TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

TEXAS A&M UNIVERSITY-KINGSVILLE FOUNDATION, INC.

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TEXAS A&M UNIVERSITY–KINGSVILLE FOUNDATION, INC.

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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, 2017 and 2016, 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.

PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matter

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

Respectfully submitted,

John Womack & Co., P.C.

John Womack and Co., P.C.
Kingsville, TX
July 25, 2018

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	December 31, 2017	December 31, 2016
ASSETS:		
Cash and Cash Equivalents	$ 3,220,748	$ 4,329,284
Other Accounts Receivable	-	2,196
Federal Tax Refund Receivable	16,305	148,442
Pooled Investment Funds, at Fair Value	75,477,844	63,672,369
Charitable Gift Annuity Assets Pooled Investment Funds, at market	1,166	6,025
Unconditional Promises to Receive	6,415,948	7,813,545
Land, Property & Equipment (net)	125,849	126,175
Total Assets	$ 85,257,860	$ 76,098,036
LIABILITIES AND NET ASSETS:		
Liabilities:		
Distributions Payable	$ 1,260,069	$ 1,074,536
Accounts Payable	101,483	29,287
Payroll Taxes Payable	3,546	-
Total Liabilities	1,365,098	1,103,823
Net Assets:		
Without Donor Restrictions	11,958,864	10,868,262
With Donor Restrictions	71,933,898	64,125,951
Total Net Assets	83,892,762	74,994,213
Total Liabilities and Net Assets	$ 85,257,860	$ 76,098,036

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

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities			
REVENUES AND OTHER SUPPORT:			
Contributions:			
Cash	$ 1,109	$ 1,990,484	$ 1,991,593
Securities	0	64,260	64,260
Unconditional Promises to Receive	0	1,089,512	1,089,512
Total Contributions	1,109	3,144,256	3,145,365
Interest & Dividends	259,832	1,444,204	1,704,036
Royalty Income (Net of Production Taxes)	10,357	43	10,400
Reclassification	(319,500)	319,500	0
Net Assets Released From Restrictions	4,165,614	(4,165,614)	0
Total Revenue and Other Support	4,117,412	742,389	4,859,801
EXPENSES:			
Program Expenses			
Texas A&M University - Kingsville (TAMUK)	2,941,797	0	2,941,797
Other	270,169	0	270,169
Supporting Services			
Management and General	274,323	0	274,323
Fund-Raising	188,892	0	188,892
Total Expenses	3,675,181	0	3,675,181
Nonoperating Activities			
INVESTMENT RETURN:			
Pooled Fund Portfolio Gains (Losses), Realized	271,000	2,118,682	2,389,682
Other Gains (Losses), Realized	0	1,776	1,776
Portfolio Gains (Losses), Unrealized	796,666	4,945,100	5,741,766
Pooled Investment Expenses	(419,295)	0	(419,295)
Investment Return, Net	648,371	7,065,558	7,713,929
Change in Net Assets	1,090,602	7,807,947	8,898,549
Net Assets As of the Beginning of Period	10,868,262	64,125,951	74,994,213
Net Assets As of the End of Period	$ 11,958,864	$ 71,933,898	$ 83,892,762

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

Year Ended December 31, 2016		
Without Donor Restrictions	With Donor Restrictions	Totals
$ 450	$ 2,797,724	$ 2,798,174
0	61,131	61,131
0	641,085	641,085
450	3,499,940	3,500,390
130,351	684,440	814,791
7,819	0	7,819
0	0	0
4,054,979	(4,054,979)	0
4,193,599	129,401	4,323,000
2,756,069	0	2,756,069
329,609	0	329,609
239,310	0	239,310
106,260	0	106,260
3,431,248	0	3,431,248
154,483	1,697,320	1,851,803
0	(12,619)	(12,619)
267,220	1,486,115	1,753,335
(402,210)	0	(402,210)
19,493	3,170,816	3,190,309
781,844	3,300,217	4,082,061
10,086,418	60,825,734	70,912,152
$ 10,868,262	$ 64,125,951	$ 74,994,213

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

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

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

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

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services		
	TAMUK	Related Support	Other
EXPENSES:			
Program Service:			
Distributions to University	$ 2,888,791	$ 0	$ 0
Total Program Service	2,888,791	0	0
Operating Expenses:			
TAMUK Assessment	0	0	0
Accounting Fees	0	0	0
Audit Fees	0	0	0
Office Expense	2,153	0	0
Travel, Mileage and Meals	2,440	0	0
Board Liability Insurance	0	0	0
Conferences, Seminars & Meetings	0	0	0
Consulting Fees	0	0	0
Publications and Printing	471	0	0
Miscellaneous	0	0	0
Depreciation Expense	0	0	0
Other			
Annuity Interest Payment	0	0	4,860
Services (CKWRI Funk Funds)	0	0	317,083
Insurance	9,679	0	0
Property Management	977	0	7,666
Other Miscellaneous	0	0	0
UBTI Tax Expense	(148,442)	0	0
Total Investment Fees/Operating Exp/Other	(132,722)	0	329,609
Total Expenses	$ 2,756,069	$ 0	$ 329,609

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

Supporting Services		
Management and General	Fund-Raising	Total
$ 0	$ 0	$ 2,888,791
0	0	2,888,791
100,003	100,003	200,006
62,395	0	62,395
23,000	0	23,000
2,153	2,153	6,459
0	2,440	4,880
3,087	0	3,087
19,588	0	19,588
15,883	0	15,883
471	471	1,413
12,312	0	12,312
248	0	248
0	0	4,860
0	0	317,083
170	0	9,849
0	0	8,643
0	1,193	1,193
0	0	(148,442)
239,310	106,260	542,457
$ 239,310	$ 106,260	$ 3,431,248

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	December 31, 2017	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 8,898,550	$ 4,082,061
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:		
Fees Paid from Investment Account (Invest Mgr. & MAP Fees)	419,295	406,935
(Increase) Decrease in Other Receivables	134,332	(43,444)
(Increase) Decrease in Unconditional Promise to Receive	1,397,597	1,842,580
Increase (Decrease) in Distribution Payable	215,636	197,607
Increase (Decrease) in Accounts Payable	42,084	9,259
Increase (Decrease) in Payroll Taxes Payable	3,544	(5,159)
Depreciation Expense	248	248
Unrealized Net (Gains) Losses on Investments	(5,741,766)	(1,753,335)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,369,521	4,736,751
CASH FLOWS FROM INVESTING ACTIVITIES:		
Write off of obsolete Fixed Assets	80	-
Contributions to Various Investment Accounts	(6,537,734)	(5,993,402)
Withdrawals from Various Investment Accounts	4,150,467	5,414,707
Reinvestment of Net Realized (Gains) Losses in Various Investment Accounts	(2,389,682)	(1,853,793)
Reinvestment of Dividends, Interest, and Other Miscellaneous Investment Income in Investment Accounts	(1,701,188)	(814,641)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,478,057)	(3,247,129)
NET INCREASE (DECREASE) IN CASH	(1,108,536)	1,489,622
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	4,329,284	2,839,662
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 3,220,748	$ 4,329,284
NON-CASH INVESTING ACTIVITIES:		
Contribution of securities	$ 64,260	$ 61,131

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

NOTE A: NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Foundation

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

Financial Statement Presentation

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

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

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

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

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

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

Classification of Transactions

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

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

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

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.

<u>Contributions Receivable</u>

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.

<u>Allowance for Uncollectible Receivables</u>

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 $2,526,189 and $2,469,230 in 2017 and 2016, respectively.

<u>Land, Property, and Equipment</u>

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

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

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment was considered necessary at the end of fiscal year 2017 or 2016.

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, 2017 and 2016, the fair values of contributed services meeting the requirements for presentation in the financial statements were not material and have not been recorded.

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, 2017, investments of the Foundation generated a loss for unrelated business taxable income (UBTI), resulting in no UBTI tax expense to be reported on the 2017 Form 990-T, and an asset of $16,305 representing tax deposits made for which a refund has been requested and approved by the IRS. During the year ended December 31, 2016, the Foundation generated no UBTI tax expense, and recorded an asset of $148,442 representing an overpayment of estimated taxes for which a refund was requested and received. 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 (2014 through 2017), and has concluded that it has appropriate support for any tax positions taken or expected to be taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Expense Allocation

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

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

Estimates

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

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

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 and No. 2015-14, Revenue from Contracts with Customers, which supersede the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

Change in Accounting Principles

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

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

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

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

NOTE B: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2017 are:

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

The above 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.

The investments at December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Traditional Structures:				
Money Market Funds	$ 1,559,201	$ 1,559,201	$ 2,112,168	$ 2,112,168
Mutual Funds	3,973,217	3,270,216	3,472,392	3,315,179
Exchange Traded Funds	7,709,303	9,978,398	6,755,706	7,237,481
Corporate Stocks	33,335,518	45,910,677	29,047,837	36,893,788
Government Securities	6,068,248	5,983,683	6,948,592	6,835,923
Corporate Bonds	4,118,201	4,093,860	4,346,782	4,296,050
Mortgage Securities	1,622,396	1,600,168	804,873	786,478
Alternative Structures:				
Limited Liability Corporation	250,592	255,799	0	0
Limited Partnerships	2,725,603	2,825,842	1,564,494	2,195,302
Total	$ 61,362,279	$ 75,477,844	$ 55,052,844	$ 63,672,369

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, 2017 and 2016, the Foundation had $3,081,641 and $2,195,302 of investments in alternative structures, respectively, which are reported at the percentage share of the Foundation's ownership interest in partner's capital. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported fair value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported fair value, and the discount could be significant.

NOTE D: FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs – Inputs to the valuation methodology include:

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

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

Management reviews for other than temporary decline in accordance with the requirements of fair value measurements. The Foundation's investments in mutual funds consist primarily of investments in exchange-traded debt and equity securities. Within the fund balance, certain individual investments may have fair values measured below cost. The severity of any impairment and the duration of any impairment correlate with current market conditions. Based upon the near-term prospects of the issuer of any of those securities in relation to the severity and duration of the impairment, and based upon the Foundation's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Foundation does not consider those investments to be other-than-temporary impaired at December 31, 2017.

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, 2017 and 2016:

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

	Fair Value, December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	$ 2,112,168	$ 0	$ 0	$ 2,112,168
Mutual Funds				
Real Estate Value Opportunity Fund	3,315,179	0	0	3,315,179
Exchange Traded Funds (ETF's)	7,237,481	0	0	7,237,481
Corporate Stocks:				
Manufacturing/Industrials	6,903,623	0	0	6,903,623
Financials	3,602,373	0	0	3,602,373
Consumer Discretionary	4,538,658	0	0	4,538,658
Energy	1,928,610	0	0	1,928,610
Technology	6,635,955	0	0	6,635,955
Consumer Staples	2,996,038	0	0	2,996,038
Healthcare	5,419,578	0	0	5,419,578
Other	4,868,953	0	0	4,868,953
Government Securities*	3,186,958	3,648,965	0	6,835,923
Corporate Bonds:				
Financial Institutions	0	1,212,994	0	1,212,994
Other	0	2,585,460	497,596	3,083,056
Mortgage Securities*	555,682	230,796	0	786,478
Limited Partnership* (2)	0	0	2,195,302	2,195,302
Total	$ 53,301,256	$ 7,678,215	$ 2,692,898	$ 63,672,369

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

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

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

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

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

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

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

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

(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, 2017, there were no transfers into or out of levels 1, 2, or 3.

NOTE E: INVESTMENT RETURN

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2017 and 2016:

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

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2016
Interest, dividends, and realized gains and losses	$ 284,834	$ 2,369,141	$ 2,653,975
Unrealized gains (losses) on investments	267,220	1,486,115	1,753,335
Total	$ 552,054	$ 3,855,256	$ 4,407,310

NOTE F: ENDOWMENTS

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

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

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies at December 31, 2017. At December 31, 2016 there were deficiencies in 18 donor-restricted perpetual endowment funds, and the amount of the deficiencies below original donor contributed corpus of $2,946,003, with market value of $2,841,594 as of that date, was $104,409. Management does not believe that these deficiencies are permanent and therefore made no adjustment to reflect the market effects on donor restricted endowments.

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

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

Endowment funds were maintained in an investment account which was managed by an independent financial firm that followed guidance provided in an investment policy approved by the Board of Trustees. Investment goals included the objectives of providing total return through appreciation, dividends and interest income from the Fund's assets, to ensure a return necessary to at least preserve and to enhance the principal of the Funds, and to provide a dependable source of income for current operations. Under the formal written policy as it existed at December 31, 2017 and 2016, 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 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 2017 and 2016 fiscal years. The spending rate for the years ended December 31, 2017 and 2016 was 4.0% and 4.0% of eligible endowment accounts, respectively.

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

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

Endowment funds by net asset classification are as follows as of December 31, 2016:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		$ 60,178,544	$ 60,178,544
Board Designated Endowments:			
Reese Franke Endowment Fund	$ 790,132		790,132
Walter Sells & Helen B. Sells Presidential Endowment	1,064,056		1,064,056
Welhausen - CKWRI	97,832		97,832
Welhausen Ranch Proceeds	6,553,867		6,553,867
	$ 8,505,887	$ 60,178,544	$ 68,684,431

Changes in endowment funds for the years ended December 31, 2017 and December 31, 2016 are as follows:

	Without Donor Restictions	With Donor Restrictions	Total
Endowment:			
Net Assets, January 1, 2016	$ 8,082,113	$ 56,112,458	$ 64,194,571
Contributions	0	2,918,054	2,918,054
Less Uncollectible UPR	0	(756)	(756)
Expenses on In-Kind Donation	0	(7,667)	(7,667)
Investment Return, as restricted:			
Income	109,456	791,640	901,096
Realized Gains (Losses)	158,636	1,685,120	1,843,756
Unrealized Gains (Losses)	203,096	1,486,114	1,689,210
Investment Mgmt Fees	0	(445,408)	(445,408)
Realized Gains (Losses)-Other	0	(13,088)	(13,088)
Distributions Payable Activity:			
Paid	(47,415)	(1,792,355)	(1,839,770)
Annual Operating Fee	0	(555,568)	(555,568)
Other	1	0	1
Net Assets, December 31, 2016	$ 8,505,887	$ 60,178,544	$ 68,684,431
Contributions	0	2,930,749	2,930,749
Endowment Activity			
Welhausen Matching Program	(319,500)	319,500	
Investment Return, as restricted:			
Income	219,774	1,592,649	1,812,423
Realized Gains (Losses)	229,602	2,118,683	2,348,285
Unrealized Gains (Losses)	689,368	4,945,102	5,634,470
Investment Mgmt Fees	0	(419,295)	(419,295)
Realized Gains (Losses)-Other	0	1,776	1,776
Distributions Payable Activity:			
Paid	(130,005)	(1,943,184)	(2,073,189)
Annual Operating Fee	0	(677,873)	(677,873)
Other	(1)	47	46
Net Assets, December 31, 2017	$ 9,195,125	$ 69,046,698	$ 78,241,823

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, 2017 and 2016:

	2017	2016
Scholarships	$ 16,532,144	$ 13,209,430
Special Projects - Wildlife	6,307,565	5,741,348
Faculty Awards	246,331	225,284
Research (Wildlife & Engineering)	14,049,431	12,514,612
Operations Support	23,245,885	21,726,168
Faculty Development	118,595	98,275
Faculty Support	9,397,766	8,500,488
Other	2,036,181	2,110,346
	$ 71,933,898	$ 64,125,951

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:

	2017 Net Assets Released From Restrictions	2016 Net Assets Released From Restrictions
Scholarships	$ 501,903	$ 468,922
Special Projects - Wildlife	437,228	478,438
Faculty Awards	9,180	6,000
Research (Wildlife & Engineering)	404,110	371,650
Operations Support	1,285,710	1,510,220
Faculty Development	3,185	2,970
Faculty Support	306,565	275,910
Investment and Management Fees	1,097,168	957,776
Other	120,565	120,431
Total Released for Distributions	4,165,614	4,192,317
Other Supporting Expenses/Reclassifications	0	(137,338)
Total Released from Restrictions	$ 4,165,614	$ 4,054,979

NOTE I: LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

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

	Without Donor Restrictions	With Donor Restrictions	December 31, 2016
Land	$ 0	$ 125,849	$ 125,849
Furniture, fixtures, & equipment	18,260	38,500	56,760
	18,260	164,349	182,609
Less accumulated depreciation	(17,934)	(38,500)	(56,434)
Total	$ 326	$ 125,849	$ 126,175

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

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

NOTE K: UNCONDITIONAL PROMISES TO RECEIVE

Unconditional promises to receive consist of the following:

		December 31, 2017		December 31, 2016
Total gross unconditional promises to receive	$	6,901,482	$	8,340,170
Less: Unamortized discount		(485,534)		(526,625)
Net unconditional promises to receive	$	6,415,948	$	7,813,545

Amount due in:				
Less than one year	$	2,344,129	$	2,252,040
One to five years		4,071,134		5,559,069
Six to ten years		685		2,436
	$	6,415,948	$	7,813,545

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, 2017 was $162,731, and direct fundraising costs were $26,161 for a total cost of $188,892. The total amount allocated from Operating Expense categories for the year ended December 31, 2016 was $103,846, and direct fundraising costs were $2,414 for a total cost of $106,260.

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 2016, the Foundation recognized a net $4,407,310 gain in realized and unrealized income on investments. In the current year, the foundation recognized a net $9,837,260 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, 2017 AND 2016

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

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

As a result of fiscal year 2016 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	$ 2,509	$ 2,509
To the Extent of Appreciation	0	2,379,251	2,379,251
Remainder	284,834	0	284,834
Total Pooled Fund Gains (Losses), Realized	284,834	2,381,760	2,666,594
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	(13,088)	(13,088)
Remainder	0	469	469
Total Other Losses, Realized	0	(12,619)	(12,619)
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	1,916	1,916
To the Extent of Appreciation	0	1,484,199	1,484,199
Remainder	267,220	0	267,220
Total Portfolio Gains (Losses), Unrealized	267,220	1,486,115	1,753,335
Total Gains (Losses) Recognized	$ 552,054	$ 3,855,256	$ 4,407,310

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 $358,706 in such contributions to the University during 2016 and $656,817 in 2017.

NOTE O: SUBSEQUENT EVENTS

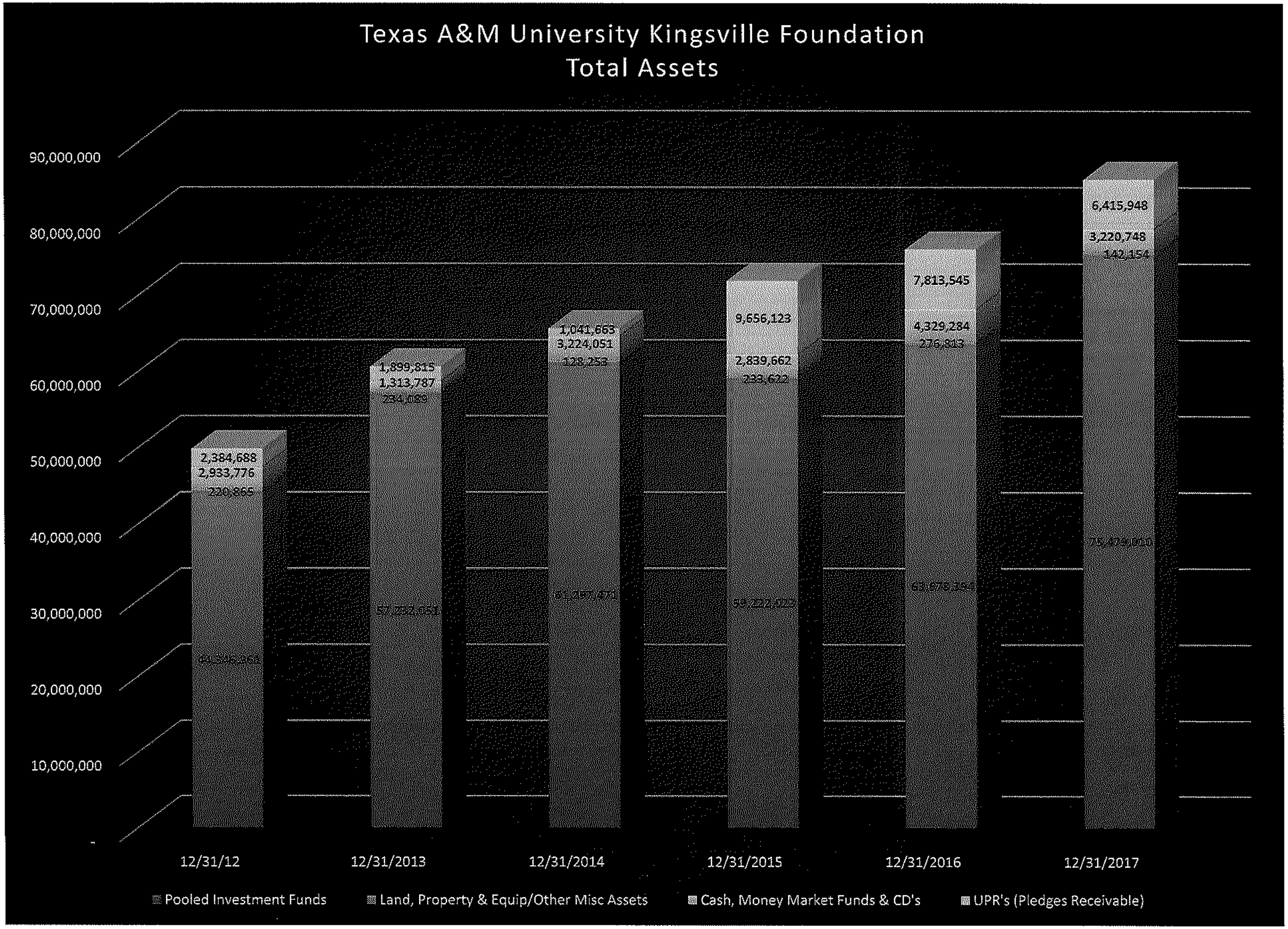
For the year ended December 31, 2017, subsequent events were evaluated through July 25, 2018, which is the audit report date. There are no material subsequent events to be reported at December 31, 2017.

For the year ended December 31, 2016, subsequent events were evaluated through July 19, 2017, which is the audit report date. There were no material subsequent events to be reported at December 31, 2016.

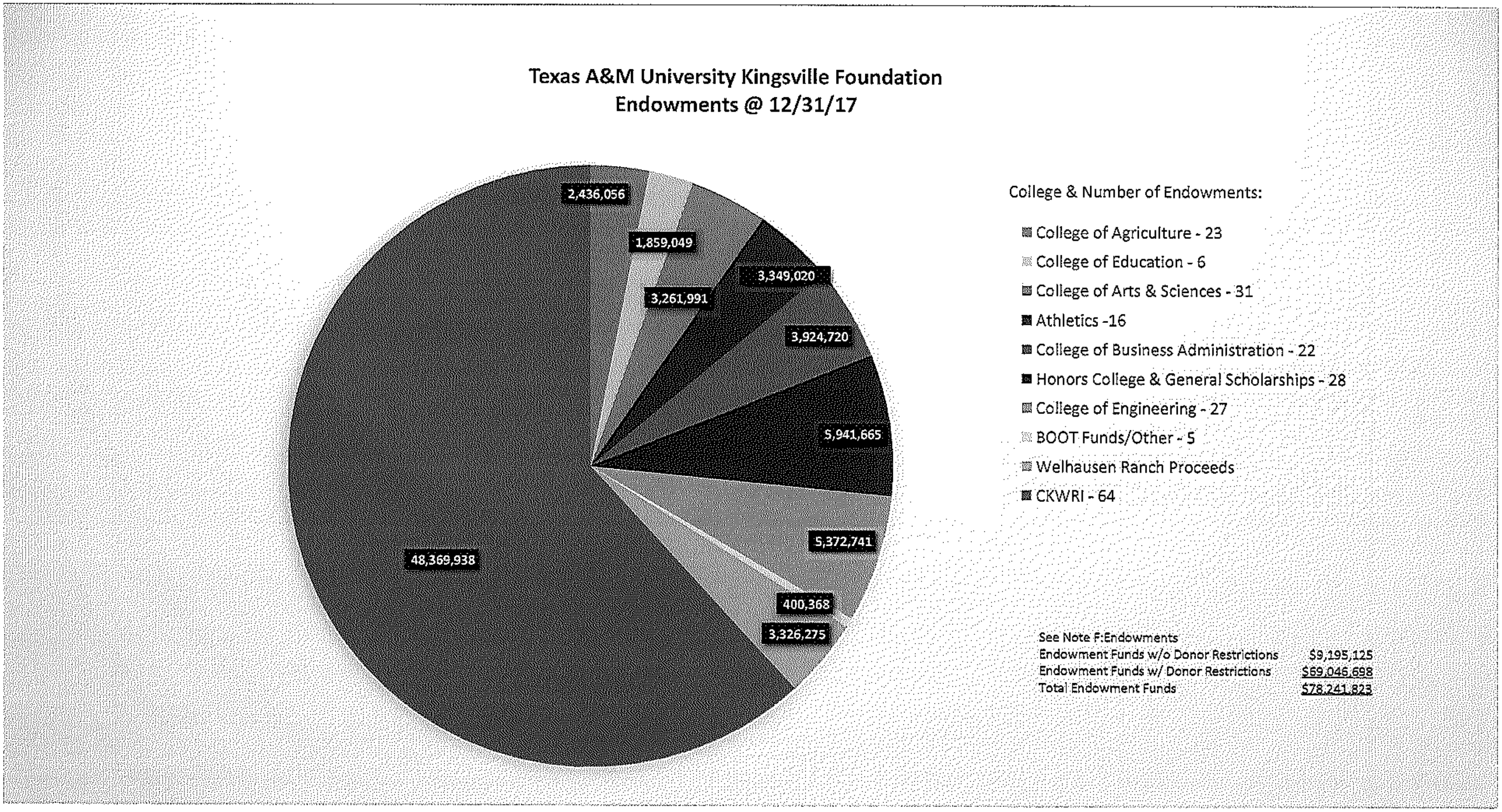
TEXAS A&M UNIVERSITY–KINGSVILLE FOUNDATION, INC.

SUPPLEMENTAL INFORMATION

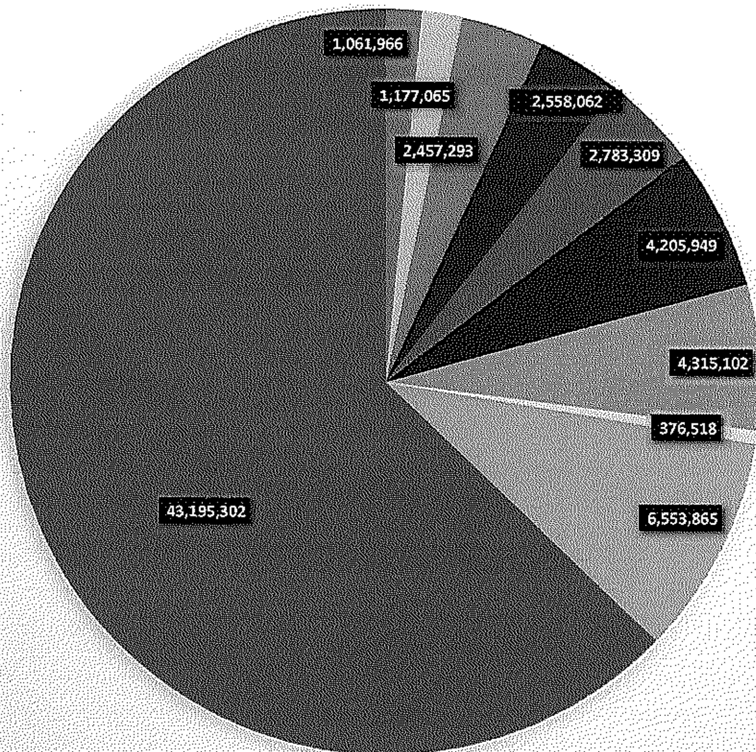
TEXAS A&M UNIVERSITY–KINGSVILLE FOUNDATION, INC.



Texas A&M University Kingsville Foundation
Total Assets
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
2,384,688
2,933,776
220,865
44,346,361
1,899,815
1,313,787
234,089
57,232,051
1,041,663
3,224,051
128,253
61,257,471
9,656,123
2,839,662
233,622
59,222,023
7,813,545
4,329,284
276,813
63,675,394
6,415,948
3,220,748
142,154
75,479,010
12/31/12
12/31/2013
12/31/2014
12/31/2015
12/31/2016
12/31/2017
Pooled Investment Funds
Land, Property & Equip/Other Misc Assets
Cash, Money Market Funds & CD's
UPR's (Pledges Receivable)


Texas A&M University Kingsville Foundation
Endowments @ 12/31/17
2,436,056
1,859,049
3,261,991
3,349,020
3,924,720
5,941,665
5,372,741
400,368
3,326,275
48,369,938
College & Number of Endowments:
College of Agriculture - 23
College of Education - 6
College of Arts & Sciences - 31
Athletics -16
College of Business Administration - 22
Honors College & General Scholarships - 28
College of Engineering - 27
BOOT Funds/Other - 5
Welhausen Ranch Proceeds
CKWRI - 64
See Note F:Endowments
Endowment Funds w/o Donor Restrictions $9,195,125
Endowment Funds w/ Donor Restrictions $69,046,698
Total Endowment Funds $78,241,823

Texas A&M University Kingsville Foundation
Endowments @ 12/31/16



College & Number of Endowments:

- College of Agriculture - 15
- College of Education - 3
- College of Arts & Sciences - 30
- Athletics -14
- College of Business Administration - 16
- Honors College & General Scholarships - 24
- College of Engineering - 22
- BOOT Funds/Other - 5
- Welhausen Ranch Proceeds
- CKWRI - 57

See Note F:Endowments

Endowment Funds w/o Donor Restrictions	$8,505,887
Endowment Funds w/ Donor Restrictions	$60,178,544
Total Endowment Funds	$68,684,431

TEXAS A&M UNIVERSITY–KINGSVILLE FOUNDATION, INC.