

# **Texas A&M University – Commerce Foundation**

Auditor's Report and Financial Statements

August 31, 2014 and 2013

**Texas A&M University – Commerce Foundation**  
**August 31, 2014 and 2013**

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## Independent Auditor's Report

Board of Directors  
Texas A&M University – Commerce Foundation  
Commerce, Texas

We have audited the accompanying financial statements of Texas A&M University – Commerce Foundation, which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities 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 audits. We conducted our audits 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 from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas A&M University – Commerce Foundation as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

Dallas, Texas  
April 7, 2015

**Texas A&M University – Commerce Foundation**  
**Statements of Financial Position**  
**August 31, 2014 and 2013**

**Assets**

	<b>2014</b>	<b>2013</b>
Position in Texas A&M University		
Cash Concentration Pool	\$ 4,827,874	\$ 4,377,075
Pledges receivable, net of allowance for uncollectible amounts; \$25,818 (2014) and \$9,900 (2013)	146,302	56,100
Investments in		
Texas A&M University System Endowment Fund	17,880,162	14,971,070
Annuity contracts and trusts	375,646	312,378
Mineral holdings	117,750	117,750
Total assets	<b>\$ 23,347,734</b>	<b>\$ 19,834,373</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable, Texas A&M – Commerce	\$ 60,000	\$ 120,000
Annuities payable	23,706	25,254
Total liabilities	83,706	145,254

**Net Assets**

Unrestricted	319,439	204,813
Temporarily restricted	7,946,208	5,375,650
Permanently restricted	14,998,381	14,108,656
Total net assets	23,264,028	19,689,119
Total liabilities and net assets	<b>\$ 23,347,734</b>	<b>\$ 19,834,373</b>

**Texas A&M University – Commerce Foundation**  
**Statements of Activities**  
**Years Ended August 31, 2014 and 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue and Support</b>				
Contributions	\$ 127,285	\$ 750,559	\$ 807,926	\$ 1,685,770
Noncash contributions	31,725	-	-	31,725
Special events	-	10,380	-	10,380
Investment return	9,861	3,142,611	81,799	3,234,271
Net assets released from restrictions	<u>1,332,992</u>	<u>(1,332,992)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,501,863</u>	<u>2,570,558</u>	<u>889,725</u>	<u>4,962,146</u>
<b>Expenses and Losses</b>				
Support provided to Texas A&M University – Commerce				
Student scholarship awards	721,373	-	-	721,373
Faculty and academic support	327,642	-	-	327,642
Other university support	<u>306,488</u>	<u>-</u>	<u>-</u>	<u>306,488</u>
Total support of Texas A&M University – Commerce	1,355,503	-	-	1,355,503
Supporting services				
Management and general	<u>31,734</u>	<u>-</u>	<u>-</u>	<u>31,734</u>
Total expenses and losses	<u>1,387,237</u>	<u>-</u>	<u>-</u>	<u>1,387,237</u>
<b>Change in Net Assets</b>	114,626	2,570,558	889,725	3,574,909
<b>Net Assets, Beginning of Year</b>	<u>204,813</u>	<u>5,375,650</u>	<u>14,108,656</u>	<u>19,689,119</u>
<b>Net Assets, End of Year</b>	<u>\$ 319,439</u>	<u>\$ 7,946,208</u>	<u>\$ 14,998,381</u>	<u>\$ 23,264,028</u>

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 94,974	\$ 673,755	\$ 554,399	\$ 1,323,128
190,166	-	-	190,166
-	15,317	-	15,317
18,944	1,434,373	136,697	1,590,014
<u>1,275,224</u>	<u>(1,275,224)</u>	<u>-</u>	<u>-</u>
<u>1,579,308</u>	<u>848,221</u>	<u>691,096</u>	<u>3,118,625</u>
901,053	-	-	901,053
265,339	-	-	265,339
<u>286,000</u>	<u>-</u>	<u>-</u>	<u>286,000</u>
1,452,392	-	-	1,452,392
<u>51,664</u>	<u>-</u>	<u>-</u>	<u>51,664</u>
<u>1,504,056</u>	<u>-</u>	<u>-</u>	<u>1,504,056</u>
75,252	848,221	691,096	1,614,569
<u>129,561</u>	<u>4,527,429</u>	<u>13,417,560</u>	<u>18,074,550</u>
<u>\$ 204,813</u>	<u>\$ 5,375,650</u>	<u>\$ 14,108,656</u>	<u>\$ 19,689,119</u>

**Texas A&M University – Commerce Foundation**  
**Statements of Cash Flows**  
**Years Ended August 31, 2014 and 2013**

	2014	2013
<b>Operating Activities</b>		
Change in net assets	\$ 3,574,909	\$ 1,614,569
Items not requiring (providing) cash		
Net realized and unrealized gain on investments	(2,183,426)	(707,505)
Contributions and investment income received restricted for long-term investment	(889,725)	(691,096)
Changes in		
Pledges receivable	(90,202)	40,155
Accounts payable	-	(1,006)
Accounts payable, Texas A&M – Commerce	(60,000)	(60,000)
Annuities payable	(1,548)	(3,060)
	350,008	192,057
<b>Investing Activities</b>		
Sales (purchases) of investments, net	(788,934)	(575,716)
	(788,934)	(575,716)
<b>Financing Activities</b>		
Proceeds from contributions and investment income restricted for long-term investment	889,725	691,096
	889,725	691,096
<b>Net Increase in Cash Concentration Pool</b>	450,799	307,437
<b>Cash Concentration Pool, Beginning of Year</b>	4,377,075	4,069,638
<b>Cash Concentration Pool, End of Year</b>	\$ 4,827,874	\$ 4,377,075

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

The Texas A&M University – Commerce Foundation (Foundation) is affiliated with Texas A&M University – Commerce (A&M – Commerce) in Commerce, Texas. The Foundation provides a means by which alumni, faculty, students and other benefactors of A&M – Commerce can make donations to support the University's scholarships, endowments and other programs. The Foundation's revenues and other support are derived principally from contributions and investment return.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

The Foundation considers its cash in banks and investments in proprietary money market funds held in the Texas A&M University System Cash Concentration Pool (Pool) to be cash and cash equivalents. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less at the time of purchase.

#### *Investments and Investment Return*

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments, including mineral holdings, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.



# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### ***Derivative Instruments***

Texas A&M University System uses forward currency contracts for the purpose of hedging international currency risk on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies.

### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose including support of academic and administrative functions of A&M – Commerce and scholarship awards to students. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one-year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2014 and 2013**

***In-kind Contributions***

In addition to receiving cash contributions, the Foundation receives in-kind contributions including software, art work, athletic gear, etc. from various donors. Generally, these gifts are utilized by the University. It is the policy of the Foundation to record the estimated fair value of these in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended August 31, 2014 and 2013, \$31,725 and \$190,166 were received in in-kind contributions, respectively.

***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

**Note 2: Pledges Receivable**

Pledges receivable represents promises to give and consists of the following:

	<b>2014</b>	<b>2013</b>
Receivable in less than one-year	\$ 72,120	\$ 54,100
Receivable in one to five years	100,000	11,900
Total unconditional promises to give	172,120	66,000
Less allowance for uncollectible promises	25,818	9,900
Net unconditional promises to give	\$ 146,302	\$ 56,100

Discounting to net present value is not material to the accompanying financial statements as a whole.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

### Note 3: Investment Pools

Cash receipts are initially deposited into an interest-bearing bank account along with receipts of A&M – Commerce. The funds are then swept and invested with the Pool. Quarterly income from the investments is allocated between A&M – Commerce and the Foundation.

The Pool is an investment pool that provides members of the Texas A&M University System with a means to invest funds in excess of daily cash flow requirements. The Pool invests in direct obligations of the United States Treasury, obligations of United States Government agencies, mortgage-backed securities, obligations of foreign governments, corporate bonds, commercial paper, mutual funds, money market funds, common stocks and other equities.

The Texas A&M University System Endowment Fund (SEF) is an investment pool that provides members of the Texas A&M University System with a means to combine endowment fund assets in order to allow for more effective fund management and related investment returns. The SEF invests in direct obligations of the United States Treasury, obligations of United States Government agencies, mortgage-backed securities, obligations of foreign governments, corporate bonds, commercial paper, mutual funds, money market mutual funds, common stocks, alternative investments including interest rate swaps and futures and foreign currency contracts and other equities.

### Note 4: Annuity Contract and Trusts

The Foundation is the owner of an annuity contract which is designated for support of the School of Business and Technology, primarily the MBA Program, of A&M – Commerce. Additionally, the Foundation has entered into several charitable annuity trust contracts under split-interest agreements. These are agreements in which the donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor.

The assets are measured at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor. In subsequent periods, payments to the donor reduce the annuity liability.

The fair value of the annuity related investments is as follows:

	<u>2014</u>	<u>2013</u>
Annuity contracts	\$ 321,736	\$ 263,016
Charitable annuity trusts	<u>53,910</u>	<u>49,362</u>
	<u>\$ 375,646</u>	<u>\$ 312,378</u>

The charitable annuity trusts require annual aggregate payments of \$3,420 as of August 31, 2014 and 2013. In addition, the aggregate liability for future annuity payments at present value was \$23,706 and \$25,254 at August 31, 2014 and 2013, respectively.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

### Note 5: Mineral Holdings

Mineral holdings at August 31, 2014 and 2013, consisted of mineral rights to property in Union County, New Mexico, received by the Foundation in 1985 at an initial value of \$117,750. As of July 1, 2012, the appraised value of the mineral rights approximated \$490,000.

### Note 6: Investment Return

The components of investment return are as follows:

	2014	2013
Net realized and unrealized gains on investments reported at fair value	\$ 2,183,426	\$ 707,505
Interest, dividends and other income	1,050,845	882,509
	\$ 3,234,271	\$ 1,590,014

### Note 7: Net Assets

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at August 31 are available for the following purposes:

	2014	2013
Scholarships	\$ 2,544,033	\$ 2,410,280
Excellence programs	1,231,745	944,311
Athletics	29,814	74,629
Other programs	823,451	627,524
For periods after August 31	3,317,165	1,318,906
	\$ 7,946,208	\$ 5,375,650

#### *Permanently Restricted Net Assets*

Permanently restricted net assets at August 31 are restricted to:

	2014	2013
Investment in perpetuity, the income of which is expendable to support		
Scholarships	\$ 14,676,647	\$ 13,845,640
Support of academic chairs	321,734	263,016
	\$ 14,998,381	\$ 14,108,656

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

### ***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2014</u>	<u>2013</u>
Purpose restriction accomplished		
Scholarship awards	\$ 713,403	\$ 877,159
Excellence fund program expenses (faculty and academic support)	327,642	265,339
Rollings Memorial Garden	-	5,069
Other program expenses (including athletics)	<u>291,947</u>	<u>127,657</u>
	<u>\$ 1,332,992</u>	<u>\$ 1,275,224</u>

### **Note 8: Endowment**

The Foundation's endowment consists of approximately 395 individual funds established for a variety of scholarship purposes. The endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the state of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2014 and 2013**

The composition of net assets by type of endowment fund at August 31, 2014 and 2013, was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>2014</b>				
Donor-restricted endowment funds	\$ -	\$ 3,351,469	\$ 14,998,381	\$ 18,349,850
<b>2013</b>				
Donor-restricted endowment funds	\$ -	\$ 1,267,837	\$ 14,108,656	\$ 15,376,493

Changes in endowment net assets for the years ended August 31, 2014 and 2013, were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>2014</b>				
Endowment net assets, beginning of year	\$ -	\$ 1,267,837	\$ 14,108,656	\$ 15,376,493
Investment return	-	2,051,907	81,799	2,133,706
Contributions	-	31,725	807,926	839,651
Endowment net assets, end of year	\$ -	\$ 3,351,469	\$ 14,998,381	\$ 18,349,850
<b>2013</b>				
Endowment net assets, beginning of year	\$ -	\$ 722,790	\$ 13,417,560	\$ 14,140,350
Investment return	-	545,047	136,697	681,744
Contributions	-	-	554,399	554,399
Endowment net assets, end of year	\$ -	\$ 1,267,837	\$ 14,108,656	\$ 15,376,493

The Foundation has invested its funds with the SEF, which is subject to the System investment policy, 22.02 System Investment. The purpose of the SEF is to provide for the collective investment of all endowment and trust funds held by the System or by the board in a fiduciary capacity. The SEF is to provide funding for scholarships, fellowships, professorships and academic chairs and other uses as specified by donors. The endowment assets are invested to accomplish two primary goals: (1) provide a continuing and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation and (2) cause the total value of the fund to appreciate, over time, exclusive of growth derived from donations.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

The cash payout requirement on the SEF is substantial and continuous. Income and capital appreciation must be sufficient to provide an adequate and consistent cash stream for the development of excellence and distinction in the academic programs of the system. In addition, the SEF needs to ensure preservation of the purchasing power of the SEF and also to satisfy the need for payout growth in the future. Management of the SEF attempts to meet these objectives by maximizing the return on the SEF's investments, consistent with an appropriate level of risk. Additionally, the SEF shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities or industry will not have an excessive impact on the SEF.

The SEF's asset allocation policy will be consistent with the investment objectives and risk tolerances. These policies are designed to provide the highest probability of meeting or exceeding the SEF's return objectives at the lowest possible risk. The overall objective of the SEF is to invest the funds in such a manner as to achieve a reasonable balance of growth of corpus and consistent payout while maintaining the purchasing power of these endowments, as can reasonably be achieved within the framework of the policy consistent with the system's objective of the safety and preservation of capital.

Distribution of income will be made quarterly as soon as practicable after the last calendar day of November, February, May and August of each fiscal year to the endowment and trust funds participating in the SEF during the respective quarter. The income distribution per unit for each fiscal year will be to distribute, excluding fees, 5% of the 20-quarter average market value per unit as of the end of the previous February.

### **Note 9: Affiliation Agreement**

The Foundation has a five-year affiliation agreement with A&M – Commerce commencing in October 2010. As part of that agreement the Foundation's unrestricted fund is authorized to assess a 10% management fee, as defined, against the earnings of endowment and quasi-endowment investments to cover the expenses of maintaining these funds. One-half of the management fee assessed (approximately \$55,000 in 2014 and \$46,000 in 2013) is transferred to A&M – Commerce and one-half is retained by the Foundation's unrestricted fund. In addition, the Foundation is to provide to A&M – Commerce an annual unrestricted gift of \$60,000 plus not less than 7% of prior year unrestricted gifts received by the Foundation. This gift is for the use of services, facilities and equipment of A&M – Commerce. As a result of this agreement, the Foundation has recorded a \$60,000 (2014) and \$120,000 (2013) payable to A&M – Commerce in the accompanying statements of financial position.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

### Note 10: Contributed Services

The Foundation utilizes the staff members, computer services and office space of A&M – Commerce in order to carry out its activities. No revenue or expense for these services has been recorded in the accompanying financial statements.

### Note 11: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2014 and 2013:

	Fair Value	2014 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Position in Texas A&M University				
System Cash Concentration Pool	\$ 4,827,874	\$ -	\$ -	\$ 4,827,874
Investments in Texas A&M University				
System Endowment Fund	17,880,162	-	-	17,880,162
Annuity contracts and trust	375,646	375,646	-	-



# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

	2013			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Position in Texas A&M University				
System Cash Concentration Pool	\$ 4,377,075	\$ -	\$ -	\$ 4,377,075
Investments in Texas A&M University				
System Endowment Fund	14,971,070	-	-	14,971,070
Annuity contracts and trust	312,378	312,378	-	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes on the valuation techniques during the year ended August 31, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the paragraph below for inputs and valuation techniques used for Level 3 securities.

Fair value determinations for Level 3 measurements of securities are the responsibility of the accounting office and the managers of the Texas A&M investment pools. The accounting office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

The Foundation's interests in the Pool and SEF investment pools (investment pools) are valued based on estimates of the net asset value of the investment pools as provided by fund managers and based on other market-based data. Because the Foundation owns undivided interest in the investment pools, its unit of account for fair value measurement purposes is the investment pools. The Foundation cannot look through the investment pools to its underlying assets for fair value measurement purposes. Rather, it must consider if relevant observable inputs exist for interests in the investment pools. The investment pools are classified as Level 3 under the fair value hierarchy because no observable inputs exist for interests in the investment pool.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

August 31, 2014 and 2013

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Texas A&M University System Cash Concentration Pool	Texas A&M University System Endowment Fund
Balance, August 31, 2012	\$ 4,069,638	\$ 13,732,365
Interest dividends and other income	242,935	639,574
Net realized and unrealized gains	65,989	609,590
Management fees	(46,212)	-
Purchase, sales, issuances and settlements, net	44,725	(10,459)
Balance, August 31, 2013	4,377,075	14,971,070
Interest dividends and other income	289,150	761,245
Net realized and unrealized gains	206,022	1,903,178
Management fees	(54,971)	-
Purchase, sales, issuances and settlements, net	10,598	244,669
Balance, August 31, 2014	\$ 4,827,874	\$ 17,880,162

The Foundation invests in various investments securities of the System through the investment pools. 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 that such change could materially affect the amounts reported in the accompanying statements of financial position.

### Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### **Contributions**

In 2013, the Foundation received noncash contributions from three donors of approximately \$190,000 or 14% of contributions presented in the accompanying statements of activities. In 2014, the Foundation received approximately 23% of its contributions from two donors.

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**Notes to Financial Statements**  
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**Note 13: Subsequent Events**

Subsequent events have been evaluated through April 7, 2015, which is the date the financial statements were available to be issued.