TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

Opinion

We have audited the accompanying financial statements of Texas A&M University – Kingsville Foundation, Inc., (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Respectfully submitted,

John Womack and Co., P.C.
Kingsville, TX
July 31, 2023

TEXAS A&M UNIVERSITY – KINGSVILLE FOUNDATION, INC.

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	December 31, 2022	December 31, 2021
ASSETS:		
Cash and Cash Equivalents	$ 2,203,000	$ 2,523,420
Prepaid Expenses/Bronze Statues Inventory	69,200	111,000
Pooled Investment Funds, at fair value	98,781,800	120,248,643
Unconditional Promises to Receive	2,178,308	1,195,627
Land, Property & Equipment (net)	892,524	885,966
Total Assets	$ 104,124,832	$ 124,964,656
LIABILITIES AND NET ASSETS:		
Liabilities:		
Distributions Payable	$ 218,922	$ 239,949
Accounts Payable	683,086	1,348,334
Payroll Taxes Payable	3,418	2,763
Total Liabilities	905,426	1,591,046
Net Assets:		
Without Donor Restrictions	13,766,270	17,377,016
With Donor Restrictions	89,453,136	105,996,594
Total Net Assets	103,219,406	123,373,610
Total Liabilities and Net Assets	$ 104,124,832	$ 124,964,656

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, 2022 AND 2021

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Activities			
REVENUES, GAINS AND OTHER SUPPORT			
Contributions:			
Cash	$ 4,000	$ 4,460,406	$ 4,464,406
Securities	0	177,301	177,301
Unconditional Promises to Receive	0	2,321,635	2,321,635
Real Estate	0	0	0
Total Contributions	4,000	6,959,342	6,963,342
Interest & Dividends	213,666	1,389,831	1,603,497
Royalty Income (Net of Production Taxes)	14,140	160	14,300
Royalty Income (Other)	99	199	298
Miscellaneous Income (Loss)	3,000	0	3,000
Reclassification	(142,665)	142,665	0
Net Assets Released From Restrictions	5,587,813	(5,587,813)	0
Total Revenues, Gains, and Other Support	5,680,053	2,904,384	8,584,437
EXPENSES			
Program Expenses			
Texas A&M University Kingsville (TAMUK)	4,126,226	0	4,126,226
Other	401,730	0	401,730
Supporting Services			
Management and General	683,134	0	683,134
Fund-Raising	498,954	0	498,954
Total Expenses	5,710,044	0	5,710,044
Non-operating Activities			
INVESTMENT RETURN:			
Pooled Fund Portfolio Gains (Losses), Realized	98,997	961,981	1,060,978
Other Gains (Losses), Realized	(14)	1,204	1,190
Portfolio Gains (Losses), Unrealized	(3,412,510)	(20,411,027)	(23,823,537)
Pooled Investments Fees	(267,228)	0	(267,228)
Investment Returns, Net	(3,580,755)	(19,447,842)	(23,028,597)
Change in Net Assets	(3,610,746)	(16,543,458)	(20,154,204)
Net Assets at the Beginning of the Period	17,377,016	105,996,594	123,373,610
Net Assets at the End of the Period	$ 13,766,270	$ 89,453,136	$ 103,219,406

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

Year Ended December 31, 2021		
Without Donor Restrictions	With Donor Restrictions	Totals
$ 3,501	$ 3,222,002	$ 3,225,503
0	56,077	56,077
0	639,157	639,157
0	92,000	92,000
3,501	4,009,236	4,012,737
331,736	2,092,842	2,424,578
10,217	324	10,541
55	295	350
2,500	0	2,500
(317,416)	317,416	0
5,611,724	(5,611,724)	0
5,642,317	808,389	6,450,706
3,729,832	0	3,729,832
217,183	0	217,183
		0
500,360	0	500,360
428,329	0	428,329
4,875,704	0	4,875,704
5,952,576	37,947,798	43,900,374
0	(27,624)	(27,624)
(4,294,939)	(25,799,081)	(30,094,020)
(838,435)	0	(838,435)
819,202	12,121,093	12,940,295
1,585,815	12,929,482	14,515,297
15,791,201	93,067,112	108,858,313
$ 17,377,016	$ 105,996,594	$ 123,373,610

Texas A&M University - Kingsville Foundation, Inc.
Supplemental Statement of Functional Expenses
For the Twelve Months Ended December 31, 2022

	Program Services	
	TAMUK	Other
EXPENSES:		
Program Service:		
Distributions to University	$ 4,126,226	$ -
Miscellaneous Other	-	183,362
Total Program Service	4,126,226	183,362
Operating Expenses:		
TAMUK Assessment	-	-
Salary/Benefit/Tax Expense	-	-
Accounting Fees	-	-
Audit Fees	-	-
Office Expense	-	6,406
Travel, Mileage and Meals	-	3,039
Board Liability Insurance	-	-
Conferences, Seminars & Meetings	-	-
Consulting Fees	-	-
Legal Fees	-	-
Publications and Printing	-	2,574
Other Operating Expenses	-	-
Services - CKWRI Endowed Expenses	-	122,401
Services - Other University Related Expenses	-	23,305
Insurance	-	21,692
CKWRI Golf Fund Raiser	-	-
Global Studies Africa Fund Raiser	-	-
Other Miscellaneous	-	38,951
Total Investment Fees/Operating Exp/Other	-	218,368
Total Expenses	$ 4,126,226	$ 401,730

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

Supporting Services		
Management and General	Fund-Raising	Total
$ -	$ -	$ 4,126,226
-	-	183,362
-	-	4,309,588
281,252	93,752	375,004
166,360	56,570	222,930
14,635	-	14,635
28,768	-	28,768
17,663	14,911	38,980
25,519	60,854	89,412
556	-	556
42,506	25	42,531
11,910	-	11,910
32,384	-	32,384
12,191	45,210	59,975
46,371	32,734	79,105
-	-	122,401
-	-	23,305
3,019	-	24,711
-	126,501	126,501
-	17,597	17,597
-	50,800	89,751
683,134	498,954	1,400,456
$ 683,134	$ 498,954	$ 5,710,044

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		
	TAMUK	Related Support	Other
EXPENSES:			
Program Service:			
Distributions to University	$ 3,729,832	$ 0	$ 0
Total Program Service	3,729,832	0	138,564
Operating Expenses:			
TAMUK Assessment	0	0	0
Salary/Benefit/Tax Expense	0	0	0
Accounting Fees	0	0	0
Audit Fees	0	0	0
Office Expense	0	0	1,954
Travel, Mileage and Meals	0	0	1,306
Board Liability Insurance	0	0	0
Conferences, Seminars & Meetings	0	0	0
Consulting Fees	0	0	0
Legal Fees	0	0	0
Publications and Printing	0	0	0
Other Operating Expenses	0	0	0
Annuity Interest Payment	0	0	0
Services - CKWRI Endowed Expenses	0	0	55,680
Services - Other University Related Expenses	0	0	2,125
Insurance	0	0	9,679
Property Management	0	0	7
CKWRI Golf Fund Raiser	0	0	0
UBTI Tax Expense	0	0	0
Total Investment Fees/Operating Exp/Other	0	0	78,619
Total Expenses	$ 3,729,832	$ 0	$ 217,183

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

Supporting Services		
Management and General	Fund-Raising	Total
$ 0	$ 0	$ 3,729,832
0	0	3,868,396
243,750	81,250	325,000
106,490	69,715	176,205
18,960	0	18,960
27,628	0	27,628
8,713	715	11,382
13,962	94,954	110,222
2,406	0	2,406
11,734	0	11,734
25,705	0	25,705
6,840	0	6,840
5,282	52,362	57,644
27,284	21,713	48,997
0	0	0
0	0	55,680
0	0	2,125
1,606	0	11,285
0	0	7
0	106,115	106,115
0	0	0
500,360	428,329	1,007,308
$ 500,360	$ 428,329	$ 4,875,704

TEXAS A&M UNIVERSITY - KINGSVILLE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (20,154,193)	$ 14,515,297
Adjustments to reconcile increase(decrease) in nets assets to net cash provided by operating activities:		
Fees Paid from Investment Account (Invest Mgr. Fees)	267,228	838,435
(Increase) Decrease in Other Receivables	114,635	(11,000)
(Increase) Decrease in Prepaid Expense Accounts	35,800	(30,000)
(Increase) Decrease in Unconditional Promise to Receive	(1,092,353)	449,265
Increase (Decrease) in Distribution Payable	29,817	187,049
Increase (Decrease) in Accounts Payable	(716,122)	963,310
Increase (Decrease) in Payroll Taxes Payable	654	398
Unrealized Net Losses (Gains) on Misc Other Assets	-	8,219
Unrealized Net (Gains) Losses on Investments	23,823,537	30,094,020
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,309,003	47,014,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Land/Property Improvements	-	(110,479)
Real Estate Proceeds Net of Real Estate Expenses	-	680,681
Contributions to Various Investment Accounts	(6,296,202)	(6,735,729)
Withdrawals from Various Investment Accounts	6,332,197	5,044,780
Reinvestment of Net Realized (Gains) Losses in Various Investment Accounts	(1,062,090)	(43,900,367)
Reinvestment of Dividends, Interest, and Other Miscellaneous Investment Income in Investment Accounts	(1,603,328)	(2,424,445)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,629,423)	(47,445,559)
NET INCREASE (DECREASE) IN CASH	(320,420)	(430,565)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	2,523,420	2,953,985
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 2,203,000	$ 2,523,420
NONCASH INVESTING ACTIVITIES:		
Contribution of Securities	$ 177,301	$ 56,077

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 and Basis of Accounting

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

The Foundation is required to report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

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

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

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

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

Classification of Transactions

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

Cash and Cash Equivalents

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

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note C (traditional structures).

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

Fair Value Measurements

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

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

Charitable Gift Annuity Agreements

The Foundation may enter into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. Upon the death of the beneficiaries, the assets of the gift annuity fund are held by the Foundation in accordance with the agreements. The Foundation has no annuity gift agreements at December 31, 2022 or 2021.

Collections

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

Contributions Receivable

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

Allowance for Uncollectible Receivables

The amount of Promises to Receive deemed uncollectible have been insignificant in the past. Management has determined that there is a high probability of collection, as there are no significant delinquent Promises to Receive and substantially all are paying according to the pledge agreements; therefore, an allowance for Uncollectible Promises to Receive has not been established. Collections on Promises to Receive were $1,336,668 and $1,016,000 in 2022 and 2021, respectively.

Land, Property, and Equipment

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

Property and equipment are depreciated using the straight-line method with a five to seven-year life on equipment and ten-year life on buildings. The Foundation's policy is to capitalize all assets with an original value greater than or equal to $2,500.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment was recognized at the end of fiscal year 2022 or 2021.

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, 2022 and 2021, the fair values of contributed services meeting the requirements for presentation in the financial statements were not material, and were not recorded in the financial statements.

Income Taxes

The Foundation is a not-for-profit organization exempt from Federal Income Tax in accordance with the Internal Revenue Code 501(c)(3), and is considered a public charity under Section 509(a)(3). However, the Foundation is subject to taxation on the net income, if any, derived from activities that are not considered to be related to the operations for which the Foundation's tax exemption was granted. During the year ended December 31, 2022, investments of the Foundation generated a UBTI loss of $32,577, which added to previous taxable loss carryforward amounts to total $370,667. During the year ended December 31, 2021, investments of the Foundation generated a loss of $57,628, which added to previous taxable loss carryforward amounts to total $338,090. 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 (2019 through 2022), 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

In September, 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The update requires that contributed nonfinancial assets are presented separately in the statement of activities. The update is applied retrospectively and is effective for years beginning after June 15, 2021. The Foundation adopted ASU 2020-07 effective January 1, 2022. There was no impact on the financial statements as a result of the adoption.

In June, 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. The amendment is effective for years beginning after December 15, 2022 and early adoption is permitted. The Foundation is currently evaluating the impact the amendment will have on its financial statements.

NOTE B: LIQUIDITY AND AVAILABILITY

The following schedule lists financial assets of the Foundation that will be available for general expenditure within one year of December 31, 2022 and 2021, excluding those financial assets with donor or other restrictions:

Financial assets:	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	$ 2,203,000	$ 2,523,420
Prepaid Expenses	69,200	111,000
Pooled Investment Funds, at Fair Value	98,781,800	120,248,643
Unconditional Promises to Receive, Net	2,178,308	1,195,627
Total financial assets	103,232,308	124,078,690
Less financial assets held to meet donor-imposed restrictions:		
Donor restricted endowment funds (Note F)	(86,940,026)	(104,470,722)
Less financial assets not available within one year:		
Unconditional Promises to Receive (Note K)	(1,507,607)	(518,137)
Less board-designated endowments (Note F)	(9,954,094)	(12,925,213)
Amount Available for general expenditures within one year	$ 4,830,581	$ 6,164,618

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, 2022 and 2021 are summarized as follows:

	December 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Traditional Structures:				
Money Market Funds	$ 1,573,165	$ 1,573,165	$ 1,647,361	$ 1,647,361
Mutual Funds	103,239,714	76,148,022	100,818,702	94,378,493
Corporate Stocks	14,568,524	14,882,508	14,453,439	17,785,109
Government Securities	2,348,418	2,193,001	2,166,398	2,148,536
Corporate Bonds	1,965,915	1,778,245	2,051,702	2,060,019
Mortgage Securities	1,134,082	1,088,673	1,213,152	1,203,361
Publicly Traded Ltd Partnerships	527,257	1,118,186	709,896	1,025,764
Total	$ 125,357,075	$ 98,781,800	$ 123,060,650	$ 120,248,643

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.

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, 2022 and 2021.

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

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

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

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

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

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

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

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

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

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

Management reviews for other than temporary decline in accordance with the requirements of fair value measurements. The Foundation's investments in mutual funds consist primarily of investments in exchange-traded debt and equity securities. Within the fund balance, certain individual investments may have fair values measured below cost. The severity of any impairment and the duration of any impairment correlate with current market conditions. Based upon the near-term prospects of the issuer of any of those securities in relation to the severity and duration of the impairment, and based upon the Foundation's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Foundation does not consider those investments to be permanently impaired at December 31, 2022.

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, 2022 and 2021:

	Fair Value, December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	$ 1,573,165	$ 0	$ 0	$ 1,573,165
Mutual Funds	76,148,022	0	0	76,148,022
Corporate Stocks:				
Manufacturing/Industrials	2,374,442	0	0	2,374,442
Financials	2,394,837	0	0	2,394,837
Consumer Discretionary	1,995,176	0	0	1,995,176
Energy	1,063,432	0	0	1,063,432
Technology	1,762,665	0	0	1,762,665
Consumer Staples	946,886	0	0	946,886
Healthcare	2,712,457	0	0	2,712,457
Other	1,632,613	0	0	1,632,613
Government Securities*	2,123,028	69,973	0	2,193,001
Corporate Bonds:				
Financial Institutions	0	1,221,282	0	1,221,282
Other	0	556,963	0	556,963
Mortgage Securities*	0	1,088,673	0	1,088,673
Publicly Traded Ltd Partnerships	1,118,186	0		1,118,186
Total	$ 95,844,909	$ 2,936,891	$ 0	$ 98,781,800

	Fair Value, December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money Market Funds *(1)	$ 1,647,361	$ 0	$ 0	$ 1,647,361
Mutual Funds	94,378,493	0	0	94,378,493
Corporate Stocks:				
Manufacturing/Industrials	2,184,614	0	0	2,184,614
Financials	3,234,653	0	0	3,234,653
Consumer Discretionary	2,560,451	0	0	2,560,451
Energy	696,616	0	0	696,616
Technology	2,389,227	0	0	2,389,227
Consumer Staples	1,161,669	0	0	1,161,669
Healthcare	3,291,840	0	0	3,291,840
Other	2,266,039	0	0	2,266,039
Government Securities*	2,066,842	81,694	0	2,148,536
Corporate Bonds:				
Financial Institutions	0	1,137,988	0	1,137,988
Other	0	922,031	0	922,031
Mortgage Securities*	0	1,203,361	0	1,203,361
Publicly Traded Ltd Partnerships	1,025,764	0		1,025,764
Total	$ 116,903,569	$ 3,345,074	$ 0	$ 120,248,643

*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.

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

There were no investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values at December 31, 2022 or 2021.

For the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2022
Interest, dividends, and realized gains and losses	$ 312,649	$ 2,353,016	$ 2,665,665
Unrealized gains (losses) on investments	(3,412,510)	(20,411,027)	(23,823,537)
Total	$ (3,099,861)	$ (18,058,011)	$ (21,157,872)

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended December 31, 2021
Interest, dividends, and realized gains and losses	$ 6,284,312	$ 40,013,016	$ 46,297,328
Unrealized gains (losses) on investments	(4,294,939)	(25,799,081)	(30,094,020)
Total	$ 1,989,373	$ 14,213,935	$ 16,203,308

NOTE F: ENDOWMENTS

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

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

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2021, there was no deficiency in donor-restricted perpetual endowment funds. At December 31, 2022, there was a deficiency in 88 donor-restricted perpetual endowment funds, and the amount of the deficiencies below original donor contributed corpus of $13,639,635, with market value of $12,863,648 as of that date, was $775,987. 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, 2022 and 2021, the endowment assets were invested to provide a total rate of return on investments (net of fees) that exceeds by 500 basis points the five year rolling average of the annual calendar year consumer price index as published by the U.S. government with low volatility. Actual returns in any given year might vary from this amount. In light of changing market conditions, the Board periodically reviews the investment policy, including its stated target rate of return.

The Foundation reviews requests for funds from the University on an annual basis at a called Board of Trustees meeting. At the last Foundation Board Meeting of each calendar year, the Investment Committee evaluates the requests against the results of investment earnings, and based upon the earnings available, recommends an endowment spending rate for the next academic year, which is expressed as a percentage of the average balance of each account over a previous determined number of calendar quarters. Twenty calendar quarters were used in the 2022 and 2021 fiscal years. The spending rate for the years ended December 31, 2022 and 2021 was 5.0% and 5.0% of eligible endowment accounts, respectively. In addition, the Board has approved a spending rate of 5.0% of eligible endowment accounts for the upcoming 2023 fiscal year.

Endowment funds by net asset classification are as follows as of December 31, 2022:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		$ 86,940,026	$ 86,940,026
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	$ 506,933		506,933
Welhausen - College of Agriculture	88,184		88,184
Welhausen - College of Arts & Sciences	523,014		523,014
Welhausen - Department of Intercollegiate Athletics	506,912		506,912
Welhausen - College of Business Administration	506,874		506,874
Welhausen - College of Education and Human Performance	507,979		507,979
Welhausen - Frank H. Dotterweich College of Engineering	1,396,051		1,396,051
Stevens & June Herbst Dotterweich Chair Research Support	117,482		117,482
Frank H. Dotterweich Chair in Natural Gas Engineering	501,845		501,845
Reese Franke Endowment Fund	936,463		936,463
Walter Sells & Helen B. Sells Presidential Endowment	1,124,521		1,124,521
Welhausen - President's Scholarship	547,900		547,900
Welhausen Match Program	64,283		64,283
Welhausen Ranch Proceeds	2,625,653		2,625,653
	$ 9,954,094	$ 86,940,026	$ 96,894,120

Endowment funds by net asset classification are as follows as of December 31, 2021:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds:			
Perpetual Endowments		$ 104,470,772	$ 104,470,772
Board Designated Endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	$ 649,669		649,669
Welhausen - College of Agriculture	115,236		115,236
Welhausen - College of Arts & Sciences	671,673		671,673
Welhausen - Department of Intercollegiate Athletics	651,813		651,813
Welhausen - College of Business Administration	649,596		649,596
Welhausen - College of Education and Human Performance	650,958		650,958
Frank H. Dotterweich Chare in Natural Gas Engineering	1,811,947		1,811,947
Stevens & June Herbst Dotterweich Chair Research Support	152,446		152,446
Welhausen - Frank H. Dotterweich College of Engineering	670,242		670,242
Reese Franke Endowment Fund	1,267,090		1,267,090
Walter Sells & Helen B. Sells Presidential Endowment	1,426,331		1,426,331
Welhausen - President's Scholarship	724,432		724,432
Welhausen Match Program	111,000		111,000
Welhausen Ranch Proceeds	3,372,780		3,372,780
	$ 12,925,213	$ 104,470,772	$ 117,395,985

At the February 2017 Board Meeting, the trustees agreed to designate $1,000,000 from the proceeds of the sale of the Welhausen property to be set aside to match any new endowments of at least $50,000. During the year ended December 31, 2022, $15,000 of these funds were used to match qualifying endowments, leaving a balance of $2,500 for future matching.

At the August 2021 Board Meeting, the trustees agreed to designate $250,000 from the proceeds of the sale of the Welhausen property to be set aside to match any new endowments of at least $12,500 or a maximum gift of $25,000. During the year ended December 31, 2022, $53,442 of these funds have been used to match qualifying endowments, leaving a balance of $40,058 for future matching.

At the August 2022 Board Meeting, the trustees agreed to designate $50,000 from the proceeds of the sale of the Welhausen property to be set aside to match any new endowments of at least $12,500 or a maximum gift of $25,000. During the year ended December 31, 2022, $26,250 of these funds have been used to match qualifying endowments, leaving a balance of $23,750 for future matching.

Changes in endowment funds for the years ended December 31, 2022 and 2021 are as shown on the following page:

	Without Donor Restictions	With Donor Restrictions	Total
Endowment:			
Net Assets, January 1, 2021	$ 11,890,840	$ 91,628,646	$ 103,519,486
Contributions	0	3,493,395	3,493,395
Royalties	0	41	41
Endowment Activity			
Welhausen Matching Program	(272,000)	272,000	0
Walter Sells Match	(15,000)	15,000	0
Real Estate Improvements/Expenses	0	10,117	10,117
Investment Return, as restricted:			
Income	266,417	2,092,842	2,359,259
Realized Gains (Losses)	4,730,888	37,920,535	42,651,423
Unrealized Gains (Losses)	(3,384,981)	(25,799,081)	(29,184,062)
Investment Mgmt Fees	0	(838,435)	(838,435)
Distributions Payable Activity:			
Paid	(290,951)	(3,222,200)	(3,513,151)
Annual Operating Fee	0	(1,102,073)	(1,102,073)
Other	0	(15)	(15)
Net Assets, December 31, 2021	$ 12,925,213	$ 104,470,772	$ 117,395,985
Contributions	0	5,342,645	5,342,645
Royalties	0	26	26
Endowment Activity			
Welhausen Matching Program	(94,692)	94,692	0
Other reclassifications	0	86,000	86,000
Lot Improvements	0	6,558	6,558
Investment Return, as restricted:			
Income	168,214	1,389,848	1,558,062
Realized Gains (Losses)	81,163	962,080	1,043,243
Unrealized Gains (Losses)	(2,682,027)	(20,411,030)	(23,093,057)
Investment Mgmt Fees	0	(267,228)	(267,228)
Distributions Payable Activity:			
Paid	(443,777)	(3,713,862)	(4,157,639)
Annual Operating Fee	0	(1,020,465)	(1,020,465)
Other	0	(10)	(10)
Net Assets, December 31, 2022	$ 9,954,094	$ 86,940,026	$ 96,894,120

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, 2022 and 2021:

	2022	2021
Student Support	$ 20,784,105	$ 25,522,019
Research and Programs	37,540,756	42,319,270
Facilities	5,690,525	7,254,073
Operations	25,437,750	30,901,232
	$ 89,453,136	$ 105,996,594

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:

	2022 Net Assets Released From Restrictions	2021 Net Assets Released From Restrictions
Student Support	$ 925,819	$ 851,014
Research and Programs	1,683,012	1,439,806
Facilities	413,992	296,725
Operations	1,277,298	1,083,671
Investment & Management Fee	1,287,692	1,940,508
	$ 5,587,813	$ 5,611,724

NOTE I: LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	Without Donor Restrictions	With Donor Restrictions	December 31, 2022
Land	$ 0	$ 892,524	$ 892,524
Total	$ 0	$ 892,524	$ 892,524

	Without Donor Restrictions	With Donor Restrictions	December 31, 2021
Land	$ 0	$ 885,966	$ 885,966
Total	$ 0	$ 885,966	$ 885,966

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, 2022	December 31, 2021
Total gross unconditional promises to receive	$ 2,347,242	$ 1,242,477
Less: Unamortized discount	(168,935)	(46,850)
Net unconditional promises to receive	$ 2,178,307	$ 1,195,627
Amount due in:		
Less than one year	$ 671,700	$ 677,490
One to five years	1,507,607	518,137
Six to ten years	0	0
	$ 2,179,307	$ 1,195,627

The effective interest rate on discounted receivables ranges from 1.07% to 3.35%.

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, 2022 was $354,856, and direct fundraising costs were $144,098 for a total cost of $498,954. The total amount allocated from Operating Expense categories for the year ended December 31, 2021 was $322,214, and direct fundraising costs were $106,115 for a total cost of $428,329.

NOTE M: DISTRIBUTION OF INVESTMENT GAINS AND 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 2021, the Foundation recognized a $16,203,308 net gain in realized and unrealized income on investments. In the current year, the Foundation recognized a $21,157,872 net loss in realized and unrealized income on investments.

As a result of fiscal year 2022 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	$ 1,987	$ 1,987
To the Extent of Appreciation	0	2,349,830	2,349,830
Remainder	312,658	0	312,658
Total Pooled Fund Gains (Losses), Realized	312,658	2,351,817	2,664,475
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	1,204	1,204
Remainder	(14)	0	(14)
Total Other Losses, Realized	(14)	1,204	1,190
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	(21,242)	(21,242)
To the Extent of Appreciation	0	(20,389,785)	(20,389,785)
Remainder	(3,412,510)	0	(3,412,510)
Total Portfolio Gains (Losses), Unrealized	(3,412,510)	(20,411,027)	(23,823,537)
Total Gains (Losses) Recognized	$ (3,099,866)	$ (18,058,006)	$ (21,157,872)

As a result of fiscal year 2021 activity, the Foundation's net asset categories reflect these gains and losses distributed as follows:

Pooled Fund Portfolio Gains (Losses), Realized:			
Due to Donor Restrictions	$ 0	$ 39,819	$ 39,819
To the Extent of Appreciation	0	40,000,821	40,000,821
Remainder	6,284,312	0	6,284,312
Total Pooled Fund Gains (Losses), Realized	6,284,312	40,040,640	46,324,952
Other Gains (Losses), Realized:			
Due to Donor Restrictions	0	(27,624)	(27,624)
Remainder	0	0	0
Total Other Losses, Realized	0	(27,624)	(27,624)
Portfolio Gains (Losses), Unrealized:			
Due to Donor Restrictions	0	(27,003)	(27,003)
To the Extent of Appreciation	0	(25,772,078)	(25,772,078)
Remainder	(4,294,939)	0	(4,294,939)
Total Portfolio Gains (Losses), Unrealized	(4,294,939)	(25,799,081)	(30,094,020)
Total Gains (Losses) Recognized	$ 1,989,373	$ 14,213,935	$ 16,203,308

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 $3,153,438 in such contributions to the University during 2022 and $633,666 in 2021.

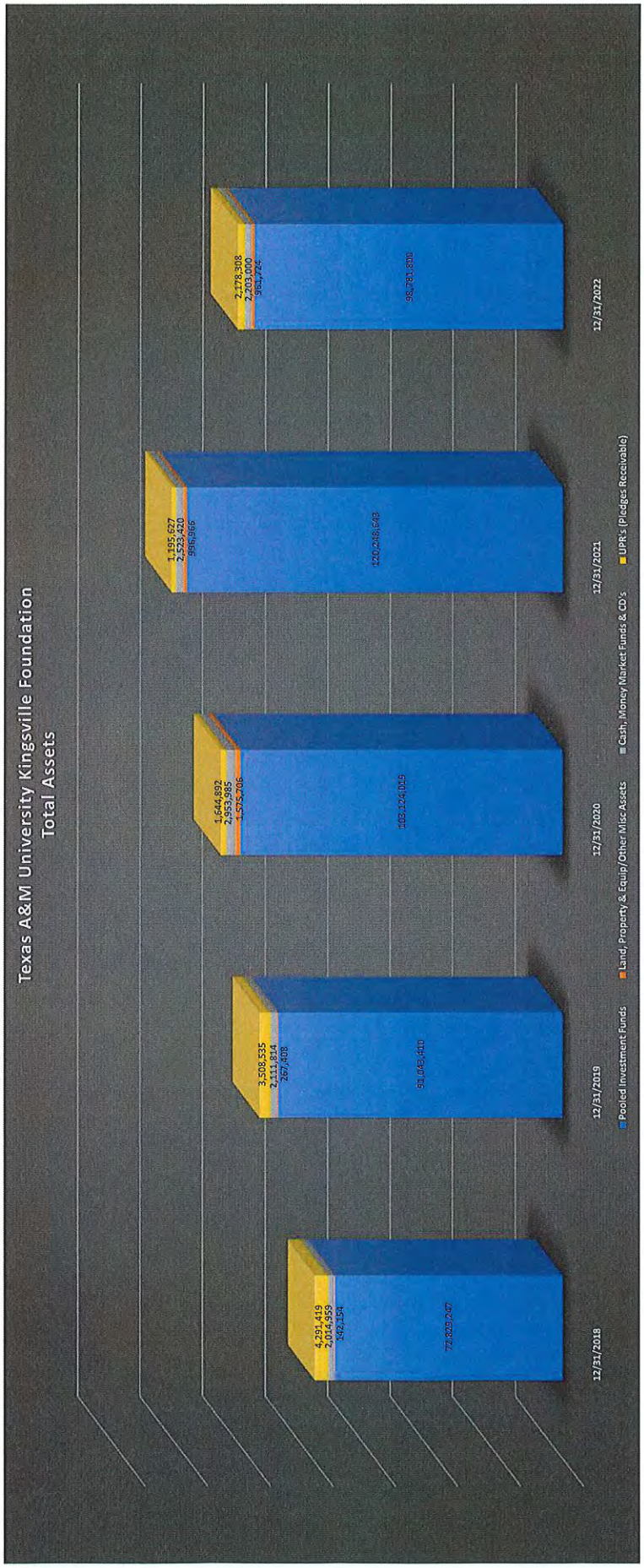
NOTE O: SUBSEQUENT EVENTS

Management has reviewed the subsequent events and transactions that occurred after the balance sheet date through July 31, 2023, which is the date of the audit report. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have determined that there are no non-recognized Type II subsequent event which require additional disclosure.

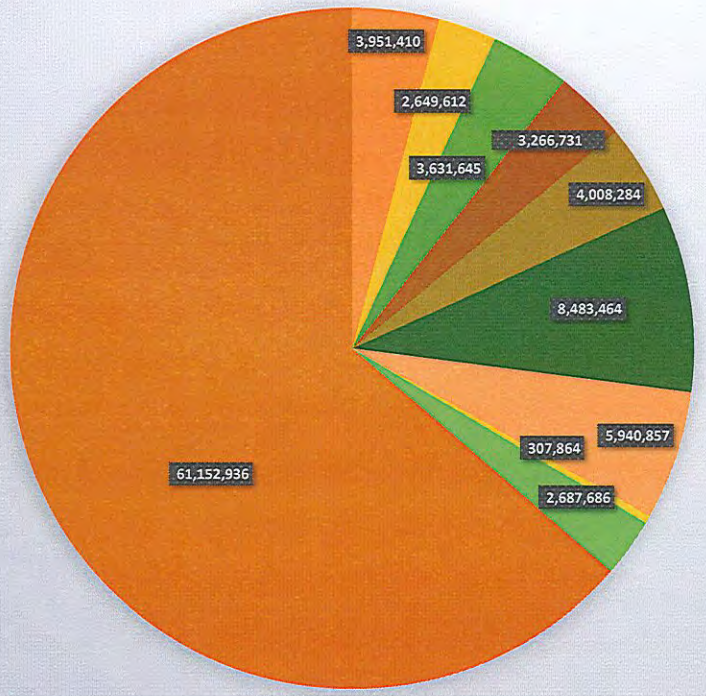
For the year ended December 31, 2021, subsequent events were evaluated through July 29, 2022, which was the date of the audit report. The financial statements included all Type I events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance determined that the following non-recognized Type II subsequent event required additional disclosure:

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 have caused significant volatility to the Foundation's investment portfolio subsequent to year end. The Dow Jones Industrial average at December 31, 2021 was 36,338.30 and had dropped to 32,845.13 at July 29, 2022. This had caused a drop in the pooled investment portfolio of approximately 14% or $16,827,034 as of July 29, 2022, which is the date of the audit report.

SUPPLEMENTAL INFORMATION


Texas A&M University Kingsville Foundation
Total Assets
4,391,419
2,014,959
142,194
72,829,047
3,508,535
2,115,814
287,038
91,043,410
1,644,892
2,953,985
1,575,206
103,124,009
1,195,527
2,523,420
986,986
120,248,643
2,278,308
2,203,000
921,727
98,781,808
12/31/2018
12/31/2019
12/31/2020
12/31/2021
12/31/2022
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 @ 12/31/2022

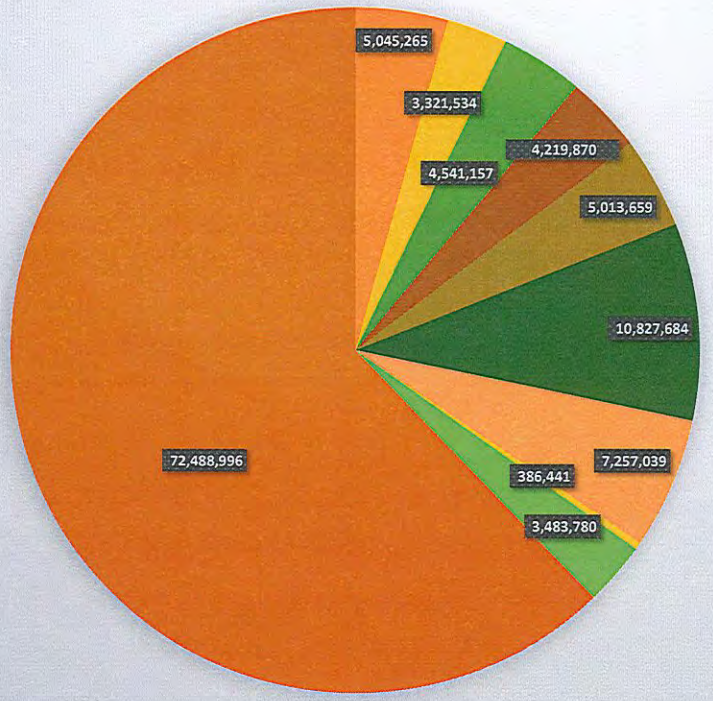


College & Number of Endowments:

- College of Agriculture - 30
- College of Education - 11
- College of Arts & Sciences - 44
- Athletics -19
- College of Business Administration - 25
- Honors College & General Scholarships - 49
- College of Engineering - 39
- BOOT Funds/Other - 5
- Welhausen Ranch Proceeds
- CKWRI - 88

Endowment Funds w/o Donor Restrictions	$ 9,954,094
Endowment Funds w/ Donor Restrictions	$ 86,126,395
Total Endowment Funds	$ 96,080,489

Texas A&M University Kingsville Foundation
Endowments @ 12/31/21



College & Number of Endowments:

- College of Agriculture - 28
- College of Education - 11
- College of Arts & Sciences - 41
- Athletics -19
- College of Business Administration - 23
- Honors College & General Scholarships - 48
- College of Engineering - 34
- BOOT Funds/Other - 6
- Welhausen Ranch Proceeds
- CKWRI - 81

Endowment Funds w/o Donor Restrictions	$ 12,925,214
Endowment Funds w/ Donor Restrictions	$103,660,212
Total Endowment Funds	$116,585,426