

**TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**(with Comparative Totals for 2014)**



**TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1 - 2
Statement of Financial Position.....	3
Statement of Activities.....	4 - 5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 26



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, 2015, and the related statements of activities and cash flows for the year 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, 2015, 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.

### **Report on Summarized Comparative Information**

We have previously audited the 2014 financial statements of the Texas A&M University – Kingsville Foundation, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "John Womack & Co., P.C.". The signature is written in a cursive, flowing style.

John Womack and Co., P.C.  
Kingsville, TX  
July 13, 2016

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	December 31, <u>2015</u>	December 31, <u>2014</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 2,839,662	\$ 3,224,051
Estimated Tax Deposits - UBIT	107,200	1,303
Receivable from Broker	343,025	2,266,844
Pooled Investment Funds, at Fair Value	58,868,115	59,014,886
Charitable Gift Annuity Assets Pooled Investment Funds, at Fair Value	10,883	15,741
Unconditional Promises to Receive	9,656,123	1,041,663
Land, Property & Equipment (net)	<u>126,422</u>	<u>126,950</u>
Total Assets	<u>\$ 71,951,430</u>	<u>\$ 65,691,438</u>
<b>LIABILITIES AND NET POSITION:</b>		
Liabilities:		
Distributions Payable	\$ 881,890	\$ 1,046,848
Accounts Payable	152,228	35,563
Payroll Taxes Payable	<u>5,160</u>	<u>0</u>
Total Liabilities	<u>1,039,278</u>	<u>1,082,411</u>
Net Position:		
Unrestricted	10,086,418	10,639,574
Temporarily Restricted	10,496,170	12,154,141
Permanently Restricted	<u>50,329,564</u>	<u>41,815,312</u>
Total Net Position	<u>70,912,152</u>	<u>64,609,027</u>
Total Liabilities and Net Position	<u>\$ 71,951,430</u>	<u>\$ 65,691,438</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, 2015  
(WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	Unrestricted	Temporarily Restricted
SUPPORT & REVENUE:		
Contributions:		
Cash	\$ 350	\$ 653,198
Securities	0	1,000
Unconditional Promises to Receive	0	4,589,053
	<u>350</u>	<u>5,243,251</u>
Interest & Dividends	134,146	920,111
Pooled Fund Portfolio Gains (Losses), Realized	(18,372)	523,384
Realized Gains - Sale of Real Property	0	0
Other Gains (Losses), Realized	0	0
Portfolio Gains (Losses), Unrealized	(933,482)	(4,127,869)
Royalty Income (Net of Production Taxes)	13,349	0
Pooled Investments Fees	328,218	(328,218)
Administration Management Fee	810,674	(810,674)
Reclassification	0	0
Net Assets Released From Restrictions	<u>3,074,016</u>	<u>(3,077,956)</u>
Total Support & Revenue	<u>3,408,899</u>	<u>(1,657,971)</u>
EXPENSES:		
Program Service:		
Distributions to Beneficiaries	3,167,424	0
Distributions to Benefit Foundation	<u>9,679</u>	<u>0</u>
Total Program Service	<u>3,177,103</u>	<u>0</u>
Administration:		
Pooled Investments Fees	328,218	0
Operating Expenses	352,496	
Depreciation Expense	528	0
UBTI Tax Expense	0	0
Property Management	<u>970</u>	<u>0</u>
Totals	<u>682,212</u>	<u>0</u>
Fundraising	<u>102,740</u>	<u>0</u>
Total Expenses	<u>3,962,055</u>	<u>0</u>
Change in Net Position	(553,156)	(1,657,971)
Net Position As of the Beginning of Period	<u>10,639,574</u>	<u>12,154,141</u>
Net Position As of the End of the Period	<u>\$ 10,086,418</u>	<u>\$ 10,496,170</u>

The accompanying notes are an integral part of these financial statements



Permanently Restricted	Totals December 31, 2015	Totals December 31, 2014
\$ 1,211,851	\$ 1,865,399	\$ 3,973,522
147,757	148,757	522,327
7,157,847	11,746,900	19,600
<u>8,517,455</u>	<u>13,761,056</u>	<u>4,515,449</u>
1,121	1,055,378	2,444,213
(192)	504,820	2,611,565
0	0	62,750
(720)	(720)	(2,049)
(7,351)	(5,068,702)	(1,763,121)
0	13,349	26,589
0	0	0
0	0	0
0	0	0
3,940	(0)	0
<u>8,514,253</u>	<u>10,265,181</u>	<u>7,895,396</u>
0	3,167,424	2,971,012
<u>0</u>	<u>9,679</u>	<u>9,679</u>
<u>0</u>	<u>3,177,103</u>	<u>2,980,691</u>
0	328,218	207,287
0	352,496	403,086
0	528	913
0	0	106,862
<u>0</u>	<u>970</u>	<u>970</u>
<u>0</u>	<u>682,212</u>	<u>719,118</u>
<u>0</u>	<u>102,740</u>	<u>65,120</u>
<u>0</u>	<u>3,962,055</u>	<u>3,764,929</u>
8,514,253	6,303,126	4,130,467
<u>41,815,311</u>	<u>64,609,026</u>	<u>60,478,559</u>
\$ <u><u>50,329,564</u></u>	\$ <u><u>70,912,152</u></u>	<u><u>64,609,026</u></u>

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,837,210	\$ 4,130,467
Adjustments to reconcile increase(decrease) in nets assets to net cash provided by operating activities:		
Fees Paid from Investment Account (Invest Mgr. & MAP Fees)	328,218	207,287
(Increase) Decrease in Undeposited Funds & Other Receivables	3,130	663,259
(Increase) Decrease in Prepaid Expense Accounts	(26,325)	6,862
(Increase) Decrease in Unconditional Promise to Receive	(9,148,559)	20,514
Increase (Decrease) in Distribution Payable	(263,645)	1,718,676
Increase (Decrease) in Accounts Payable	101,389	196
Increase (Decrease) in UBTI Federal Taxes Payable	(105,897)	-
Increase (Decrease) in Payroll Taxes Payable	5,160	-
Depreciation Expense	528	913
Unrealized Net Losses (Gains) on Investments	5,068,702	1,763,121
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,799,910	8,511,295
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Real Property	0	98,060
Contributions to Various Investment Accounts	(6,168,118)	(3,553,282)
Withdrawals from Various Investment Accounts	4,543,816	2,606,827
Reinvestment of Net Realized (Gains) Losses in Various Investment Accounts	(504,820)	(2,611,565)
Reinvestment of Dividends, Interest, and Other Miscellaneous Investment Income in Investment Accounts	(1,055,177)	(2,444,022)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,184,299)	(5,903,982)
NET INCREASE (DECREASE) IN CASH	(384,389)	2,607,313
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,224,051	616,738
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,839,662	\$ 3,224,051
NON-CASH INVESTING ACTIVITIES:		
Contribution of Securities	\$ 148,757	\$ 522,327

The accompanying notes are an integral part of these financial statements

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions. These classes are defined as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All investment income and realized gains and losses that do not qualify for specified temporary restrictions are reclassified to unrestricted net assets. Otherwise they are reclassified to temporarily restricted net assets until such restrictions are met.

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.

Receivables from pending liquidations represent sales of investments made prior to the end of the fiscal year, but settled after the fiscal year end.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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.

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 unrestricted support 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 restricted support. 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.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

Land, Property, and Equipment (continued)

The Foundation reclassifies temporarily restricted net assets to unrestricted net assets 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 2015 or 2014.

Contributed Services

During the years ended December 31, 2015 and 2014, the fair values of contributed services meeting the requirements for presentation in the financial statements were not material and have not been recorded.

Allowance for Uncollectible Receivables

The amount of Promises to Receive deemed uncollectible have been insignificant in the past. Promises to Receive increased substantially in the current year. Management has determined that there is still 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.

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, 2015, investments of the Foundation generated a loss for unrelated business taxable income (UBTI), resulting in no UBTI tax expense to be reported on the 2015 Form 990-T, and an asset of \$107,200 representing tax deposits made during the year for which a refund will be requested. During the year ended December 31, 2014, the Foundation generated UBTI tax expense of \$106,862. Management believes that the not-for-profit status has not been jeopardized.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

Income Taxes (continued)

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 (2012 through 2015), 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. Any expenditure not directly charged to a functional expense category is allocated based on appropriate allocation methods, such as percentage of time spent.

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.

Prior Year Information

The financial statements include certain prior year information in total but not by net asset class. Such information, in order to provide a practical presentation, does not include sufficient detail to constitute a presentation in accordance with United States Generally Accepted Accounting Principles; accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE B: 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, 2015 and 2014 are summarized as follows:

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Traditional Structures:				
Money Market Funds	\$ 3,684,557	3,440,052	\$ 4,591,740	4,591,740
Mutual Funds	3,008,412	3,016,899	2,726,764	3,045,860
Corporate Stocks	31,593,194	38,788,730	28,202,191	36,579,620
Government Securities	4,518,477	4,498,212	1,227,394	1,233,504
Corporate Bonds	3,674,879	3,649,616	2,999,437	3,008,809
Mortgage Securities	956,265	975,084	1,605,154	1,605,502
Alternative Structures:				
Limited Partnerships	4,570,883	4,499,522	7,988,143	8,949,851
Total	\$ 52,006,667	\$ 58,868,115	\$ 49,340,823	\$ 59,014,886

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, 2015 and 2014, the Foundation had \$4,499,522 and \$8,949,851 of investments in alternative structures, respectively, which are reported at the percentage share of the Foundation’s ownership interest in partner’s capital as a practical expedient. 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 YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE C: 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 YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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, 2015 and 2014.

*Money Market Funds* – 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* – 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 YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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 other-than-temporary impaired at December 31, 2015.

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. These fair value disclosures include information regarding the valuation of the Foundation's investments at December 31, 2015 and 2014:

	Fair Value, December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	\$ 3,440,052	\$ 0	\$ 0	\$ 3,440,052
Mutual Funds				
Real Estate Value Opportunity Fund	3,016,899	0	0	3,016,899
Corporate Stocks:				
Manufacturing/Industrials	7,787,707	0	0	7,787,707
Financials	5,312,966	0	0	5,312,966
Consumer Discretionary	4,691,843	0	0	4,691,843
Energy	1,362,013	0	0	1,362,013
Technology	7,457,649	0	0	7,457,649
Consumer Staples	2,581,976	0	0	2,581,976
Healthcare	5,744,687	0	0	5,744,687
Other	3,849,889	0	0	3,849,889
Government Securities*	2,920,507	1,577,705	0	4,498,212
Corporate Bonds:				
Financial Institutions	0	1,327,032	0	1,327,032
Other	0	1,549,344	773,240	2,322,584
Mortgage Securities*	558,214	416,870	0	975,084
Limited Partnerships* (2)	0	0	4,499,522	4,499,522
Total	\$ 48,724,402	\$ 4,870,951	\$ 5,272,762	\$ 58,868,115

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

	Fair Value, December 31, 2014			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	\$ 4,591,740	\$ 0	\$ 0	\$ 4,591,740
Mutual Funds				
Real Estate Value Opportunity Fund	3,009,695	36,165	0	3,045,860
Corporate Stocks:				
Manufacturing/Industrials	7,235,635	0	0	7,235,635
Financials	4,794,304	0	0	4,794,304
Consumer Discretionary	3,257,309	0	0	3,257,309
Energy	1,433,605	0	0	1,433,605
Technology	7,140,203	0	0	7,140,203
Consumer Staples	2,604,246	0	0	2,604,246
Healthcare	5,666,306	0	0	5,666,306
Other	4,448,012	0	0	4,448,012
Government Securities*	0	1,233,504	0	1,233,504
Corporate Bonds:				
Financial Institutions	0	1,105,385	0	1,105,385
Other	0	1,903,424	0	1,903,424
Mortgage Securities*	0	1,605,502	0	1,605,502
Limited Partnerships* (2)	0	0	8,949,851	8,949,851
Total	\$ 44,181,055	\$ 5,883,980	\$ 8,949,851	\$ 59,014,886

\*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) The above listing includes investment in one Limited Partnership. 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's. This consists of the following:

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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.

For investments in this limited partnership, for which observable market prices do not exist, such investments 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>Limited Partnerships</u>
Fair Value, December 31, 2014	\$ 8,949,851
Realized and Unrealized Gains (Losses), Net	(3,450,329)
Purchases	-
Sales	(1,000,000)
Transfers In (Out) of Level 3	-
Fair Value, December 31, 2015	\$ <u>4,499,522</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 year ended December 31, 2014, there were no transfers in or out of levels 1, 2, or 3.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE D: INVESTMENT RETURN**

The following schedule summarizes the investment return and its classification in the Statement of Activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Year Ended December 31, 2015</u>
Interest, dividends, and realized gains and losses	\$ 115,774	\$ 1,443,495	\$ 209	\$ 1,559,478
Unrealized gains (losses) on investments	<u>(933,482)</u>	<u>(4,127,869)</u>	<u>(7,351)</u>	<u>(5,068,702)</u>
Total	<u>\$ (817,708)</u>	<u>\$ (2,684,374)</u>	<u>\$ (7,142)</u>	<u>\$ (3,509,224)</u>

  

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Year Ended December 31, 2014</u>
Interest, dividends, and realized gains and losses	\$ 760,426	\$ 4,289,258	\$ 4,045	\$ 5,053,729
Unrealized gains on investments	<u>(380,506)</u>	<u>(1,379,519)</u>	<u>(3,096)</u>	<u>(1,763,121)</u>
Total	<u>\$ 379,920</u>	<u>\$ 2,909,739</u>	<u>\$ 949</u>	<u>\$ 3,290,608</u>

**NOTE E: 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.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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 “permanently restricted” 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 “permanently restricted”, “temporarily restricted” or “unrestricted” 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 “permanently restricted” 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. The deficiencies at December 31, 2015 and 2014 were the result of unfavorable market fluctuations and the amount of the deficiencies below original donor contributed corpus as of those dates was \$210,353 and \$1,520, respectively. 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 YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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 asset, 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, 2015 and 2014, the endowment assets were invested with a targeted investment rate of return over a three to five year market cycle to exceed the Consumer Price Index by 8%. However, the actions of the Board strongly indicate that a change in this policy rate is needed to more appropriately reflect current market conditions. An amended formal written policy is being considered. 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 first 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 2015 fiscal year, and sixteen calendar quarters were used in the 2014 fiscal year. The spending rate for the years ended December 31, 2015 and 2014 was 4.5% and 4% of eligible endowment accounts, respectively.

Endowment funds by net asset classification are as follows as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	\$ 0	\$ 5,782,894	\$ 50,637,716	\$ 56,420,610
Board Designated	8,082,113	0	0	8,082,113
	<u>\$ 8,082,113</u>	<u>\$ 5,782,894</u>	<u>\$ 50,637,716</u>	<u>\$ 64,502,723</u>

Endowment funds by net asset classification are as follows as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	\$ 0	\$ 11,503,322	\$ 41,815,314	\$ 53,318,636
Board Designated	8,792,929	0	0	8,792,929
	<u>\$ 8,792,929</u>	<u>\$ 11,503,322</u>	<u>\$ 41,815,314</u>	<u>\$ 62,111,565</u>

These amounts are also shown on the schedule of changes in endowment funds on page 21 of these Notes.



**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

Changes in endowment funds for the years ended December 31, 2015 and December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment:				
Net Assets, January 1, 2014	\$ 8,504,359	\$ 11,169,835	\$ 38,764,806	\$ 58,439,000
Contributions	0	8,600	2,967,037	2,975,637
Restore Corpus Values for				
Underwater Endowments:				
Current year income	0	1,520	(1,520)	0
Endowment Activity				
20% Earnings (loss) to Restore	0	(26,351)	26,351	0
Investment Return, as restricted:				
Income	351,142	1,996,512	3,504	2,351,158
Realized Gains (Losses)	294,034	2,262,433	2,937	2,559,404
Unrealized Gains (Losses)	(315,450)	(1,379,525)	(3,091)	(1,698,066)
Investment Mgmt Fees	0	(207,287)	0	(207,287)
Realized Gains (Losses)-Other	0	0	(2,395)	(2,395)
Sale of Land, Net	0	0	57,689	57,689
Distributions Payable Activity:				
Paid	(41,155)	(1,514,240)	0	(1,555,395)
Annual Operating Fee	0	(808,173)	0	(808,173)
Other	(1)	(2)	(4)	(7)
Net Assets, December 31, 2014	\$ 8,792,929	\$ 11,503,322	\$ 41,815,314	\$ 62,111,565
Contributions	0	3,000	8,825,607	8,828,607
Restore Corpus Values for				
Underwater Endowments:				
Current year income	0	(1,520)	1,520	0
Endowment Activity				
20% Earnings to Restore	0	28,336	(28,336)	0
Investment Return, as restricted:				
Income	114,743	814,214	1,120	930,077
Realized Gains (Losses)	(21,460)	523,385	(192)	501,733
Unrealized Gains (Losses)	(745,752)	(4,127,869)	(7,352)	(4,880,973)
Investment Mgmt Fees	0	(289,744)	0	(289,744)
Realized Gains (Losses)-Other	0	0	(720)	(720)
Distributions Payable Activity:				
Paid	(58,348)	(1,859,431)	0	(1,917,779)
Annual Operating Fee	0	(810,812)	0	(810,812)
Other	1	13	30,755	30,769
Net Assets, December 31, 2015	\$ 8,082,113	\$ 5,782,894	\$ 50,637,716	\$ 64,502,723

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE F: CHARITABLE GIFT ANNUITIES**

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation's promise to pay a fixed amount to a designated individual for a specified period of time. Assets received from donors to establish gift annuities are managed in a pooled account and accounted for individually. The excess of gift annuity related assets over gift annuity obligations (net assets) is temporarily or permanently restricted based on the donor's intent for the gift. Gift annuity obligations are on an actuarially determined liability which represents the present value of future payments to beneficiaries. Gift annuities are managed in compliance with applicable state statutes.

	December 31, 2015	December 31, 2014
Assets:		
Fair Value	\$ 10,883	\$ 15,741
Cost	\$ 10,883	\$ 15,741
 Payments to Beneficiaries	 \$ 4,858	 \$ 4,859
Changes in Obligations:		
Balance, beginning of year	\$ -	\$ -
Payments to Beneficiaries	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

**NOTE G: TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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, 2015 and 2014:

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

	2015		2014	
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Scholarships	\$ 1,386,117	\$ 10,325,366	\$ 2,758,841	\$ 9,794,218
Special Projects - Wildlife	496,597	4,419,920	1,193,757	4,185,420
Faculty Awards	59,432	187,730	81,873	184,730
Research (Wildlife & Engineering)	772,717	11,061,633	1,968,380	9,008,560
Operations Support	5,186,456	16,568,689	2,912,944	10,826,123
Faculty Development	4,608	81,652	13,080	72,634
Faculty Support	1,297,547	6,890,598	2,215,014	6,857,723
Other	1,292,696	793,976	1,010,252	885,904
	<u>\$ 10,496,170</u>	<u>\$ 50,329,564</u>	<u>\$ 12,154,141</u>	<u>\$ 41,815,312</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:

	2015 Net Assets Released From Restrictions	2014 Net Assets Released From Restrictions
Scholarships	\$ 496,629	\$ 418,890
Special Projects - Wildlife	264,894	129,979
Faculty Awards	10,590	9,010
Research (Wildlife & Engineering)	377,645	488,225
Operations Support	1,395,830	1,507,714
Faculty Development	3,085	2,600
Faculty Support	311,205	256,935
President's Circle & Legacy Ball	122,994	31,041
Other	91,144	136,327
Total Released for Distributions	<u>3,074,016</u>	<u>2,980,721</u>
Other Supporting Expenses	<u>3,940</u>	<u>35,951</u>
Total Released from Restrictions	<u>\$ 3,077,956</u>	<u>\$ 3,016,672</u>

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE I: LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>December 31, 2015</u>
Land	\$ 0	\$ 125,849	\$ 0	\$ 125,849
Furniture, fixtures, & equipment	18,260	0	38,500	56,760
	<u>18,260</u>	<u>125,849</u>	<u>38,500</u>	<u>182,609</u>
Less accumulated depreciation	<u>(17,687)</u>	<u>0</u>	<u>(38,500)</u>	<u>(56,187)</u>
Total	\$ <u><u>573</u></u>	\$ <u><u>125,849</u></u>	\$ <u><u>0</u></u>	\$ <u><u>126,422</u></u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>December 31, 2014</u>
Land	\$ 0	\$ 125,849	\$ 0	\$ 125,849
Furniture, fixtures, & equipment	18,260	0	38,500	56,760
	<u>18,260</u>	<u>125,849</u>	<u>38,500</u>	<u>182,609</u>
Less accumulated depreciation	<u>(17,159)</u>	<u>0</u>	<u>(38,500)</u>	<u>(55,659)</u>
Total	\$ <u><u>1,101</u></u>	\$ <u><u>125,849</u></u>	\$ <u><u>0</u></u>	\$ <u><u>126,950</u></u>

**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 YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

**NOTE K: UNCONDITIONAL PROMISES TO RECEIVE**

Unconditional promises to receive consist of the following:

	December 31, 2015	December 31, 2014
Total gross unconditional promises to receive	\$ 10,220,006	\$ 1,081,456
Less: Unamortized discount	(563,883)	(39,793)
Net unconditional promises to receive	<u>\$ 9,656,123</u>	<u>\$ 1,041,663</u>
Amount due in:		
Less than one year	\$ 2,321,427	\$ 656,948
One to five years	7,330,430	378,546
Six to ten years	4,266	6,169
Eleven to twenty years	0	0
	<u>\$ 9,656,123</u>	<u>\$ 1,041,663</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 was \$102,358 for the year ended December 31, 2015. Direct fundraising costs were \$382 for a total cost of \$102,740.

**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 permanently restricted net assets, even if the fair value falls below the original principal amount. Instead, these losses reduce temporarily restricted net assets to the extent that donor-imposed restrictions on net appreciation have not been reached before the loss occurs. Any remaining losses reduce unrestricted net assets. Gains occurring in subsequent years that restore the endowment fund to the permanently restricted amount are reported as increases in unrestricted net assets. In 2014, the Foundation recognized a net \$3,290,608 gain in realized and unrealized income on investments. In the current year, the foundation recognized a net \$3,509,224 loss in realized and unrealized income on investments.

**TEXAS A & M UNIVERSITY – KINGSVILLE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(with Comparative Totals for 2014)**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Pooled Fund Portfolio Gains (Losses), Realized:				
Due to Donor Restrictions	\$ 0	\$ 0	\$ 929	\$ 929
To the Extent of Appreciation	0	1,443,495	0	1,443,495
Remainder	<u>115,774</u>	<u>0</u>	<u>0</u>	<u>115,774</u>
Total Pooled Fund Gains (Losses), Realized	<u>115,774</u>	<u>1,443,495</u>	<u>929</u>	<u>1,560,198</u>
Other Gains (Losses), Realized:				
Due to Donor Restrictions	0	0	(720)	(720)
Remainder	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Losses, Realized	0	0	(720)	(720)
Portfolio Gains (Losses), Unrealized:				
Due to Donor Restrictions	0	0	(7,351)	(7,351)
To the Extent of Appreciation	0	(4,127,869)	0	(4,127,869)
Remainder	<u>(933,482)</u>	<u>0</u>	<u>0</u>	<u>(933,482)</u>
Total Portfolio Gains (Losses), Unrealized	<u>(933,482)</u>	<u>(4,127,869)</u>	<u>(7,351)</u>	<u>(5,068,702)</u>
Total Gains (Losses) Recognized	<u>\$ (817,708)</u>	<u>\$ (2,684,374)</u>	<u>\$ (7,142)</u>	<u>\$ (3,509,224)</u>

**NOTE N: SUBSEQUENT EVENTS**

Subsequent events were evaluated through July 13, 2016, which is the audit report date. There are no material subsequent events to be reported at December 31, 2015.

