

MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS A&M SAN ANTONIO FOUNDATION

FINANCIAL STATEMENTS

August 31, 2020 and 2019

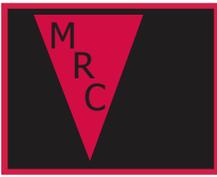
TEXAS A&M SAN ANTONIO FOUNDATION

August 31, 2020 and 2019

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AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Regents of
Texas A&M San Antonio Foundation
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Texas A&M San Antonio Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Foundation as of August 31, 2020 and 2019, 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.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

December 28, 2020

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Position in Texas A&M University System		
Cash Concentration Pool	\$ 4,442,355	\$ 2,443,033
Pledges Receivable, Net	1,211,787	2,298,176
Investments in Texas A&M University System		
Endowment Fund	<u>3,665,946</u>	<u>3,336,728</u>
TOTAL ASSETS	<u>\$ 9,320,088</u>	<u>\$ 8,077,937</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,735	\$ -
Due to Texas A&M University-San Antonio	<u>213,520</u>	<u>-</u>
TOTAL LIABILITIES	219,255	-
NET ASSETS		
Without Donor Restrictions		
Undesignated	453,154	339,266
Scholarships	<u>27,237</u>	<u>9,025</u>
Total Without Donor Restrictions	480,391	348,291
With Donor Restrictions		
Scholarships	556,560	470,203
University Support	3,720,408	3,124,539
Endowments	<u>4,343,474</u>	<u>4,134,904</u>
Total With Donor Restrictions	<u>8,620,442</u>	<u>7,729,646</u>
TOTAL NET ASSETS	<u>9,100,833</u>	<u>8,077,937</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,320,088</u>	<u>\$ 8,077,937</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 208,850	\$ 1,455,984	\$ 1,664,834
Investment Return, Net	-	117,981	117,981
TOTAL REVENUE AND SUPPORT	<u>208,850</u>	<u>1,573,965</u>	<u>1,782,815</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	<u>750,030</u>	<u>(750,030)</u>	<u>-</u>
DIRECT EXPENSES			
Program Services:			
Educational Scholarships	159,811	-	159,811
University Support	<u>602,469</u>	<u>-</u>	<u>602,469</u>
Total Program Services	762,280	-	762,280
Supporting Services:			
Management and General	17,068	-	17,068
Fundraising and Development	<u>47,432</u>	<u>-</u>	<u>47,432</u>
Total Supporting Services	<u>64,500</u>	<u>-</u>	<u>64,500</u>
TOTAL DIRECT EXPENSES	<u>826,780</u>	<u>-</u>	<u>826,780</u>
CHANGE IN NET ASSETS FROM OPERATIONS	132,100	823,935	956,035
Unrealized Gain on Investments, Net	<u>-</u>	<u>66,861</u>	<u>66,861</u>
CHANGE IN NET ASSETS	132,100	890,796	1,022,896
NET ASSETS - BEGINNING OF YEAR	<u>348,291</u>	<u>7,729,646</u>	<u>8,077,937</u>
NET ASSETS - END OF YEAR	<u>\$ 480,391</u>	<u>\$ 8,620,442</u>	<u>\$ 9,100,833</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 196,307	\$ 1,313,878	\$ 1,510,185
Investment Return, Net	-	114,337	114,337
TOTAL REVENUE AND SUPPORT	<u>196,307</u>	<u>1,428,215</u>	<u>1,624,522</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	<u>1,397,791</u>	<u>(1,397,791)</u>	<u>-</u>
DIRECT EXPENSES			
Program Services:			
Educational Scholarships	213,710	-	213,710
University Support	<u>1,309,772</u>	<u>-</u>	<u>1,309,772</u>
Total Program Services	1,523,482	-	1,523,482
Supporting Services:			
Management and General	10,008	-	10,008
Fundraising and Development	<u>43,435</u>	<u>-</u>	<u>43,435</u>
Total Supporting Services	<u>53,443</u>	<u>-</u>	<u>53,443</u>
TOTAL DIRECT EXPENSES	<u>1,576,925</u>	<u>-</u>	<u>1,576,925</u>
CHANGE IN NET ASSETS FROM OPERATIONS	17,173	30,424	47,597
Unrealized Gain on Investments, Net	<u>-</u>	<u>3,290</u>	<u>3,290</u>
CHANGE IN NET ASSETS	17,173	33,714	50,887
NET ASSETS - BEGINNING OF YEAR	<u>331,118</u>	<u>7,695,932</u>	<u>8,027,050</u>
NET ASSETS - END OF YEAR	<u>\$ 348,291</u>	<u>\$ 7,729,646</u>	<u>\$ 8,077,937</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2020

	<u>Program Services</u>		<u>Supporting Services</u>		<u>TOTAL</u>
	<u>Educational Scholarships</u>	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	
EXPENSES					
Grants Awarded	\$ 159,811	\$ 601,853	\$ -	\$ -	\$ 761,664
Advertising	-	-	-	1,700	1,700
Professional Services	-	-	10,000	15,931	25,931
Information Technology	-	-	-	789	789
Miscellaneous	-	-	1,560	175	1,735
Printing	-	-	-	3,137	3,137
Catering	-	616	5,508	23,619	29,743
Facility Rentals	-	-	-	500	500
Donor Premiums	-	-	-	1,273	1,273
Other	-	-	-	308	308
TOTAL EXPENSES	<u>\$ 159,811</u>	<u>\$ 602,469</u>	<u>\$ 17,068</u>	<u>\$ 47,432</u>	<u>\$ 826,780</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		<u>TOTAL</u>
	<u>Educational Scholarships</u>	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	
EXPENSES					
Grants Awarded	\$ 213,710	\$ 1,309,772	\$ -	\$ -	\$ 1,523,482
Advertising	-	-	-	1,067	1,067
Professional Services	-	-	10,000	3,175	13,175
Information Technology	-	-	-	185	185
Miscellaneous	-	-	-	1,277	1,277
Printing	-	-	-	673	673
Catering	-	-	-	23,371	23,371
Facility Rentals	-	-	-	1,313	1,313
Donor Premiums	-	-	-	12,374	12,374
Other	-	-	8	-	8
TOTAL EXPENSES	<u>\$ 213,710</u>	<u>\$ 1,309,772</u>	<u>\$ 10,008</u>	<u>\$ 43,435</u>	<u>\$ 1,576,925</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets from Operations	\$ 956,035	\$ 47,595
Adjustments to Reconcile Change in Net Assets from Operations to Net Cash Provided By Operating Activities:		
Decrease in Pledge Receivable	1,086,389	1,597,119
Increase in Accounts Payable	5,735	-
Increase in Due to Texas A&M University-San Antonio	<u>213,520</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,261,679</u>	<u>1,644,714</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments, Net	<u>(262,357)</u>	<u>(1,217,306)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(262,357)</u>	<u>(1,217,306)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,999,322	427,408
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,443,033</u>	<u>2,015,625</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,442,355</u>	<u>\$ 2,443,033</u>

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

TEXAS A&M SAN ANTONIO FOUNDATION

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TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Texas A&M San Antonio Foundation (the “Foundation”) is affiliated with Texas A&M University-San Antonio (the “University”) in San Antonio, Texas. The Foundation provides a means by which alumni, faculty, students, and other benefactors of the University 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 returns.

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 (the “Cash Concentration 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.

Pledges and Promise to Give

Unconditional pledges to give cash and other assets (including multi-year pledges) are recognized at fair value in the period the pledge is made. Pledges to be received over more than one year are measured at the present value of estimated future cash flows. The present value calculation assumes an average discount rate of 1.34%. The Foundation’s pledge recognition policy requires that pledge payments follow the original terms or amended pledge agreement in order for the pledge to be carried at fair value without an allowance for uncollectible accounts being established against it. A detail of the amounts comprising pledges receivable is presented in Note 5.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments and Investment Return

Investments in equity securities having a readily determinable fair value, and all investments in 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 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 net assets without donor restrictions. Other investment return is reflected in the accompanying statement of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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 investment accounts, as adjusted for additions to or deductions from those accounts.

Derivative Instruments

The Texas A&M University System (the “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.

Accounts Payable

Texas A&M San Antonio Foundation generally liquidates these current liabilities within 60 to 90 days of the period end.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Due to Affiliate

Texas A&M University-San Antonio paid scholarships and other University support expenditures on behalf of the Foundation during the year ended August 31, 2020. The amounts accrue no interest and are due on demand. Due to affiliate as of August 31, 2020 amounted to \$213,520. There were no amounts due to affiliate as of August 31, 2019.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restriction – that portion of net assets that has no use or time restrictions.

With Donor Restriction – that portion of net assets that is subject to donor-imposed restrictions on the specific use of the donation or the occurrence of a certain future event.

Contributions

Gifts of cash and other assets are reported as “without donor restriction” revenue and net assets, or “with donor restriction” revenue and net assets, based on the presence or absence of donor-imposed restrictions. When a donor-imposed time restriction ends or purpose restriction is met, “with donor restriction” net assets are reclassified to “without donor restriction” net assets and are reported in the accompanying statement of activities as net assets released from restrictions.

Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue to the Foundation, are classified as “with donor restriction”. The accumulation of assets above historic gift value in endowment funds is classified as “with donor restriction” until appropriated for use based on the Foundation’s spending policy.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions - Continued

Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value based on discounted cash flows, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions.

The Foundation also receives grants and contributions for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as “with donor restriction” until the purpose restrictions are met. When the purpose restriction is met, “with donor restriction” net assets are reclassified to “without donor restriction” net assets and reported as net assets released from restrictions.

Functional Expenses

The costs of providing Foundation programs and the administration of the Foundation have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The Foundation’s management utilizes the direct allocation method when assigning expenses to functional categories. Invoices and invoice line items are assigned to the respective functional categories based on direct usage.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and a similar provision of state law. Accordingly, no provision for income taxes has been included in these financial statements. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last five years remain subject to examination by the Internal Revenue Service.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes – Continued

The Foundation is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Foundation's Management has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

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.

Subsequent Events

Management has evaluated subsequent events through December 28, 2020, which is the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate note to these financial statements.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 2: 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, 2020 and 2019:

	2020			Total
	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	\$ -	\$ -	\$ 4,442,355	\$ 4,442,355
Investments in Texas A&M University System Endowment Fund	-	-	3,665,946	3,665,946
Total	\$ -	\$ -	\$ 8,108,301	\$ 8,108,301

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 2: DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – Continued

Recurring Measurements – Continued

	2019			Total
	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	\$ -	\$ -	\$ 2,443,033	\$ 2,443,033
Investments in Texas A&M University System Endowment Fund	-	-	3,336,728	3,336,728
Total	\$ -	\$ -	\$ 5,779,761	\$ 5,779,761

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. 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.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 2: DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – Continued

Investments – Continued

Fair value determinations for Level 3 measurements of securities are the responsibility of the accounting office and the managers of the Texas A&M University System 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 principles generally acceptable in the United States of America.

The Foundation’s interests in the Cash Concentration Pool and the Texas A&M University System Endowment Fund (the “SEF”) investment pool (the “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 an 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 their 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 pools.

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

	2020		
	Position in Texas A&M University System Cash Concentration Pool	Investment in Texas A&M University System Endowment Fund	Total
Balance, August 31, 2019	\$ 2,443,033	\$ 3,336,728	\$ 5,779,761
Interests, Dividends and Other Income	22,485	1,554	24,039
Realized Gains, Net	64,148	29,794	93,942
Purchase, Sales, Issuance, and Settlements, Net	1,912,689	231,009	2,143,698
Unrealized Gains, Net	-	66,861	66,861
Balance, August 31, 2020	<u>\$ 4,442,355</u>	<u>\$ 3,665,946</u>	<u>\$ 8,108,301</u>

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 2: DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – Continued

Investments – Continued

	<u>2019</u>		
	<u>University System Cash Concentration Pool</u>	<u>University System Endowment Fund</u>	<u>Total</u>
Balance, August 31, 2018	\$ 2,015,625	\$ 2,116,132	\$ 4,131,757
Interests, Dividends and Other Income	21,358	1,058	22,416
Realized Gains, Net	87,399	4,522	91,921
Purchase, Sales, Issuance, and Settlements, Net	318,651	1,211,726	1,530,377
Unrealized Gains, Net	-	3,290	3,290
	<u> </u>	<u> </u>	<u> </u>
Balance, August 31, 2019	<u>\$ 2,443,033</u>	<u>\$ 3,336,728</u>	<u>\$ 5,779,761</u>

NOTE 3: INVESTMENT POOL

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

The Cash Concentration Pool is an investment pool that provides members of the System with a means to invest funds in excess of daily cash flow requirements. The Cash Concentration 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 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 funds, common stocks, alternative investments including interest rate swaps and futures and foreign currency contracts, and other equities.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 4: INVESTMENT RETURN

The components of investment return are as follows:

	<u>2020</u>	<u>2019</u>
Net realized gain on investments	\$ 93,942	\$ 91,922
Interest and dividends	<u>24,039</u>	<u>22,415</u>
Investment Return	<u>\$ 117,981</u>	<u>\$ 114,337</u>

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable represents unconditional promises to give and consists of the following as of August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 412,500	\$ 1,650,000
Receivable in one to five years	725,000	500,000
Thereafter	<u>100,000</u>	<u>200,000</u>
Total pledges	1,237,500	2,350,000
Less: allowance for uncollectable pledges	-	-
Less: unamortized discount	<u>25,713</u>	<u>51,824</u>
Pledges Receivable, Net	<u>\$ 1,211,787</u>	<u>\$ 2,298,176</u>

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 6: LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation’s financial assets as of August 31, 2020 and 2019 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, endowments and accumulated earnings net of appropriations within one year, and board-designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of August 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and Cash Equivalents	\$ 4,442,355	\$ 2,443,033
Pledges Receivable	1,211,787	2,298,176
Investments	<u>3,665,946</u>	<u>3,336,728</u>
 Total Financial Assets	 <u>9,320,088</u>	 <u>8,077,937</u>
 Less those not available for general expenditures within one year due to:		
Pledges collectible beyond one year, net	(799,288)	(648,176)
Endowments and accumulated earnings subject to appropriation beyond one year	(3,665,946)	(3,336,728)
Board-designated for scholarships	<u>(27,237)</u>	<u>(9,025)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 4,827,617</u>	 <u>\$ 4,084,008</u>

NOTE 7: ENDOWMENTS

The Foundation’s endowment consists of 17 individual funds established for a variety of scholarship and University support purposes. The endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 7: ENDOWMENTS– Continued

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 net assets with donor restrictions – endowment: (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 SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in determining when 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; and
7. Investment policies of the Foundation.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 7: ENDOWMENTS– Continued

Changes in endowment net assets for the year ended August 31, 2020 and 2019 were as follows:

	<u>Donor-Restricted Expendable</u>	<u>Donor-Restricted Endowment</u>
Endowment net assets, August 31, 2018	\$ 4,634,342	\$ 3,061,590
Contributions	249,434	1,064,444
Investment Return	108,757	5,580
Unrealized Gain on Investments, Net	-	3,290
Satisfaction of Program Restrictions	<u>(1,397,791)</u>	<u>-</u>
Endowment net assets, August 31, 2019	3,594,742	4,134,904
Contributions	1,324,882	131,102
Investment Return	107,374	10,607
Unrealized Gain on Investments, Net	-	66,861
Satisfaction of Program Restrictions	<u>(750,030)</u>	<u>-</u>
Endowment net assets, August 31, 2020	<u>\$ 4,276,968</u>	<u>\$ 4,343,474</u>

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 SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 7: ENDOWMENTS – Continued

The cash payout requirement on the SEF is substantial and continuous. Income and capital appreciation must be enough 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 to satisfy the need for payout growth in the future. Management of the SEF attempts to meet these objectives by maximizing the return of the SEF's investments, consistent with an appropriate level of risk. Additionally, the SEF is always diversified to provide reasonable assurance that investment in a single security, class of securities, or industry will not have an excessive impact on the SEF.

The SEF's asset allocation policy is required to 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 is 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 is equal to 5% of the 20-quarter average market value per unit as of the end of the previous February.

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 8: DONOR - RESTRICTED NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specific Purpose:		
University Support:		
Experiential Learning	\$ 3,000,000	\$ 3,000,000
General	<u>720,408</u>	<u>124,539</u>
Total University Support	3,720,408	3,124,539
Scholarships	<u>556,560</u>	<u>470,203</u>
Total Subject to Expenditure for Specific Purpose:	4,276,968	3,594,742
Subject to Foundation Spending Policy and Appropriations:		
Investment in perpetuity (including amount above original gift amount of \$4,082,209 and \$3,990,500 respectively), which, once appropriated, is expendable to support scholarships	4,343,474	4,134,904
Total Donor-Restricted Net Assets	<u>\$ 8,620,442</u>	<u>\$ 7,729,646</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Experiential Learning	\$ -	\$ 1,309,772
Autism RISE Center	480,000	-
Scholarships	159,811	88,019
STEM Education	99,970	-
Other	10,249	
Total Purpose Restrictions Accomplished	<u>\$ 750,030</u>	<u>\$ 1,397,791</u>

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 9: SPECIAL EVENTS

Special Events for the year ended August 31, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Special Events Revenue:		
Golf Tournament	\$ 500	\$ 61,058
Dream Makers Luncheon	<u>191,735</u>	<u>104,014</u>
Total Special Events Revenue	192,235	165,072
Direct Cost of Special Events		
Catering	(23,423)	(23,371)
Professional Services	(14,874)	(3,175)
Facility Rental	(500)	(1,313)
Donor Premiums	(1,273)	(12,374)
Miscellaneous	<u>(476)</u>	<u> </u>
Total Direct Cost of Special Events	(40,546)	(40,233)
Special Events Revenue, Net	<u>\$ 151,689</u>	<u>\$ 124,839</u>

Special events revenue of \$192,235 and \$165,072 for the years ended August 31, 2020 and 2019 respectively are included in the contributions line item of the statement of activities. Direct cost of special events of \$40,546 and \$40,233 for the year ended August 31, 2020 and 2019 respectively are included in the fundraising and development column of the statement of functional expenses.

NOTE 10: AFFILIATION AGREEMENT

The Foundation has an affiliation agreement with the University, effective for the Foundation's 2015 through 2019 fiscal years. The Foundation and the University agreed to honor the terms of this agreement during 2020 and 2021 fiscal years, pending finalization of a new agreement.

NOTE 11: CONTRIBUTED SERVICES

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

TEXAS A&M SAN ANTONIO FOUNDATION
NOTES TO FINANCIAL STATEMENTS – Continued
For The Years Ended August 31, 2020 and 2019

NOTE 12: CONCENTRATION OF CUSTOMERS AND CREDIT RISK

Accounting principles generally accepted in the United States of America require disclosures of current vulnerabilities due to certain concentrations.

In fiscal year 2020 and 2019, the Foundation received approximately 60% and 66% of its contributions, respectively, from one donor.

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments, and pledges receivable. The Foundation maintains its cash and investments at the Texas A&M University System level. Cash and investments are managed centrally by the A&M System, and participation is mandatory. The A&M System's Annual Financial Report (AFR) provides required disclosures about the specific types of risk to which these are exposed, and the A&M System's policies to address each of those risks.

NOTE 13: SUBSEQUENT EVENTS

In December 2020, the Foundation received a gift of \$750,000 to be used by the University to help support the Digital Inclusion Scholar Program.

The Foundation has performed an evaluation of subsequent events through December 28, 2020, which is the date the financial statements were available to be issued. There were no other events noted which affect the financial statements as of August 31, 2020.