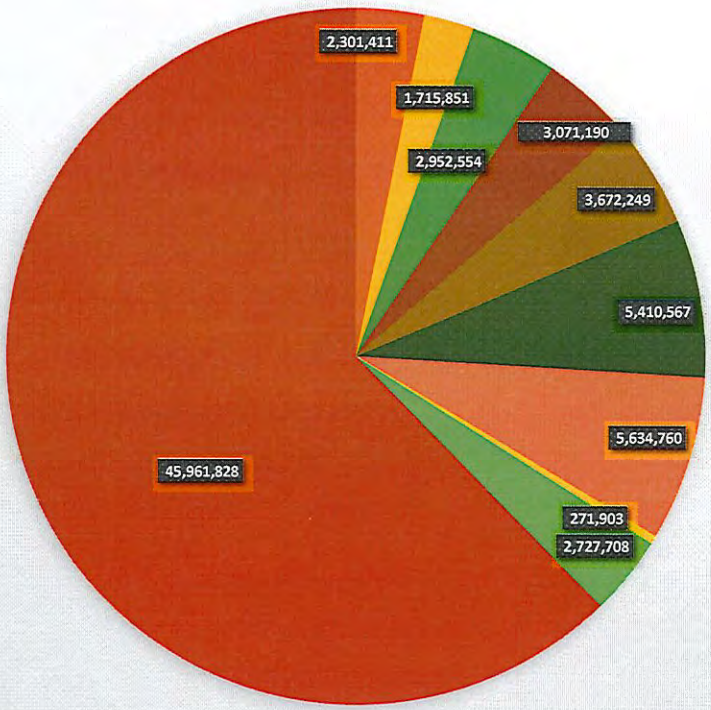
For the year ended December 31, 2018, subsequent events were evaluated through July 19, 2019, which is the audit report date. There are no material subsequent events to be reported at December 31, 2018.

For the year ended December 31, 2017, subsequent events were evaluated through July 25, 2018, which is the audit report date. There were no material subsequent events to be reported at December 31, 2017.

SUPPLEMENTAL INFORMATION


Texas A&M University Kingsville Foundation
Total Assets
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
12/31/13
12/31/2014
12/31/2015
12/31/2016
12/31/2017
12/31/2018
57,232,051
234,089
1,313,787
1,899,815
61,297,471
128,253
3,224,051
1,041,663
59,222,023
233,622
2,839,662
9,656,123
63,678,394
276,813
4,329,284
7,813,545
75,479,010
142,154
3,220,748
6,415,948
72,829,247
142,154
2,014,959
4,291,419
Pooled Investment Funds
Land, Property & Equip/Other Misc Assets
Cash, Money Market Funds & CD's
UPR's (Pledges Receivable)

Texas A&M University Kingsville Foundation
Endowments @ 12/31/18



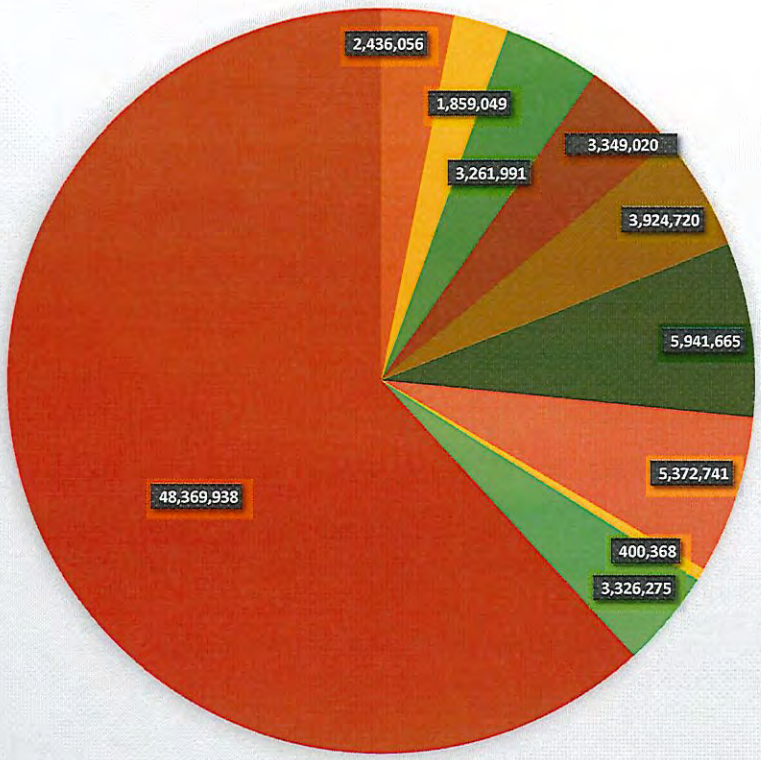
College & Number of Endowments:

- College of Agriculture - 23
- College of Education - 7
- College of Arts & Sciences - 31
- Athletics -16
- College of Business Administration - 22
- Honors College & General Scholarships - 36
- College of Engineering - 30
- BOOT Funds/Other - 6
- Welhausen Ranch Proceeds
- CKWRI - 72

See Note F:Endowments

Endowment Funds w/o Donor Restrictions	$8,096,326
Endowment Funds w/ Donor Restrictions	$65,623,694
Total Endowment Funds	$73,720,020

Texas A&M University Kingsville Foundation
Endowments @ 12/31/17



College & Number of Endowments:

- College of Agriculture - 23
- College of Education - 6
- College of Arts & Sciences - 31
- Athletics -16
- College of Business Administration - 22
- Honors College & General Scholarships - 28
- College of Engineering - 27
- BOOT Funds/Other - 5
- Welhausen Ranch Proceeds
- CKWRI - 64

See Note F:Endowments

Endowment Funds w/o Donor Restrictions	$9,195,125
Endowment Funds w/ Donor Restrictions	$69,046,698
Total Endowment Funds	$78,241,823