




Texas A&M University 12th Man Foundation

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



Texas A&M University 12th Man Foundation
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Texas A&M University 12th Man Foundation
College Station, Texas

Opinion

We have audited the accompanying financial statements of Texas A&M University 12th Man Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and 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 accompanying financial statements present fairly, in all material respects, the financial position of Texas A&M University 12th Man Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 that these financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 judgment, 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

Houston, Texas
November 29, 2023

Texas A&M University 12th Man Foundation
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,238,144	\$ 59,134,989
Contributions receivable, net	15,344,921	23,229,767
Contracts receivable	393,403	795,989
Investments	39,732,087	13,932,806
Prepays and other	795,876	373,503
Total current assets	78,504,431	97,467,054
Other Assets		
Property and equipment, net	3,146,822	2,988,380
Contributions receivable, net	63,593,194	51,025,686
Memberships	32,000	32,000
Investments	140,884,805	136,460,874
Total other assets	207,656,821	190,506,940
Total assets	\$ 286,161,252	\$ 287,973,994
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals	\$ 1,528,941	\$ 706,548
Deferred revenue	53,316,799	47,774,831
Total current liabilities	54,845,740	48,481,379
Net Assets		
Without donor restrictions:		
Undesignated	(6,027,199)	(8,007,250)
With donor restrictions	237,342,711	247,499,865
Total net assets	231,315,512	239,492,615
Total liabilities and net assets	\$ 286,161,252	\$ 287,973,994

Texas A&M University 12th Man Foundation
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions of cash and other financial assets	\$ 2,377,359	\$ 62,699,025	\$ 65,076,384
Contract revenue	48,068,401	-	48,068,401
Investment income	869,052	7,806,308	8,675,360
Other revenue	2,362,404	67,850	2,430,254
Net assets released from restrictions	79,009,913	(79,009,913)	-
	<u>132,687,129</u>	<u>(8,436,730)</u>	<u>124,250,399</u>
Expenses			
Distributions to or for Texas A&M University:			
Facilities	72,791,065	-	72,791,065
Annual	44,719,004	-	44,719,004
Contributor costs	1,825,798	-	1,825,798
	<u>119,335,867</u>	<u>0</u>	<u>119,335,867</u>
Fund raising	6,002,639	-	6,002,639
General and administrative	5,320,704	-	5,320,704
	<u>11,323,343</u>	<u>0</u>	<u>11,323,343</u>
Loss on uncollectible contributions receivable	47,868	1,720,424	1,768,292
	<u>130,707,078</u>	<u>1,720,424</u>	<u>132,427,502</u>
Change in Net Assets	1,980,051	(10,157,154)	(8,177,103)
Net Assets, Beginning of Year	<u>(8,007,250)</u>	<u>247,499,865</u>	<u>239,492,615</u>
Net Assets, End of Year	<u>\$ (6,027,199)</u>	<u>\$ 237,342,711</u>	<u>\$ 231,315,512</u>

Texas A&M University 12th Man Foundation
Statement of Activities (Continued)
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions of cash and other financial assets	\$ 2,147,982	\$ 88,953,693	\$ 91,101,675
Contributions of nonfinancial assets	128,002	-	128,002
Contract revenue	43,962,378	-	43,962,378
Investment income (loss)	167,941	(1,842,596)	(1,674,655)
Other revenue	2,558,618	142,949	2,701,567
Net assets released from restrictions	32,655,781	(32,655,781)	-
	<u>81,620,702</u>	<u>54,598,265</u>	<u>136,218,967</u>
Expenses			
Distributions to or for Texas A&M University:			
Facilities	14,468,503	-	14,468,503
Annual	35,503,923	-	35,503,923
Contributor costs	1,573,684	-	1,573,684
	<u>51,546,110</u>	<u>0</u>	<u>51,546,110</u>
Fund raising	5,717,031	-	5,717,031
General and administrative	3,615,701	-	3,615,701
	<u>9,332,732</u>	<u>0</u>	<u>9,332,732</u>
Loss on uncollectible contributions receivable	25,510	338,567	364,077
	<u>60,904,352</u>	<u>338,567</u>	<u>61,242,919</u>
Change in Net Assets	20,716,350	54,259,698	74,976,048
Net Assets, Beginning of Year	<u>(28,723,600)</u>	<u>193,240,167</u>	<u>164,516,567</u>
Net Assets, End of Year	<u>\$ (8,007,250)</u>	<u>\$ 247,499,865</u>	<u>\$ 239,492,615</u>

Texas A&M University 12th Man Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services				Support Services			
	Distributions to or for Texas A&M University		Contributor Costs	Total Program Services	Fund Raising	General and Administrative	Total Support Services	Total
	Facilities	Annual						
Salaries	\$ 1,214,840	\$ -	\$ 91,238	\$ 1,306,078	\$ 2,124,740	\$ 1,786,073	\$ 3,910,813	\$ 5,216,891
Employer payroll taxes	91,018	-	6,664	97,682	146,662	112,281	258,943	356,625
Employee benefits	258,153	-	-	258,153	413,401	292,873	706,274	964,427
Contract services	-	-	4,305	4,305	135,696	1,329,570	1,465,266	1,469,571
Office supplies	851	-	985	1,836	1,418	22,842	24,260	26,096
Printing, advertising, publications, and postage	480,543	-	26,851	507,394	278,119	63,227	341,346	848,740
Rentals	4,069	-	26,431	30,500	43	13,288	13,331	43,831
Insurance	-	-	36	36	350	266,750	267,100	267,136
Repairs and maintenance	-	-	-	-	-	4,284	4,284	4,284
Credit card and ticketing processing fees	1,023,765	-	-	1,023,765	746,298	-	746,298	1,770,063
Dues and subscriptions	2,045	-	-	2,045	21,942	56,084	78,026	80,071
Meals, entertainment, and travel	33,695	-	66,539	100,234	197,171	96,034	293,205	393,439
Information technology	35,802	-	4,398	40,200	26,255	767,897	794,152	834,352
Catering and special events	-	-	552,524	552,524	452,374	119,500	571,874	1,124,398
Donor expenses	(308,830)	-	1,031,521	722,691	246,126	32,692	278,818	1,001,509
Transfers to athletics	69,831,579	44,719,004	-	114,550,583	-	-	-	114,550,583
Depreciation	123,535	-	-	123,535	53,698	237,665	291,363	414,898
Other	-	-	14,306	14,306	1,158,346	119,644	1,277,990	1,292,296
	<u>\$ 72,791,065</u>	<u>\$ 44,719,004</u>	<u>\$ 1,825,798</u>	<u>\$ 119,335,867</u>	<u>\$ 6,002,639</u>	<u>\$ 5,320,704</u>	<u>\$ 11,323,343</u>	<u>\$ 130,659,210</u>

Texas A&M University 12th Man Foundation
Statement of Functional Expenses (Continued)
Year Ended June 30, 2022

	Program Services				Support Services			
	Distributions to or for Texas A&M University		Contributor Costs	Total Program Services	Fund Raising	General and Administrative	Total Support Services	Total
	Facilities	Annual						
Salaries	\$ 1,144,340	\$ -	\$ 74,970	\$ 1,219,310	\$ 1,824,517	\$ 1,488,312	\$ 3,312,829	\$ 4,532,139
Employer payroll taxes	85,761	-	5,910	91,671	128,564	94,836	223,400	315,071
Employee benefits	206,152	-	-	206,152	325,610	238,765	564,375	770,527
Contract services	-	-	15,423	15,423	151,224	223,836	375,060	390,483
Office supplies	767	-	9	776	592	18,699	19,291	20,067
Printing, advertising, publications, and postage	435,273	-	35,115	470,388	269,003	37,197	306,200	776,588
Rentals	5,666	-	8,636	14,302	-	22,379	22,379	36,681
Insurance	7,313	-	223	7,536	1,213	238,877	240,090	247,626
Repairs and maintenance	-	-	-	-	-	530	530	530
Credit card and ticketing processing fees	948,654	-	-	948,654	725,965	-	725,965	1,674,619
Dues and subscriptions	2,291	-	-	2,291	122,159	25,645	147,804	150,095
Meals, entertainment, and travel	31,595	-	124,361	155,956	169,092	84,585	253,677	409,633
Information technology	35,603	-	2,232	37,835	48,293	718,962	767,255	805,090
Catering and special events	-	-	409,785	409,785	550,830	35,253	586,083	995,868
Donor expenses	198,196	-	886,774	1,084,970	201,093	50,126	251,219	1,336,189
Transfers to athletics	11,246,600	35,503,923	-	46,750,523	-	-	-	46,750,523
Depreciation	120,053	-	-	120,053	40,328	202,381	242,709	362,762
Other	239	-	10,246	10,485	1,158,548	135,318	1,293,866	1,304,351
	<u>\$ 14,468,503</u>	<u>\$ 35,503,923</u>	<u>\$ 1,573,684</u>	<u>\$ 51,546,110</u>	<u>\$ 5,717,031</u>	<u>\$ 3,615,701</u>	<u>\$ 9,332,732</u>	<u>\$ 60,878,842</u>

Texas A&M University 12th Man Foundation
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (8,177,103)	\$ 74,976,048
Items not requiring (providing) operating activities cash flows:		
Depreciation	414,898	362,762
Noncash contributions received	(9,228,163)	(7,629,708)
Net realized and unrealized (gains) losses on investments	(8,675,360)	1,674,655
Contributions received restricted for long-term investment	(1,845,400)	(1,383,777)
Loss on disposal of property and equipment	21,811	50,072
Changes in:		
Contracts receivable	402,586	350,403
Contributions receivable	(5,122,333)	(43,289,053)
Prepays and other assets	(422,373)	(99,549)
Accounts payable	822,393	(698,519)
Deferred revenue	5,541,968	1,931,615
Net cash provided by (used in) operating activities	(26,267,076)	26,244,949
Investing Activities		
Purchases of investments	(27,934,489)	(8,573,400)
Proceeds from disposition of investments	15,856,912	18,137,139
Purchase of property and equipment	(595,151)	(439,713)
Principal cash of pooled funds held by Texas A&M Foundation reinvested	(242,112)	(48)
Net cash provided by (used in) investing activities	(12,914,840)	9,123,978
Financing Activity		
Proceeds from contributions restricted for long-term investment	2,285,071	2,560,248
Net cash provided by financing activity	2,285,071	2,560,248
Increase (Decrease) in Cash and Cash Equivalents	(36,896,845)	37,929,175
Cash and Cash Equivalents, Beginning of Year	59,134,989	21,205,814
Cash and Cash Equivalents, End of Year	\$ 22,238,144	\$ 59,134,989

Texas A&M University 12th Man Foundation
Notes to Financial Statements
June 30, 2023 and 2022

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

Nature of Operations

Texas A&M University 12th Man Foundation (the Foundation) is a not-for-profit organization that was formed to operate exclusively for charitable purposes and make expenditures to or for the support or benefit of Texas A&M University (the University), and its intercollegiate athletic program. Funds donated to this organization are primarily used to provide athletic scholarships to student athletes who attend the University, to help maintain and improve Texas A&M athletic facilities and support its 20 athletic programs.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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

Cash and cash equivalents include cash on hand, money market accounts and a certificate of deposit. The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$22,195,000.

Classification of Gifts

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor, and for which the restriction is met in the same time period, are recorded as net assets with donor restrictions and then released from restriction.

The Foundation reports gifts of land, buildings and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Texas A&M University 12th Man Foundation

Notes to Financial Statements

June 30, 2023 and 2022

Unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions.

Contributions

The Foundation periodically solicits gifts from its donors in support of University sponsored athletics. Such gifts are used to fund facilities, scholarships, and programs to accomplish its mission.

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

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, including an allowance for uncollectible contributions estimated by management.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Restricted contributions are recorded in the with donor restrictions net asset class. If the restrictions are met during the year, the amounts are reflected in assets released from restriction on the statements of activities.

Commitments

The Foundation has made commitments over the years to the University in order to fund large athletic projects, particularly those for major building and infrastructure projects supporting University athletics. Funding for these projects is sourced from donor contributions. While these commitments do not represent legally binding obligations of the Foundation and are, therefore, not reported on the balance sheets of the Foundation, the Foundation does plan to pay these commitments as they become due. Please refer to Note 9 of these audited financial statements for additional details on these commitments.

Texas A&M University 12th Man Foundation

Notes to Financial Statements

June 30, 2023 and 2022

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in Texas A&M Foundation pooled funds and money market fund are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net Investment Return

Investment income consists of dividends, 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 and is net of investment fees.

Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

All gains and losses arising from the sale, collection or other disposition of investments are accounted for on a specific identification basis calculated as of the trade date in the fund that owned such assets.

The Foundation maintains pooled funds for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled funds are allocated monthly 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 funds, as adjusted for additions to or deductions from those accounts.

Investments in Pooled Funds Held by Texas A&M Foundation

The Foundation has established an investment account at the Texas A&M Foundation through purchase into the Texas A&M Foundation investment pool. The account holds the assets of the Foundation placed in the investment pool including any additions, proceeds, income and profits and losses and withdrawals.

The Foundation may terminate the agreement by either full and immediate termination of the account or systematic withdrawal of the account over an extended period. Full and immediate termination is subject to a fee of 10 percent of the account's assets. The account may be terminated without penalty by annual withdrawals over a period of five years (20 percent, 25 percent, 33 1/3 percent, 50 percent and 100 percent) of the remaining account balance in each consecutive year.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. It is the Foundation's policy to capitalize property and equipment over \$5,000. Furniture, fixtures and equipment are being depreciated over estimated useful lives ranging from five to ten years using the straight-line method.

Texas A&M University 12th Man Foundation
Notes to Financial Statements
June 30, 2023 and 2022

The cost of maintenance and repairs is charged to expense as incurred. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income in the statements of activities for the year.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	5-10 years
Leasehold improvements	39 years
Vehicles	5 years

Long-lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Endowments

The Foundation records declines in fair values in these donor-restricted endowment funds by reducing net assets with donor restrictions to the extent there is net appreciation on related funds with donor-imposed restrictions. Any remaining decline in fair value in excess of amounts classified as net assets with donor restrictions is recorded as a reduction in net assets without donor restrictions.

Net Assets

The two net asset categories incorporated in the Foundation's financial statements are described as follows:

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for athletic reserves.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Texas A&M University 12th Man Foundation

Notes to Financial Statements

June 30, 2023 and 2022

Unrealized and realized gains and losses and dividends and interest income from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions.

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.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the various statistical or allocation methods.

Revenue From Contracts With Members

Contract revenue is recognized over a period of time in the year that the athletic events associated with the ticket occurs, which is when the performance obligation is satisfied. Payments for seating option rights are due when the contract is initiated with the option to pay for rights in full or enroll in a three- or five-month payment plan. The Foundation has determined that a significant financing component does not exist. Additionally, the Foundation has elected the practical expedient that permits an entity to not recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. Contracts receivable are stated at the amount of consideration from its members, of which the Foundation has an unconditional right to receive cash under contracts with its members in exchange for the member's right to purchase tickets for future Texas A&M University athletic events, primarily the right to purchase certain "premium seating" football tickets in Kyle Field. Contract receivables for future events is \$393,403 and \$795,989 as of June 30, 2023 and 2022, respectively. Revenue from fees for future athletic events is deferred and recognized over the periods to which the fees relate. At June 30, 2023 and 2022, total deferred revenue related to future athletic events is \$46,968,960 and \$45,672,482, respectively. In addition, the Foundation collects pre-payments for future years' game day parking, road game programs, and special events which are deferred and recognized over the periods to which fees relate.

At June 30, 2023 and 2022, the total deferred revenue related to game day parking, road game programs, and special events is \$2,445,763 and \$2,102,349, respectively. Contract assets primarily relate to the Foundation's rights to consideration for performance obligations satisfied but not billed at the reporting date. The Foundation has no contract assets as of June 30, 2023 and 2022.

Texas A&M University 12th Man Foundation
Notes to Financial Statements
June 30, 2023 and 2022

Other Deferred Revenue

At June 30, 2023, the Foundation had \$3,902,076 in contributions collected for a specific program related to Name, Image and Likeness. Due to the release of an IRS Global Legal Advice Memorandum in June 2023, the 12th Man Foundation had to terminate its efforts related to restricted contributions for this purpose. The organization adapted and allowed donors the opportunity to redirect their contribution to either the unrestricted Annual Fund, another restricted fund of their choice, or receive a refund. Nearly 99 percent of contributions were redirected and will be recognized as contributions in the fiscal year ending June 30, 2024.

Transaction Price and Recognition

The Foundation determines the transaction price based on standard charges for rights to specific athletic event seating options provided.

From time to time, the Foundation will receive overpayments of member balances resulting in amounts owed back to either the members or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The Foundation has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic conditions and the occurrence and attendance at Texas A&M University athletic events.

For the years ended June 30, 2023 and 2022, the Foundation recognized revenue of \$48,068,401 and \$43,962,378, respectively, from goods and services that transfer to the member over time.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Contributions Receivable, Net

Contributions receivable at June 30 consists of the following:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Promised contributions	\$ 100,281	\$ 94,211,276	\$ 94,311,557
Less allowance for uncollectible contributions	(29,621)	(5,652,677)	(5,682,298)
	70,660	88,558,599	88,629,259
Less present value component	-	(9,691,144)	(9,691,144)
	\$ 70,660	\$ 78,867,455	\$ 78,938,115

Texas A&M University 12th Man Foundation
Notes to Financial Statements
June 30, 2023 and 2022

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Amount expected:			
Due within one year	\$ 70,660	\$ 15,274,261	\$ 15,344,921
Due within one to five years	-	50,875,960	50,875,960
Due in more than five years	-	12,717,234	12,717,234
	\$ 70,660	\$ 78,867,455	\$ 78,938,115
	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Promised contributions	\$ 97,145	\$ 88,727,491	\$ 88,824,636
Less allowance for uncollectible contributions	(53,588)	(5,323,649)	(5,377,237)
	43,557	83,403,842	83,447,399
Less present value component	-	(9,191,946)	(9,191,946)
	\$ 43,557	\$ 74,211,896	\$ 74,255,453
Amount expected:			
Due within one year	\$ 43,557	\$ 23,186,210	\$ 23,229,767
Due within one to five years	-	36,583,270	36,583,270
Due in more than five years	-	14,442,416	14,442,416
	\$ 43,557	\$ 74,211,896	\$ 74,255,453

The discount rate used to calculate the present value component of contributions receivable for each of the years ended June 30, 2023 and 2022, was 4.0 percent. The rate is based on a risk-free rate of return adjusted for variations and timing of cash flows, uncertainties in cash flows and the length of time over which cash flows are to occur.

Note 3: Investments

The Foundation's investments at June 30 consist of:

	2023	2022
Money market fund	\$ 32,106,327	\$ 13,932,806
U.S. government-sponsored enterprises (GSE)	989,155	-
Corporate bonds	6,636,605	-
Investment in pooled funds held by Texas A&M Foundation	140,884,805	136,460,874
	\$ 180,616,892	\$ 150,393,680

Texas A&M University 12th Man Foundation

Notes to Financial Statements

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	2023	2022
Investments:		
Current	\$ 39,732,087	\$ 13,932,806
Long-term	<u>140,884,805</u>	<u>136,460,874</u>
	<u>\$ 180,616,892</u>	<u>\$ 150,393,680</u>

Total investment return is comprised of the following:

	2023	2022
Gain (loss) and investment earnings on investment in pooled funds held by Texas A&M Foundation	\$ 7,048,628	\$ (1,842,596)
Interest and dividends	1,688,172	257,443
Loss on other investments	<u>(61,440)</u>	<u>(89,502)</u>
	<u>\$ 8,675,360</u>	<u>\$ (1,674,655)</u>

Investment in pooled funds held by Texas A&M Foundation represent assets held and managed by the Texas A&M Foundation pursuant to an agency agreement dated July 1, 2003. Effective July 1, 2003, the Foundation's ownership interests were assigned through unitization to the various participants based on the market value of the securities or cash placed in the Pool by each participant. The Foundation's transactions within the Pool, the current market value is used to determine the number of units allocated to additional assets placed in the Pool and to value withdrawals from the Pool. Investment income and realized gains and losses and any unrealized gains and losses are allocated equitably based on the number of units assigned to each participant.

For full and immediate redemption of the Foundation's investment in the pooled funds, the Foundation must provide a 90-day written notice to the Texas A&M Foundation upon which the Texas A&M Foundation will provide an accounting of the investment in the pooled funds and a breakdown between marketable and non-marketable assets back to the Foundation within 30 days after the 90-day notice period. No unfunded commitments existed at year-end.

Within 30 days of the accounting, the Texas A&M Foundation will redeem the Foundation's investment at NAV for marketable assets and at 90 percent to 100 percent of NAV for non-marketable assets, as determined by the Board of the Texas A&M Foundation. The Foundation may redeem the investment without penalty if the funds are withdrawn over a period of five years.

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At June 30, 2023 and 2022, the Pool's major investment types include:

	2023	2022
Domestic equities	\$ 247,808,981	\$ 334,522,037
Global and international equities	572,936,489	567,569,099
Private equities	872,145,149	815,142,934
Private credit	249,221,644	197,903,588
Real assets, including natural resources and infrastructure	408,877,644	422,726,140
Fixed income	273,316,769	182,130,191
Opportunistic	30,451,765	17,291,169
Cash and cash equivalents	61,420,283	53,723,254
	<u>\$ 2,716,178,724</u>	<u>\$ 2,591,008,412</u>

The Pool's participant's market value is determined by the market value of the securities held and the number of units allocated to the Foundation.

The Foundation, through the Texas A&M 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 that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 4: Property and Equipment, Net

Property and equipment at June 30 consists of the following:

	2023	2022
Furniture and equipment	\$ 2,442,788	\$ 2,234,580
Leasehold improvements	3,657,823	3,391,980
Vehicles	341,570	286,146
	6,442,181	5,912,706
Accumulated depreciation	<u>(3,295,359)</u>	<u>(2,924,326)</u>
	<u>\$ 3,146,822</u>	<u>\$ 2,988,380</u>

The Foundation's depreciation expense for the years ended June 30, 2023 and 2022, was \$414,898 and \$362,762, respectively.

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Note 5: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
12th Man Foundation funds	\$ 170,916	\$ 169,189
Athletic Department funds	8,611,491	5,756,378
Athletic endowment funds	772,373	689,092
Athletic Facility funds	107,421,188	124,295,901
Support groups	4,626,271	4,416,009
	<u>121,602,239</u>	<u>135,326,569</u>
Subject to endowment spending policy or appropriation accumulated gains, endowments and investment in perpetuity:		
12th Man Foundation funds	70,576,023	69,912,410
1922 scholarship funds	24,105,622	22,151,266
Athletic Department funds	8,272,195	7,928,482
Athletic endowment funds	11,215,507	10,698,734
Support groups	1,571,125	1,482,404
	<u>115,740,472</u>	<u>112,173,296</u>
	<u>\$ 237,342,711</u>	<u>\$ 247,499,865</u>

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
12th Man Foundation funds	\$ -	\$ 3,738
Athletic Department funds	379,797	2,359,496
Athletic Facility funds	72,621,439	25,161,134
Support groups	2,051,072	1,324,837
Restricted purpose spending-rate distribution and appropriations:		
12th Man Foundation funds	3,109,078	2,669,790
Athletic endowment funds	169,912	240,617
1922 scholarship funds	678,615	885,920
Support Groups	-	10,249
	<u>\$ 79,009,913</u>	<u>\$ 32,655,781</u>

Texas A&M University 12th Man Foundation
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Note 6: Endowment

The Foundation's endowment consists of approximately 67 individual funds established for a variety of purposes. The endowment includes donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including any funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board has interpreted the *State of Texas Prudent Management of Institutional Funds Act* (TPMIFA) 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 net assets with donor restrictions (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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, 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

Changes in endowment net assets for the years ended June 30 were as follows:

	June 30, 2023
	With Donor Restrictions
As of July 1, 2022	\$ 112,173,296
Investment return:	
Net appreciation (realized and unrealized)	5,722,632
Contributions	1,842,781
Bad debt expense	(40,632)
Appropriation of endowment assets for expenditures	(3,957,605)
As of June 30, 2023	\$ 115,740,472

Texas A&M University 12th Man Foundation
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	June 30, 2022
	With Donor Restrictions
As of July 1, 2021	\$ 116,194,905
Investment return:	
Net appreciation (realized and unrealized)	(1,522,834)
Contributions	1,393,513
Bad debt expense	(85,712)
Appropriation of endowment assets for expenditures	(3,806,576)
As of June 30, 2022	\$ 112,173,296

Amounts of donor-restricted endowment funds at June 30, 2023 and 2022, consisted of:

	With Donor Restrictions	
	2023	2022
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or TPMIFA	\$ 61,638,332	\$ 59,833,565
Portion of perpetual endowment funds subject to a restriction under TPMIFA	54,102,140	52,339,731
	\$ 115,740,472	\$ 112,173,296

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or TPMIFA. In accordance with GAAP, deficiencies of this nature are reported in assets with donor restrictions and aggregated \$0 and \$5,307 as of June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new donor-restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation through an agreement with the Texas A&M Foundation has elected to invest its endowment completely in the Long-term Investment Pool (the Pool) of the Texas A&M Foundation. Accordingly, the return objectives and risk parameters and strategies employed for achieving objectives of the Texas A&M Foundation have been adopted by the Foundation.

The Texas A&M Foundation has adopted investment and spending policies, as approved by the Board, for the Pool that attempt to provide a predictable stream of funding to programs supported by the Pool while seeking to maintain the purchasing power of the Pool. The long-term investment objective of the Pool is to earn an average annual real (inflation-adjusted) return at least equal to the payout rate, net of all investment fees while assuming a moderate amount of risk. The payout rate will vary with the market environment but will generally be between 4.0 percent and 5.0 percent.

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This should be achieved over rolling five- to 10-year periods on a total return basis. The Pool includes endowed assets, non-endowed assets and agency funds. Actual returns in any given year may vary considerably from this amount.

For the fiscal years 2023 and 2022, the Texas A&M Foundation appropriated 5.0 percent for distribution from the Pool's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The Board continues to follow the adopted revised policy to reduce distributions by 0.1 percent annually until the distribution is 5.0 percent. In establishing this policy, the Board considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an annual rate that is at least equal to the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2022
Unrestricted cash and cash equivalents	\$ 40,448,869	\$ 36,088,701
Accounts receivable	25,076	4,222
Net contributions receivable for general operations		
due in one year or less	464,063	839,546
Budgeted annual collections from seat renewals		
due in one year or less	50,162,519	45,676,551
Athletic commitments due in one year or less	(36,575,063)	(39,809,003)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 54,525,464	 \$ 42,800,017

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments in compliance with the Foundation's investment policy. The Foundation provides its cash management group with a funding schedule in order to maximize earning potential around the Foundation's cash needs.

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The table above reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In addition, the Foundation has made commitments over the years to the University to fund large athletic projects. Although these commitments are not legally binding obligations, the Foundation does plan to pay these commitments as they become due. The Foundation has shown budgeted cash and cash equivalent collections for annual seat renewals for the following fiscal year to demonstrate how it plans to meet its commitment for these athletic projects due within one year of financial position date.

Note 8: Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized as revenue within the statement of activities included technology equipment valued at \$51,637 and donor-chartered flights provided for Texas A&M Athletic Department use valued at \$71,135 for the year ended June 30, 2022. There were none contributed nonfinancial assets recognized for the year ended June 30, 2023.

The contributed technology equipment will be used for fundraising and administrative activities. In valuing the contributed equipment, the Foundation recorded the fair value on the basis provided by the established vendor.

Contributions of services, if any, are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Foundation received \$0 and \$5,230 in contributed services requiring recognition in the year ended June 30, 2023 and 2022, respectively.

Office Space

The Foundation occupies office space in the University's buildings. The value of the University office space and services has not been included in the financial statements, as this space is state property and restricted as to its use; therefore, there is no rental value to record.

Note 9: Commitments

The Foundation has outstanding commitments to the University for facilities and ongoing program needs of the athletic department. While these commitments do not represent legally binding obligations of the Foundation, it does plan to pay the commitments as they become due. A summary of the outstanding commitments, including interest, as of June 30, 2023, is as follows.

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Annual transfers (through year ending June 30, 2031)	\$ 121,824,120
Bright Complex	1,780,653
Blue Bell Park at Olsen Field	5,815,750
Kyle Field redevelopment	323,921,745
Outdoor track and softball stadium	187,865
Swimming and diving upgrades	844,858
Cox McFerrin Center for Aggie Basketball	526,032
Additional athletics commitments	4,196,779
Bright Area Redevelopment	74,325,427
	\$ 533,423,229

Funding for the Foundation's commitments will be sourced from cash, investments, investment returns, contributions receivable and from future donor contributions. As of June 30, 2023 and 2022, the Foundation held approximately \$231,300,000 and \$239,500,000 of net assets respectively and all that are not specifically restricted to other uses are available to fund these future commitments. The following provides additional information for each of the commitments summarized above.

Annual Transfers

During the year ended June 30, 2015, the Annual Transfer was set at \$10,600,000 with a plan of increasing it at a rate of 2 percent per year. Additionally, with the last payment for the Zone Club being in 2020, the Annual Transfer increased by \$3,000,000 in 2021. A new Affiliation Agreement has been executed post fiscal year end in which the Annual Transfer commitment has been set at \$15,000,000 for the five-year term. The Annual Transfer commitment in the chart above is for the eight-year period of 2024 through 2031. The 2 percent increase in year six is an estimate, but not confirmed.

Kyle Field South End Zone Athletic Complex (Bright Complex)

In the February 1, 2002, Athletic Complex Funding Agreement (an addendum to the 1998 agreement) between the Foundation and the University, the Foundation agreed to provide financial support for the construction of the Kyle Field South End Zone Athletic Complex (Bright Complex) by contributing funds to cover debt service of the University debt issued for construction costs up to \$25,000,000, plus related interest and actual debt issuance costs less any funds transferred to the University prior to the issuance of any indebtedness.

On June 1, 2005, the Board of Regents of the University System issued Revenue Financing System Bonds in the total amount of \$434,650,000, of which the Foundation committed to pay \$11,443,309 of the total debt service related to construction costs of the Bright Complex, to be paid in annual installments of \$890,000 annually for the period of 2005-2025. The Foundation also agreed to maintain a debt service reserve account equal to total debt service due within the next year in its cash

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or cash equivalents. The Foundation's capital campaign gifts restricted to the Bright Complex and unrestricted capital campaign gifts received by the Foundation, not exceeding the maximum obligation, are pledged as collateral under the agreement.

The remaining future debt service amounts to be funded by the annual commitments above are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 807,666	\$ 82,774	\$ 890,440
2025	847,822	42,391	890,213
	<u>\$ 1,655,488</u>	<u>\$ 125,165</u>	<u>\$ 1,780,653</u>

Blue Bell Park at Olsen Field

The Foundation agreed to assist the University by contributing funds to cover debt service on University debt issued for construction costs associated with the renovation of Olsen Field. The Foundation has committed to annual contributions of \$288,284 for the period of 2014-2043.

The remaining future debt service amounts to be funded by the annual commitments above are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 115,000	\$ 173,500	\$ 288,500
2025	125,000	167,750	292,750
2026	125,000	162,750	287,750
2027	135,000	156,500	291,500
2028	140,000	149,750	289,750
2029-2033	815,000	636,500	1,451,500
2034-2038	1,050,000	410,000	1,460,000
2039-2043	1,295,000	159,000	1,454,000
	<u>\$ 3,800,000</u>	<u>\$ 2,015,750</u>	<u>\$ 5,815,750</u>

Redevelopment of Kyle Field

Although no formal agreements have been signed, the Foundation agreed to cover any shortfalls in the license and sales revenue required to fund the debt service and debt coverage ratio of the seat license bonds totaling up to \$231,850,000. The Foundation has committed to annual contributions of approximately \$16,200,000 for the period 2015-2043 to cover the amount of the bonds plus accrued interest.

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The related remaining future debt service amounts funded by the annual commitments above are as follows:

	Principal	Interest	Total
2024	\$ 6,155,000	\$ 10,005,797	\$ 16,160,797
2025	6,460,000	9,698,047	16,158,047
2026	6,785,000	9,375,048	16,160,048
2027	7,125,000	9,035,798	16,160,798
2028	7,480,000	8,679,548	16,159,548
2029-2033	43,470,000	37,571,749	81,041,749
2034-2038	55,100,000	25,942,404	81,042,404
2039-2043	70,225,000	10,813,354	81,038,354
	<u>\$ 202,800,000</u>	<u>\$ 121,121,745</u>	<u>\$ 323,921,745</u>

The Foundation also agreed to cover any shortfalls in the gift revenue required to fund the debt service and debt service coverage up to \$170,000,000 for the redevelopment of Kyle Field. This commitment was fulfilled in 2019.

Outdoor Track and Softball Stadium

The Foundation has committed to pay \$25,000,000 toward the Outdoor Track and Softball Projects over a five-year period. The five installments of \$5,000,000 each were paid in August 2016 through 2020.

The Foundation committed to send the University all funds already collected for these two projects and make a best effort to raise additional funds to cover the projects up to a total of \$68,940,000, less the \$25,000,000 above and the \$25,000,000 being bonded by the Athletic Department. The Foundation has received contribution pledges to cover the \$18,940,000 and has transferred funds in the amount of \$19,136,891 to the University. As of June 30, 2023, the Foundation has cash on hand of \$187,865 and \$10,000 in pledges receivable to collect against these projects.

Swimming and Diving Upgrades

The Foundation has committed to pay \$6,200,000 toward the \$8,200,000 Swimming and Diving Project. The Athletic Department has agreed to fund \$2,000,000. As of June 30, 2023, \$5,355,142 has been sent to the University, leaving a balance of \$844,858. The Foundation has cash on hand of \$924,275 and \$151,917 in pledges receivable to collect against this project.

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Cox McFerrin Center for Aggie Basketball

The Foundation has committed to pay \$3,750,000 toward the \$4,000,000 Cox McFerrin Center for Aggie Basketball Project. The Athletic Department has agreed to fund \$250,000. Based on projected costs, the Foundation agreed to raise an additional \$750,000 to fully fund the project. As of June 30, 2023, \$3,223,968 has been sent to the University, leaving a balance of \$526,032. The Foundation has cash on hand of \$591,876 and \$6,060 in pledges receivable to collect against this project.

Additional Athletics Commitment

The Foundation Board of Trustees approved the financial support of the Athletic Department's projected deficits through the end of fiscal year 2024. The projected deficit is estimated to be \$28,596,002 and consists of operating budget deficits and basketball transition costs. The Foundation agreed to use a variety of sources of funding to cover the deficit, which include the Excellence Fund, Kyle Field and other capital excess funds, and 12th Man unrestricted cash reserves. As of June 30, 2023, \$24,399,223 has been sent to the University, leaving a balance due of \$4,196,779 to be paid over the following schedule:

	Total
2024	\$ 4,196,779

Bright Area Redevelopment

In the May 2022 Bright Area Redevelopment Funding Agreement between the Foundation and the University, the Foundation committed to support Texas A&M and the Texas A&M Athletics Department by providing funding for a substantial portion of the Bright Area Redevelopment project by contributing funds to cover debt service of the University debt issued for construction costs, less any funds transferred to the University prior to the issuance of any indebtedness.

As of the date of these issued financial statements, the Board of Regents of the University System had not issued Revenue Financing System Bonds. The parties agreed to amend the existing Agreement to incorporate the debt service repayment schedule once debt service is issued. The Foundation's indebtedness shall be limited to a maximum obligation of \$180,000,000 plus related interest and a pro rata share of actual debt issuance costs less funds that have been transferred by the Foundation to Texas A&M prior to this agreement and less funds transferred by the Foundation to Texas A&M at the time of, or prior to the issue of debt. The University agreed to cover the remaining \$55,000,000 for the project from a combination of cash reserves in the stadium revenue funds and other university reserves. The Foundation's maximum obligation was adjusted down to \$177,900,000 per an agreement with the University as it related to \$2,100,000 in South End Zone Suite Capital being funded directly by the University.

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This obligation is comprised of the following items:

Debt service*	\$ 35,000,000
South End Zone Suite capital	22,900,000
Centennial capital gifts	<u>120,000,000</u>
	<u>\$ 177,900,000</u>

*Debt service is to be based upon actual borrowing, market rates or interest at issuance, issuance costs, interim financing capitalized up to two years and a 30-year debt repayment.

The Foundation has committed to pay \$142,900,000 in capital gifts raised toward the Bright Area Redevelopment project. As of June 30, 2023, \$68,574,573 has been sent to the University, leaving a balance of \$74,325,427. The Foundation has cash on hand of \$4,107,038 and \$73,412,541 in pledges receivable to collect against this project.

Automobile Leases

The Foundation leases certain automobiles on behalf of the University. Lease payments on behalf of the University are treated as contributions in the year of payment and are accounted for within the Foundation's Annual Transfers. Minimum payments required under these lease agreements are as follows:

	<u>Total</u>
2024	<u>\$ 109,308</u>

Note 10: 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 must 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.

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Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities 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 June 30, 2023 and 2022:

	Fair Value Measurements				Investments Measured at NAV (A)
	Total	Level 1	Level 2	Level 3	
June 30, 2023:					
Recurring basis:					
Assets:					
Cash equivalents	\$ 22,238,144	\$ 22,238,144	\$ -	\$ -	\$ -
Money market fund	32,106,327	-	-	-	32,106,327
U.S. government-sponsored enterprises (GSE)	989,155	-	989,155	-	-
Corporate bonds	6,636,605	-	6,636,605	-	-
Long-term investment pool:					
Investment in pooled funds held by Texas A&M Foundation	140,884,805	-	-	-	140,884,805
June 30, 2022:					
Recurring basis:					
Assets:					
Cash equivalents	\$ 59,134,989	\$ 59,134,989	\$ -	\$ -	\$ -
Money market fund	13,932,806	-	-	-	13,932,806
Long-term investment pool:					
Investment in pooled funds held by Texas A&M Foundation	136,460,874	-	-	-	136,460,874

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities 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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023 and 2022.

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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 quoted prices of securities with similar characteristics or independent asset pricing services and 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.

There were no assets or liabilities measured at fair value on a nonrecurring basis.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Investment in pooled funds held by Texas A&M Foundation (A)	\$ 140,884,805	\$ -	Annually	90 days
Money market fund (B)	32,106,327	-	Daily	Daily
	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Investment in pooled funds held by Texas A&M Foundation (A)	\$ 136,460,874	\$ -	Annually	90 days
Money market fund (B)	13,932,806	-	Daily	Daily

- (A) Investment in Pooled Funds Held by Texas A&M Foundation: To satisfy its long-term rate-of-return objectives, Texas A&M Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.
- (B) Includes investment in a money market fund measured at net asset value that seeks to maintain a stable net asset value of \$1.00 per share through investing in a diversified portfolio of high quality, U.S. government money market instruments and in related repurchase agreements.

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Note 11: Employee Benefit Plan

The Foundation has a qualified defined contribution pension plan (the Plan) covering substantially all its employees. The Board of Directors annually determines the amount, if any, of the Foundation's contributions to the Plan. Pension expense was \$610,369 and \$467,770 for the years ended June 30, 2023 and 2022, respectively.

The Foundation provides a retirement annuity program covering substantially all its employees. Contributions to the plan are funded by voluntary salary reductions of participating employees.

Note 12: Related-party Transactions

Currently, the University provides office space, utilities, and janitorial services to the Foundation for its administrative offices. The Foundation is responsible for any leasehold improvements to the offices.

Note 13: Significant Estimates and Concentrations

GAAP requires disclosure of certain significant estimates and current vulnerabilities, due to certain concentrations. Those matters include the following:

Contributions Receivable

One donor was responsible for approximately 21 percent of all contributions receivable as of June 30, 2023. Two donors were responsible for approximately 47 percent of all contributions receivable as of June 30, 2022.

General Litigation

The Foundation is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Foundation. Events could occur that would change this estimate materially in the near term.

Investments

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 that such change could materially affect the amounts reported in the accompanying statements of financial position.

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As of June 30, 2023 and 2022, the Foundation had 78 percent and 91 percent, respectively, of its investments in the pooled funds held by Texas A&M Foundation.

Note 14: Subsequent Events

Following the conclusion of the fiscal year ended June 30, 2023, and prior to the release of the audited financial statements, the Foundation Board of Trustees approved the financial support of Athletic Department operating needs. The projected request is estimated to be \$27,000,000. The Foundation agreed to use a variety of sources of funding to cover the request, which include Excellence Funds, Athletic Department reserves, and 12th Man unrestricted cash reserves. The payments are expected to be made in full by March 2024.

Subsequent events have been evaluated through November 29, 2023, which is the date the financial statements were available to be issued.