

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020.....	36
Endowments by College – December 31, 2019.....	37

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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, 2020 and 2019, 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.

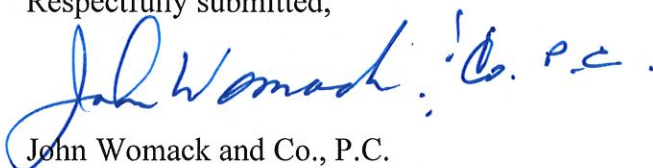
Opinion

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, 2020 and 2019, 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.

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,

A handwritten signature in blue ink that reads "John Womack, P.C.". The signature is stylized with a large initial "J" and a trailing flourish.

John Womack and Co., P.C.

Kingsville, TX

July 19, 2021

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,953,985	\$ 2,111,814
Partnership Distribution Receivable	42,907	133,636
Federal Tax Refund Receivable	0	7,923
Prepaid Expenses/Other Receivable	70,000	0
Pooled Investment Funds, at Fair Value	103,124,019	91,043,410
Unconditional Promises to Receive	1,644,892	3,508,535
Land, Property & Equipment (net)	<u>1,462,799</u>	<u>125,849</u>
Total Assets	<u>\$ 109,298,602</u>	<u>\$ 96,931,167</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Distributions Payable	\$ 52,900	\$ 44,000
Accounts Payable	385,023	277,890
Payroll Taxes Payable	<u>2,366</u>	<u>2,263</u>
Total Liabilities	<u>440,289</u>	<u>324,153</u>
Net Assets:		
Without Donor Restrictions	15,791,202	14,441,695
With Donor Restrictions	<u>93,067,111</u>	<u>82,165,319</u>
Total Net Assets	<u>108,858,313</u>	<u>96,607,014</u>
Total Liabilities and Net Assets	<u>\$ 109,298,602</u>	<u>\$ 96,931,167</u>

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

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities			
REVENUES, GAINS AND OTHER SUPPORT			
Contributions:			
Cash	\$ 1,141	\$ 3,510,240	\$ 3,511,381
Securities	0	220,900	220,900
Unconditional Promises to Receive	0	779,091	779,091
Real Estate	0	1,315,000	1,315,000
Gifts-in-Kind	0	6,652	6,652
	<u>1,141</u>	<u>5,831,883</u>	<u>5,833,024</u>
Interest & Dividends	157,389	885,003	1,042,392
Royalty Income (Net of Production Taxes)	6,897	0	6,897
Royalty Income (Other)	160	206	366
Reclassification	(124,490)	124,490	0
Net Assets Released From Restrictions	<u>5,469,257</u>	<u>(5,469,257)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>5,510,354</u>	<u>1,372,325</u>	<u>6,882,679</u>
EXPENSES			
Program Expenses			
Texas A&M University Kingsville (TAMUK)	3,980,894	0	3,980,894
Related Support	114,500	0	114,500
Other	115,881	0	115,881
Supporting Services			
Management and General	442,471	0	442,471
Fund-Raising	<u>300,574</u>	<u>0</u>	<u>300,574</u>
Total Expenses	<u>4,954,320</u>	<u>0</u>	<u>4,954,320</u>
Non-operating Activities			
INVESTMENT RETURN:			
Pooled Fund Portfolio Gains (Losses), Realized	319,384	2,718,415	3,037,799
Other Gains (Losses), Realized	61	10,001	10,062
Portfolio Gains (Losses), Unrealized	1,065,447	6,801,051	7,866,498
Pooled Investments Fees	<u>(591,419)</u>	<u>0</u>	<u>(591,419)</u>
Investment Return, Net	<u>793,473</u>	<u>9,529,467</u>	<u>10,322,940</u>
Change in Net Assets	1,349,507	10,901,792	12,251,300
Net Assets as of the Beginning of the Period	<u>14,441,695</u>	<u>82,165,319</u>	<u>96,607,014</u>
Net Assets as of the End of the Period	<u>\$ 15,791,202</u>	<u>\$ 93,067,111</u>	<u>\$ 108,858,314</u>

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

Year Ended December 31, 2019

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
\$ 2,950	\$ 4,042,968	\$ 4,045,918
0	278,432	278,432
0	2,069,185	2,069,185
0	0	0
0	0	0
<u>2,950</u>	<u>6,390,586</u>	<u>6,393,535</u>
168,207	1,267,058	1,435,265
6,405	1,561	7,966
0	253	253
1,568,484	(1,568,484)	0
<u>5,324,127</u>	<u>(5,324,127)</u>	<u>0</u>
<u>7,070,173</u>	<u>766,847</u>	<u>7,837,019</u>
3,938,204	0	3,938,204
45,000	0	45,000
139,256	0	139,256
418,470	0	418,470
<u>222,367</u>	<u>0</u>	<u>222,367</u>
<u>4,763,297</u>	<u>0</u>	<u>4,763,297</u>
128,351	1,745,887	1,874,238
0	(1,942)	(1,942)
1,692,734	11,445,850	13,138,584
<u>(563,363)</u>	<u>0</u>	<u>(563,363)</u>
<u>1,257,722</u>	<u>13,189,795</u>	<u>14,447,517</u>
3,564,598	13,956,642	17,521,240
<u>10,877,097</u>	<u>68,208,677</u>	<u>79,085,774</u>
<u>\$ 14,441,695</u>	<u>\$ 82,165,319</u>	<u>\$ 96,607,014</u>

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services		
	TAMUK	Related Support	Other
EXPENSES:			
Program Service:			
Distributions to University	\$ 3,979,870	\$ 0	\$ 0
Miscellaneous Other-CKWRI Endowed Expenses	0	114,500	0
Total Program Service	3,979,870	114,500	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	0	0	0
Travel, Mileage and Meals	0	0	0
Board Liability Insurance	0	0	0
Conferences, Seminars & Meetings	0	0	0
Consulting Fees	0	0	0
Legal Fees	0	0	0
Publications and Printing	0	0	0
Other Operating Expenses	0	0	0
Other			
Annuity Interest Payment	0	0	0
Services - CKWRI Endowed Expenses	0	0	56,839
Services - Other University Related Expenses	0	0	15,960
Insurance	0	0	9,679
Property Management	1,024	0	563
CKWRI Golf Fund Raiser	0	0	0
Other Miscellaneous	0	0	32,840
UBTI Tax Expense	0	0	0
Total Investment Fees/Operating Exp/Other	1,024	0	115,881
Total Expenses	\$ 3,980,894	\$ 114,500	\$ 115,881

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

Supporting Services		
Management and General	Fund-Raising	Total
\$ 0	\$ 0	\$ 3,979,870
0	0	114,500
0	0	4,094,370
225,000	75,000	300,000
87,157	113,978	201,135
13,256	0	13,256
31,741	0	31,741
11,119	8	11,127
11,159	20,843	32,002
2,379	0	2,379
16,586	0	16,586
1,000	0	1,000
0	0	0
15,994	0	15,994
26,615	15,518	42,133
0	0	0
0	0	56,839
0	0	15,960
359	0	10,038
0	0	1,587
0	75,227	75,227
0	0	32,840
106	0	106
442,471	300,574	859,950
\$ 442,471	\$ 300,574	\$ 4,954,320

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services		
	TAMUK	Related Support	Other
EXPENSES:			
Program Service:			
Distributions to University	\$ 3,937,161	\$ 0	\$ 0
Miscellaneous Other-CKWRI Endowed Expenses	0	45,000	0
Total Program Service	3,937,161	45,000	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	0	0	0
Travel, Mileage and Meals	0	0	0
Board Liability Insurance	0	0	0
Conferences, Seminars & Meetings	0	0	0
Consulting Fees	0	0	0
Legal Fees	0	0	0
Publications and Printing	0	0	0
Other Operating Expenses	0	0	0
Other			
Annuity Interest Payment	0	0	216
Services - CKWRI Endowed Expenses	0	0	115,139
Services - Other University Related Expenses	0	0	0
Insurance	0	0	16,379
Property Management	1,043	0	0
CKWRI Golf Fund Raiser	0	0	0
Other Miscellaneous	0	0	7,522
UBTI Tax Expense	0	0	0
Total Investment Fees/Operating Exp/Other	1,043	0	139,256
Total Expenses	\$ 3,938,204	\$ 45,000	\$ 139,256

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

Supporting Services		
Management and General	Fund-Raising	Total
\$ 0	\$ 0	\$ 3,937,161
0	0	45,000
0	0	3,982,161
225,000	75,000	300,000
42,082	91,666	133,748
44,290	0	44,290
30,861	0	30,861
9,519	0	9,519
8,559	19,169	27,728
3,087	0	3,087
27,350	35	27,385
2,160	0	2,160
1,960	0	1,960
5,576	354	5,930
23,391	18,578	41,969
0	0	216
0	0	115,139
0	0	0
372	0	16,751
0	0	1,043
0	17,565	17,565
0	0	7,522
(5,737)	0	(5,737)
418,470	222,367	781,137
\$ 418,470	\$ 222,367	\$ 4,763,297

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 12,251,300	\$ 17,521,240
Adjustments to reconcile increase(decrease) in nets assets to net cash provided by operating activities:		
Fees Paid from Investment Account (Invest Mgr. Fees)	654,479	563,363
Real Estate Contributions	(1,315,000)	0
(Increase) Decrease in Other Receivables	53,892	190,672
(Increase) Decrease in Prepaid Expense Accounts	(70,000)	0
(Increase) Decrease in Unconditional Promise to Receive	1,863,643	450,654
Increase (Decrease) in Distribution Payable	8,900	(20,000)
Increase (Decrease) in Accounts Payable	38,089	150,021
Increase (Decrease) in Payroll Taxes Payable	102	2,135
Unrealized Net (Gains) Losses on Investments	<u>(7,866,498)</u>	<u>(13,138,584)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 5,618,906	 5,719,500
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Land/Property Improvements	(21,949)	0
Contributions to Various Investment Accounts	(6,877,931)	(6,633,926)
Withdrawals from Various Investment Accounts	6,203,343	4,320,822
Reinvestment of Net Realized (Gains) Losses in Various Investment Accounts	(3,037,902)	(1,874,386)
Reinvestment of Dividends, Interest, and Other Miscellaneous Investment Income in Investment Accounts	<u>(1,042,296)</u>	<u>(1,435,156)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(4,776,735)</u>	 <u>(5,622,646)</u>
 NET INCREASE (DECREASE) IN CASH	 842,171	 96,854
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>2,111,814</u>	 <u>2,014,960</u>
 CASH AND CASH EQUIVALENTS, END OF PERIOD	 <u>\$ 2,953,985</u>	 <u>\$ 2,111,814</u>
 NONCASH INVESTING ACTIVITIES:		
Contribution of Securities	<u>\$ 220,900</u>	<u>\$ 278,432</u>

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

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 and Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 may enter 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. The Foundation has no annuity gift agreements at December 31, 2020.

Collections

The Foundation's collection consists of 200 original prints which were donated in order to become a part of the permanent collection of art at Texas A&M University – Kingsville. It is to remain intact in order to enrich the University campus and Kingsville community in perpetuity. The Foundation has entered into a Memorandum of Understanding with the University for the care and preservation of this collection. Contributed collection items are not reflected on the financial statements.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$2,343,610 and \$2,961,943 in 2020 and 2019, 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 recognized at the end of fiscal year 2020 or 2019.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, the fair values of contributed services meeting the requirements for presentation in the financial statements were not material, and were not recorded in the financial statements.

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, 2020, investments of the Foundation generated a UBTI gain of \$605, which will net against the prior year loss carryforward. During the year ended December 31, 2019, investments of the Foundation generated a UBTI loss of \$72,083, which created a taxable loss carryforward for that amount. 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 (2017 through 2020), 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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

In February, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-or-use asset are recognized separately in the statement of activity for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, excluding those financial assets with donor or other restrictions:

	December 31, 2020	December 31, 2019
Financial assets:		
Cash and Cash Equivalents	\$ 2,953,985	\$ 2,111,814
Partnership Distribution Receivable	42,907	133,636
Prepaid Expenses	70,000	7,923
Pooled Investment Funds, at Fair Value	103,124,019	91,043,410
Unconditional Promises to Receive, Net	1,644,892	3,508,535
Total financial assets	107,835,803	96,805,318
Less financial assets held to meet donor-imposed restrictions:		
Donor restricted endowment funds (Note F)	(91,628,646)	(80,221,689)
Less financial assets not available within one year:		
Unconditional Promises to Receive (Note K)	(1,094,129)	(1,039,060)
Less board-designated endowments (Note F)	(11,890,840)	(11,077,287)
Amount Available for general expenditures within one ye	\$ 3,222,188	\$ 4,467,282

The above table reflects 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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The investments at December 31, 2020 and 2019 are summarized as follows:

	December 31, 2020		December 31, 2019	
	Cost	Fair Value	Cost	Fair Value
Traditional Structures:				
Money Market Funds	\$ 1,040,223	\$ 1,040,223	\$ 1,682,637	\$ 1,682,637
Mutual Funds	1,487,845	1,487,845	2,198,508	2,198,508
Exchange Traded Funds	282,504	281,748	3,835,205	4,596,049
Corporate Stocks	58,709,142	85,503,281	48,893,082	67,090,624
Government Securities	7,993,193	8,229,760	6,212,509	6,244,829
Corporate Bonds	3,068,290	3,262,559	3,875,149	3,935,459
Mortgage Securities	2,361,057	2,392,787	3,001,684	3,014,492
Publicly Traded Ltd Partnerships	840,211	925,816	0	0
Alternative Structures:				
Limited Partnerships	0	0	1,869,552	2,280,812
Total	<u>\$ 75,782,465</u>	<u>\$ 103,124,019</u>	<u>\$ 71,568,326</u>	<u>\$ 91,043,410</u>

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, 2020 and 2019, the Foundation had \$0 and \$2,280,812 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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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).

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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.

Publicly Traded Limited Partnerships – Valued at the closing price reported in the active market in which the securities are traded.

Alternative Structures (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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020.

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, 2020 and 2019:

	Fair Value, December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	\$ 1,040,223	\$ 0	\$ 0	\$ 1,040,223
Mutual Funds	1,487,845	0	0	1,487,845
Exchange Traded Funds (ETF's)	281,748	0	0	281,748
Corporate Stocks:				
Manufacturing/Industrials	12,299,978	0	0	12,299,978
Financials	8,955,364	0	0	8,955,364
Consumer Discretionary	10,003,425	0	0	10,003,425
Energy	1,931,630	0	0	1,931,630
Technology	20,319,881	0	0	20,319,881
Consumer Staples	5,887,190	0	0	5,887,190
Healthcare	14,225,738	0	0	14,225,738
Other	11,880,075	0	0	11,880,075
Government Securities*	3,566,952	4,662,808	0	8,229,760
Corporate Bonds:				
Financial Institutions	0	1,538,758	0	1,538,758
Other	0	1,723,801	0	1,723,801
Mortgage Securities*	0	2,392,787	0	2,392,787
Publicly Traded Ltd Partnerships	0	925,816	0	925,816
Total	<u>\$ 91,880,049</u>	<u>\$ 11,243,970</u>	<u>\$ 0</u>	<u>\$ 103,124,019</u>

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Fair Value, December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	\$ 1,682,637	\$ 0	\$ 0	\$ 1,682,637
Mutual Funds				
Real Estate Value Opportunity Fund	2,198,508	0	0	2,198,508
Exchange Traded Funds (ETF's)	4,596,049	0	0	4,596,049
Corporate Stocks:				
Manufacturing/Industrials	9,564,507	0	0	9,564,507
Financials	8,776,494	0	0	8,776,494
Consumer Discretionary	7,084,487	0	0	7,084,487
Energy	2,887,100	0	0	2,887,100
Technology	13,423,906	0	0	13,423,906
Consumer Staples	4,504,698	0	0	4,504,698
Healthcare	9,701,923	0	0	9,701,923
Other	11,147,523	0	0	11,147,523
Government Securities*	2,461,656	3,783,159	0	6,244,815
Corporate Bonds:				
Financial Institutions	0	1,750,025	0	1,750,025
Other	0	2,185,434	0	2,185,434
Mortgage Securities*	0	3,014,492	0	3,014,492
Alternative Structures (2):				
Limited Partnership	0	0	2,280,812	2,280,812
Total	<u>\$ 78,029,488</u>	<u>\$ 10,733,110</u>	<u>\$ 2,280,812</u>	<u>\$ 91,043,410</u>

*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 investment in one limited partnership. These types of investments 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. This investment consists of the following:

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(2019 only) 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.

Investments in these types of 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:

	<u>Alternative Structures</u>
Fair Value, December 31, 2018	\$ 4,027,653
Realized and Unrealized Gains (Losses), Net	192,173 (1)
Purchases	0
Sales	(1,939,014)
Transfers In (Out) of Level 3	<u>0</u>
Fair Value, December 31, 2019	2,280,812
Realized and Unrealized Gains (Losses), Net	(883,432) (1)
Purchases	0
Sales	(1,397,380)
Transfers In (Out) of Level 3	<u>0</u>
Fair Value, December 31, 2020	<u><u>\$ 0</u></u>

(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, 2020 and 2019, there were no transfers into or out of levels 1, 2, or 3.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2020
Interest, dividends, and realized gains and losses	\$ 476,834	\$ 3,613,419	\$ 4,090,253
Unrealized gains (losses) on investments	<u>1,065,447</u>	<u>6,801,051</u>	<u>7,866,498</u>
Total	<u>\$ 1,542,281</u>	<u>\$ 10,414,470</u>	<u>\$ 11,956,751</u>

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2019
Interest, dividends, and realized gains and losses	\$ 296,558	\$ 3,011,003	\$ 3,307,561
Unrealized gains (losses) on investments	<u>1,692,734</u>	<u>11,445,850</u>	<u>13,138,584</u>
Total	<u>\$ 1,989,292</u>	<u>\$ 14,456,853</u>	<u>\$ 16,446,145</u>

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.

The Foundation follows 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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020, there was a deficiency in one donor-restricted perpetual endowment fund, and the amount of the deficiency below original donor contributed corpus of \$106,354, with market value of \$104,605 as of that date, was \$1,749. At December 31, 2019 there was a deficiency in one donor-restricted perpetual endowment fund, and the amount of the deficiencies below original donor contributed corpus of \$101,025, with market value of \$98,548 as of that date, was \$2,477. 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

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, 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 2020 and 2019 fiscal years. The spending rate for the years ended December 31, 2020 and 2019 was 5.0% and 5.0% of eligible endowment accounts, respectively. In addition, the Board has approved a spending rate of 5% of eligible endowment accounts for the upcoming 2021 fiscal year.

Endowment funds by net asset classification are as follows as of December 31, 2020:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		\$ 91,628,645	\$ 91,628,645
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	\$ 589,395		589,395
Welhausen - College of Agriculture	115,067		115,067
Welhausen - College of Arts & Sciences	590,361		590,361
Welhausen - Department of Intercollegiate Athletics	591,711		591,711
Welhausen - College of Business Administration	589,762		589,762
Welhausen - College of Education and Human Performance	590,959		590,959
Welhausen - Frank H. Dotterweich College of Engineering	589,102		589,102
Stevens & June Herbst Dotterweich Chair Research Support	139,540		139,540
Frank H. Dotterweich Chair in Natural Gas Engineering	1,658,632		1,658,632
Reese Franke Endowment Fund	1,113,696		1,113,696
Walter Sells & Helen B. Sells Presidential Endowment	1,283,973		1,283,973
Welhausen - President's Scholarship	636,732		636,732
Welhausen Match Program	132,500		132,500
Welhausen Ranch Proceeds	3,269,410		3,269,410
	<u>\$ 11,890,840</u>	<u>\$ 91,628,645</u>	<u>\$ 103,519,485</u>

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Endowment funds by net asset classification are as follows as of December 31, 2019:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		\$ 80,221,689	\$ 80,221,689
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	\$ 550,174		550,174
Welhausen - College of Agriculture	108,444		108,444
Welhausen - College of Arts & Sciences	551,041		551,041
Welhausen - Department of Intercollegiate Athletics	571,308		571,308
Welhausen - College of Business Administration	550,504		550,504
Welhausen - College of Education and Human Performance	551,580		551,580
Frank H. Dotterweich Chare in Natural Gas Engineering	1,562,559		1,562,559
Stevens & June Herbst Dotterweich Chair Research Support	131,425		131,425
Welhausen - Frank H. Dotterweich College of Engineering	549,911		549,911
Reese Franke Endowment Fund	1,022,396		1,022,396
Walter Sells & Helen B. Sells Presidential Endowment	1,209,570		1,209,570
Welhausen - President's Scholarship	572,109		572,109
Welhausen Match Program	187,000		187,000
Welhausen Ranch Proceeds	2,959,266		2,959,266
	<u>\$ 11,077,287</u>	<u>\$ 80,221,689</u>	<u>\$ 91,298,976</u>

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, 2020, \$74,500 of these funds have been used to match qualifying endowments, leaving a balance of \$132,500 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 was available for gift commitments on or before December 31, 2019. As of December 31, 2019, \$85,000 of these funds have been used to match qualifying gifts, leaving a balance of \$415,000, which was rolled back into the Welhausen proceeds fund.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Changes in endowment funds for the years ended December 31, 2020 and December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment:			
Net Assets, January 1, 2019	\$ 8,096,327	\$ 65,751,542	\$ 73,847,869
Contributions	0	5,845,773	5,845,773
Reclassification	0	85	85
Endowment Activity			
Welhausen Matching Program	(125,500)	125,500	0
Reclass Engineering Endow to Quasi	1,693,984	(1,693,984)	0
Reclass Endow to Music	0	(50,000)	(50,000)
Investment Return, as restricted:			
Income	136,539	1,281,175	1,417,714
Realized Gains (Losses)	101,060	1,744,970	1,846,030
Unrealized Gains (Losses)	1,396,913	11,445,850	12,842,763
Investment Mgmt Fees	0	(563,363)	(563,363)
Distributions Payable Activity:			
Paid	(222,030)	(2,834,620)	(3,056,650)
Annual Operating Fee	0	(831,259)	(831,259)
Other	(6)	20	14
Net Assets, December 31, 2019	\$ 11,077,287	\$ 80,221,689	\$ 91,298,976
Contributions	0	5,113,507	5,113,507
Reclass of Fund from PR to TR			
Endowment Activity			
Welhausen Matching Program	(79,500)	74,500	(5,000)
Reclass from Funk Funds to PR	0	277,500	277,500
Lot Improvements	0	(81)	(81)
Investment Return, as restricted:			
Income	124,340	892,821	1,017,161
Realized Gains (Losses)	270,776	2,727,600	2,998,376
Unrealized Gains (Losses)	799,536	6,801,052	7,600,588
Investment Mgmt Fees	0	(591,419)	(591,419)
Distributions Payable Activity:			
Paid	(301,600)	(3,029,350)	(3,330,950)
Annual Operating Fee	0	(859,166)	(859,166)
Other	1	(8)	(7)
Net Assets, December 31, 2020	\$ 11,890,840	\$ 91,628,645	\$ 103,519,485

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019:

	2020	2019
Student Support	\$ 21,476,425	\$ 20,306,285
Research and Programs	37,031,294	29,473,303
Facilities	6,664,955	6,179,161
Operations	27,894,437	26,206,570
	<u>\$ 93,067,111</u>	<u>\$ 82,165,319</u>

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:

	2020 Net Assets Released From Restrictions	2019 Net Assets Released From Restrictions
Student Support	\$ 814,924	\$ 778,265
Research and Programs	1,273,988	1,035,918
Facilities	306,100	283,827
Operations	1,560,970	1,831,495
Investment & Management Fee	1,513,275	1,394,622
	<u>\$ 5,469,257</u>	<u>\$ 5,324,127</u>

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE I: LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	Without Donor Restrictions	With Donor Restrictions	December 31, 2020
Land	\$ 0	\$ 1,051,612	\$ 1,051,612
Buildings	0	411,187	411,187
Less accumulated depreciation	0	0	0
Total	\$ 0	\$ 1,462,799	\$ 1,462,799

	Without Donor Restrictions	With Donor Restrictions	December 31, 2019
Land	\$ 0	\$ 125,849	\$ 125,849
Less accumulated depreciation	0	0	0
Total	\$ 0	\$ 125,849	\$ 125,849

No depreciation has been taken on the building as the donation was completed at the end of 2020.

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.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE K: UNCONDITIONAL PROMISES TO RECEIVE

Unconditional promises to receive consist of the following:

	December 31, 2020	December 31, 2019
Total gross unconditional promises to receive	\$ 1,736,692	\$ 3,775,605
Less: Unamortized discount	(91,800)	(267,070)
Net unconditional promises to receive	<u>\$ 1,644,892</u>	<u>\$ 3,508,535</u>
Amount due in:		
Less than one year	\$ 550,763	\$ 2,199,475
One to five years	1,094,129	1,309,060
Six to ten years	0	0
	<u>\$ 1,644,892</u>	<u>\$ 3,508,535</u>

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, 2020 was \$222,637, and direct fundraising costs were \$77,937 for a total cost of \$300,574. The total amount allocated from Operating Expense categories for the year ended December 31, 2019 was \$204,802, and direct fundraising costs were \$17,665 for a total cost of \$222,367.

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 2019, the Foundation recognized a \$16,446,145 net gain in realized and unrealized income on investments. In the current year, the Foundation recognized a \$11,956,751 net gain in realized and unrealized income on investments.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

As a result of fiscal year 2020 activity, the Foundation's net asset categories reflect these gains and losses distributed as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Pooled Fund Portfolio Gains (Losses), Realized:			
Due to Donor Restrictions	\$ 0	\$ 2,152	\$ 2,152
To the Extent of Appreciation	0	3,601,266	3,601,266
Remainder	<u>476,773</u>	<u>0</u>	<u>476,773</u>
Total Pooled Fund Gains (Losses), Realized	<u>476,773</u>	<u>3,603,418</u>	<u>4,080,191</u>
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	10,001	10,001
Remainder	<u>61</u>	<u>0</u>	<u>61</u>
Total Other Losses, Realized	61	10,001	10,062
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	6,433	6,433
To the Extent of Appreciation	0	6,794,618	6,794,618
Remainder	<u>1,065,447</u>	<u>0</u>	<u>1,065,447</u>
Total Portfolio Gains (Losses), Unrealized	<u>1,065,447</u>	<u>6,801,051</u>	<u>7,866,498</u>
Total Gains (Losses) Recognized	<u>\$ 1,542,281</u>	<u>\$ 10,414,470</u>	<u>\$ 11,956,751</u>

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

As a result of fiscal year 2019 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	\$ 2,279	\$ 2,279
To the Extent of Appreciation	0	3,010,666	3,010,666
Remainder	<u>296,558</u>	<u>0</u>	<u>296,558</u>
Total Pooled Fund Gains (Losses), Realized	<u>296,558</u>	<u>3,012,945</u>	<u>3,309,503</u>
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	(1,942)	(1,942)
Remainder	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Losses, Realized	0	(1,942)	(1,942)
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	13,373	13,373
To the Extent of Appreciation	0	11,432,477	11,432,477
Remainder	<u>1,692,734</u>	<u>0</u>	<u>1,692,734</u>
Total Portfolio Gains (Losses), Unrealized	<u>1,692,734</u>	<u>11,445,850</u>	<u>13,138,584</u>
Total Gains (Losses) Recognized	<u>\$ 1,989,292</u>	<u>\$ 14,456,853</u>	<u>\$ 16,446,145</u>

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 \$612,238 in such contributions to the University during 2020 and \$489,447 in 2019.

NOTE O: SUBSEQUENT EVENTS

Management has reviewed the subsequent events and transactions that occurred after the balance sheet date through July 19, 2021, which is the date of the audit report. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

For the year ended December 31, 2019, subsequent events were evaluated through July 15, 2020, which was the audit report date. The Foundation reported a non-recognized Type II subsequent related to the Covid-19 pandemic, with no material effects on the financial statement as a result of those conditions.

NOTE P: COVID-19 CONTINUING DISCLOSURE

In November, 2019, the United States learned of a virus known as COVID-19. Over the past year, it has changed the dynamics of the economy, and most notably, the New York Stock Exchange, which has demonstrated some volatility. The Foundation and its Board have no control over these global and national events, except to guide the Foundation through these conditions as they present. These conditions may include, but may not be limited to:

1. Unstable economic environment
2. Potential fluctuations in the stock market
3. Managing any loss of revenue or unexpected expenses that may occur

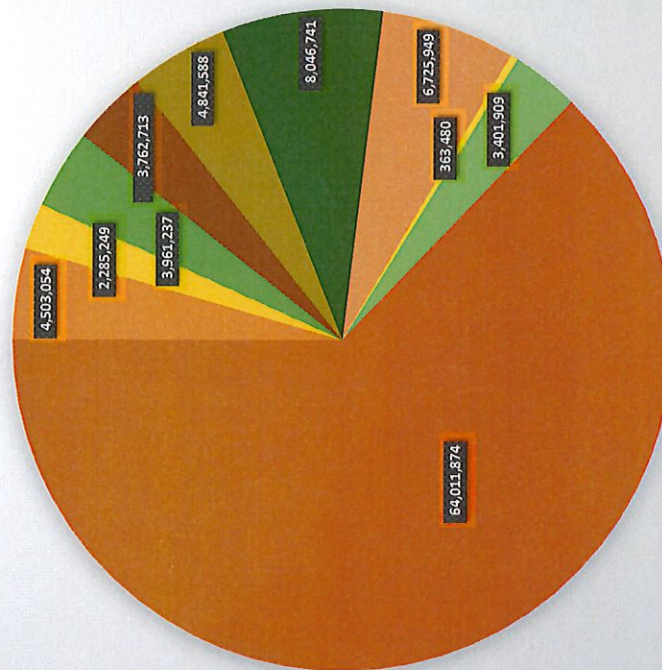
As of the date of this report, the Foundation has had no material effect on the financial statements as a result of these conditions.

SUPPLEMENTAL INFORMATION

Texas A&M University Kingsville Foundation Total Assets



Texas A&M University Kingsville Foundation
Endowments @ 12/31/20

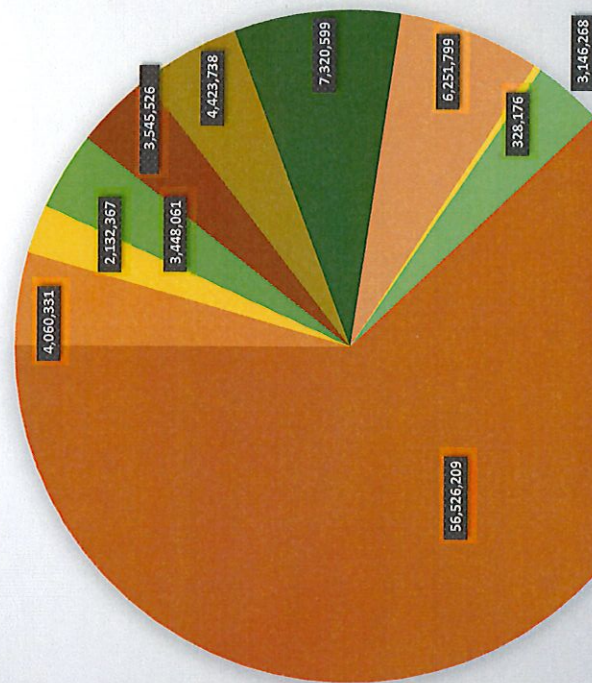


College & Number of Endowments:

- College of Agriculture - 26
- College of Education - 7
- College of Arts & Sciences - 35
- Athletics - 16
- College of Business Administration - 23
- Honors College & General Scholarships - 40
- College of Engineering - 33
- BOOT Funds/Other - 6
- Welhausen Ranch Proceeds
- CKWRI - 77

Endowment Funds w/o Donor Restrictions \$ 11,890,840
 Endowment Funds w/ Donor Restrictions \$ 90,012,954
 Total Endowment Funds \$101,903,794

Texas A&M University Kingsville Foundation
Endowments @ 12/31/19



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 \$11,077,292
 Endowment Funds w/ Donor Restrictions \$80,105,783
 Total Endowment Funds \$91,183,075