

# **Texas A&M University 12TH Man Foundation**

Independent Auditor's Report  
and Financial Statements

June 30, 2020 and 2019



**Texas A&M University 12TH Man Foundation**  
**June 30, 2020 and 2019**

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## Independent Auditor's Report

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

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, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas A&M University 12TH Man Foundation as of June 30, 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.

***Emphasis of Matters***

As described in Note 1 of the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), and Financial Accounting Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

**BKD, LLP**

Houston, Texas  
February 22, 2021

**Texas A&M University 12TH Man Foundation**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	2020	2019 (Adjusted Note 1)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,229,864	\$ 73,519,658
Contributions receivable, net	13,887,939	9,693,176
Contracts receivable	691,456	493,239
Investments	34,870,571	-
Prepays and other	235,784	344,336
	63,915,614	84,050,409
<b>Other Assets</b>		
Property and equipment, net	3,340,066	3,355,148
Contributions receivable, net	23,373,673	30,725,546
Memberships	32,000	32,000
Investments	114,626,427	118,742,443
	141,372,166	152,855,137
Total assets	\$ 205,287,780	\$ 236,905,546
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 602,169	\$ 2,617,700
Deferred revenue	42,002,431	44,861,405
	42,604,600	47,479,105
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	(10,856,772)	(7,211,727)
Board-designated	6,547,639	22,215,073
	(4,309,133)	15,003,346
With donor restrictions	166,992,313	174,423,095
Total net assets	162,683,180	189,426,441
Total liabilities and net assets	\$ 205,287,780	\$ 236,905,546

**Texas A&M University 12TH Man Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 1,577,174	\$ 14,635,880	\$ 16,213,054
Contract revenue	41,719,048	-	41,719,048
Investment income	628,934	1,562,916	2,191,850
Other revenue	998,694	529,801	1,528,495
Net assets released from restrictions	24,184,852	(24,184,852)	-
	<u>69,108,702</u>	<u>(7,456,255)</u>	<u>61,652,447</u>
<b>Expenses</b>			
Distributions to or for Texas A&M University:			
Facilities	23,766,637	-	23,766,637
Annual	55,278,786	-	55,278,786
Contributor costs	1,086,349	-	1,086,349
	<u>80,131,772</u>	<u>-</u>	<u>80,131,772</u>
Total program services	80,131,772	-	80,131,772
Fund raising	4,461,334	-	4,461,334
General and administrative	3,906,241	-	3,906,241
	<u>8,367,575</u>	<u>-</u>	<u>8,367,575</u>
Total support services	8,367,575	-	8,367,575
Loss on uncollectible contributions receivable	(78,166)	(25,473)	(103,639)
	<u>88,421,181</u>	<u>(25,473)</u>	<u>88,395,708</u>
Total expenses and losses	88,421,181	(25,473)	88,395,708
<b>Change in Net Assets</b>	<u>(19,312,479)</u>	<u>(7,430,782)</u>	<u>(26,743,261)</u>
<b>Net Assets, Beginning of Year</b>	<u>15,003,346</u>	<u>174,423,095</u>	<u>189,426,441</u>
<b>Net Assets, End of Year</b>	<u>\$ (4,309,133)</u>	<u>\$ 166,992,313</u>	<u>\$ 162,683,180</u>

**Texas A&M University 12TH Man Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	Without Donor Restrictions (Adjusted Note 1)	With Donor Restrictions (Adjusted Note 1)	Total (Adjusted Note 1)
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 1,467,636	\$ 17,663,860	\$ 19,131,496
Contract revenue	41,120,465	-	41,120,465
Investment income	834,686	5,758,819	6,593,505
Other revenue	3,099,923	267,484	3,367,407
Net assets released from restrictions	44,672,602	(44,672,602)	-
	<u>91,195,312</u>	<u>(20,982,439)</u>	<u>70,212,873</u>
<b>Expenses</b>			
Distributions to or for Texas A&M University:			
Facilities	56,191,937	-	56,191,937
Annual	18,470,001	-	18,470,001
Contributor costs	2,515,885	-	2,515,885
	<u>77,177,823</u>	<u>-</u>	<u>77,177,823</u>
Total program services	77,177,823	-	77,177,823
Fund raising	4,441,445	-	4,441,445
General and administrative	3,787,146	-	3,787,146
	<u>8,228,591</u>	<u>-</u>	<u>8,228,591</u>
Total support services	8,228,591	-	8,228,591
Loss on uncollectible contributions receivable	34,311	632,064	666,375
	<u>85,440,725</u>	<u>632,064</u>	<u>86,072,789</u>
Total expenses and losses	85,440,725	632,064	86,072,789
<b>Change in Net Assets</b>	<u>5,754,587</u>	<u>(21,614,503)</u>	<u>(15,859,916)</u>
<b>Net Assets, Beginning of Year, As Previously Reported</b>	46,021,186	202,371,157	248,392,343
<b>Adjustment Related to Adoption of ASU 2018-08 and ASC Topic 606</b>	<u>(36,772,427)</u>	<u>(6,333,559)</u>	<u>(43,105,986)</u>
<b>Net Assets, Beginning of Year, As Adjusted</b>	<u>9,248,759</u>	<u>196,037,598</u>	<u>205,286,357</u>
<b>Net Assets, End of Year</b>	<u>\$ 15,003,346</u>	<u>\$ 174,423,095</u>	<u>\$ 189,426,441</u>

**Texas A&M University 12TH Man Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	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	\$ 1,247,814	\$ -	\$ 360,726	\$ 1,608,540	\$ 1,334,423	\$ 1,194,153	\$ 2,528,576	\$ 4,137,116
Employer payroll taxes	91,654	-	26,534	118,188	92,045	71,717	163,762	281,950
Employee benefits	283,197	-	51,511	334,708	263,474	238,232	501,706	836,414
Contract services	5,070	-	4,512	9,582	149,986	671,080	821,066	830,648
Office supplies	3,913	-	1,044	4,957	1,986	22,089	24,075	29,032
Printing, advertising, publications and postage	529,306	-	39,117	568,423	306,250	65,290	371,540	939,963
Rentals	5,597	-	17,012	22,609	7,738	51,674	59,412	82,021
Insurance	4,146	-	2,154	6,300	-	78,294	78,294	84,594
Repairs and maintenance	1,031	-	-	1,031	-	10,100	10,100	11,131
Credit card and ticketing processing fees	799,504	-	55	799,559	646,594	270	646,864	1,446,423
Dues and subscriptions	3,589	-	1,647	5,236	16,696	8,347	25,043	30,279
Meals, entertainment and travel	40,911	-	64,531	105,442	116,369	42,429	158,798	264,240
Information technology	55,155	-	12,172	67,327	43,355	868,941	912,296	979,623
Catering and special events	-	-	205,714	205,714	143,565	43,715	187,280	392,994
Donor expenses	-	-	286,966	286,966	215,863	1,307	217,170	504,136
Transfers to athletics	20,561,605	55,278,786	-	75,840,391	-	-	-	75,840,391
Depreciation	127,992	-	-	127,992	12,107	172,646	184,753	312,745
Letterman's	-	-	-	-	-	179,668	179,668	179,668
Other	6,153	-	12,654	18,807	1,110,883	186,289	1,297,172	1,315,979
	<u>\$ 23,766,637</u>	<u>\$ 55,278,786</u>	<u>\$ 1,086,349</u>	<u>\$ 80,131,772</u>	<u>\$ 4,461,334</u>	<u>\$ 3,906,241</u>	<u>\$ 8,367,575</u>	<u>\$ 88,499,347</u>



**Texas A&M University 12TH Man Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	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	\$ 1,277,235	\$ -	\$ 409,971	\$ 1,687,206	\$ 1,433,755	\$ 1,114,474	\$ 2,548,229	\$ 4,235,435
Employer payroll taxes	94,048	-	30,193	124,241	101,883	65,544	167,427	291,668
Employee benefits	230,532	-	55,430	285,962	256,353	187,275	443,628	729,590
Contract services	60,686	-	2,981	63,667	31,778	351,314	383,092	446,759
Office supplies	14,675	-	2,256	16,931	3,843	23,072	26,915	43,846
Printing, advertising, publications and postage	503,959	-	22,880	526,839	279,189	15,676	294,865	821,704
Rentals	4,221	-	30,401	34,622	4,480	54,056	58,536	93,158
Insurance	-	-	-	-	-	147,030	147,030	147,030
Repairs and maintenance	1,395	-	350	1,745	-	2,994	2,994	4,739
Credit card and ticketing processing fees	562,613	-	80	562,693	644,787	195	644,982	1,207,675
Dues and subscriptions	4,827	-	795	5,622	16,303	8,123	24,426	30,048
Meals, entertainment and travel	58,229	-	111,730	169,959	150,004	83,787	233,791	403,750
Information technology	39,640	-	16,861	56,501	32,407	1,088,126	1,120,533	1,177,034
Catering and special events	-	-	474,910	474,910	173,443	26,565	200,008	674,918
Donor expenses	82,161	-	1,343,219	1,425,380	234,100	27,667	261,767	1,687,147
Transfers to athletics	53,047,084	18,470,001	-	71,517,085	-	-	-	71,517,085
Depreciation	134,201	-	-	134,201	69,570	187,805	257,375	391,576
Letterman's	-	-	-	-	-	253,945	253,945	253,945
Loss on fixed asset disposal	75,042	-	-	75,042	8,575	5,143	13,718	88,760
Other	1,389	-	13,828	15,217	1,000,975	144,355	1,145,330	1,160,547
	<u>\$ 56,191,937</u>	<u>\$ 18,470,001</u>	<u>\$ 2,515,885</u>	<u>\$ 77,177,823</u>	<u>\$ 4,441,445</u>	<u>\$ 3,787,146</u>	<u>\$ 8,228,591</u>	<u>\$ 85,406,414</u>

**Texas A&M University 12TH Man Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019 (Adjusted Note 1)</b>
	<b>2020</b>	<b>2019 (Adjusted Note 1)</b>
<b>Operating Activities</b>		
Change in net assets	\$ (26,743,261)	\$ (15,859,916)
Items not requiring (providing) operating activities cash flows:		
Depreciation	312,745	391,576
Noncash contributions received	(2,839,393)	(2,162,522)
Net realized and unrealized gains on investments	(2,191,850)	(6,585,706)
Contributions received restricted for long-term investment	(4,223,026)	(3,228,826)
Loss on disposal of property and equipment	23,807	88,760
Changes in:		
Contracts receivable	(198,217)	(167,437)
Contributions receivable	4,096,961	4,403,419
Prepays and other assets	108,552	(152,432)
Accounts payable	(2,015,531)	(433,338)
Deferred revenue	(2,858,974)	80,747
	(36,528,187)	(23,625,675)
<b>Investing Activities</b>		
Purchases of investments	(45,150,000)	(3,365,000)
Proceeds from disposition of investments	19,606,692	75,281,290
Purchase of property and equipment	(321,470)	(729,110)
Principal cash of pooled funds held by Texas A&M Foundation reinvested	(180,004)	(150,021)
	(26,044,782)	71,037,159
<b>Financing Activity</b>		
Proceeds from contributions restricted for long-term investment	3,283,175	1,866,893
	3,283,175	1,866,893
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(59,289,794)	49,278,377
<b>Cash and Cash Equivalents, Beginning of Year</b>	73,519,658	24,241,281
<b>Cash and Cash Equivalents, End of Year</b>	\$ 14,229,864	\$ 73,519,658

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$13,363,000.

#### ***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.

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

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### **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 8 of these audited financial statements for additional details on these commitments.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### ***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.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### ***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. 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, 2020 or 2019.

### ***Gifts in Kind***

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.

### ***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.

**Texas A&M University 12TH Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

***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 that resources be maintained in perpetuity.

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 fund raising categories based on the various statistical or allocation methods.

***Subsequent Events***

Subsequent events have been evaluated through February 22, 2021, which is the date the financial statements were available to be issued.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### **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.

### **Changes in Accounting Principles**

Financial Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) (ASU-2018-08):

On July 1, 2019, the Foundation adopted ASU 2018-08. The adoption resulted in revenue related to the right to purchase tickets for future Texas A&M University athletic events to be reported as exchange transactions and subject to Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). These amounts were previously reported as contributions.

Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASC Topic 606):

On July 1, 2019, the Foundation adopted ASC Topic 606 using a full retrospective method of adoption to all contracts with members at July 1, 2019.

The core guidance in ASC Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The amount to which the Foundation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. In addition, ASC Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Adoption of ASC Topic 606 resulted in recognition of revenue in the period in which the related athletic events occur whereas in previous years such revenues were recognized in the period in which the unconditional promise to give was received. The change in recognition of revenue related to these revenues resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements as shown below.



**Texas A&M University 12TH Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

	<b>As Adjusted</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Statement of Financial Position June 30, 2019</b>			
Contributions receivable, net	\$ 9,693,176	\$ 10,186,415	\$ (493,239)
Contracts receivable	493,239	-	493,239
Deferred revenue	44,861,405	2,399,599	42,461,806
Total current liabilities	47,479,105	5,017,299	42,461,806
Net assets, without donor restrictions, undesignated	(7,211,727)	30,454,412	(37,666,139)
Net assets, without donor restrictions	15,003,346	52,669,485	(37,666,139)
Net assets, with donor restrictions	174,423,095	179,218,762	(4,795,667)
Total net assets	189,426,441	231,888,247	(42,461,806)

	<b>As Adjusted</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Statement of Activities Year Ended June 30, 2019</b>			
Contributions, without donor restrictions	\$ 1,467,636	\$ 40,779,541	\$ (39,311,905)
Contributions, with donor restrictions	17,663,860	18,828,240	(1,164,380)
Total contributions	19,131,496	59,607,781	(40,476,285)
Contract revenue, without donor restrictions	41,120,465	-	41,120,465
Total contract revenue	41,120,465	-	41,120,465
Net assets released from restrictions, without donor restrictions	44,672,602	47,374,874	(2,702,272)
Net assets released from restrictions, with donor restrictions	(44,672,602)	(47,374,874)	2,702,272
Revenues, gains and other support, without donor restrictions	91,195,312	92,089,024	(893,712)
Revenues, gains and other support, with donor restrictions	(20,982,439)	(22,520,331)	1,537,892
Total revenues, gains and other support	70,212,873	69,568,693	644,180
Change in net assets, without donor restrictions	5,754,587	6,648,299	(893,712)
Change in net assets, with donor restrictions	(21,614,503)	(23,152,395)	1,537,892
Total change in net assets	(15,859,916)	(16,504,096)	644,180
Net assets, without donor restrictions, beginning of year	9,248,759	46,021,186	(36,772,427)
Net assets, with donor restrictions, beginning of year	196,037,598	202,371,157	(6,333,559)
Total net assets, beginning of year	205,286,357	248,392,343	(43,105,986)
Net assets, without donor restrictions, end of year	15,003,346	52,669,485	(37,666,139)
Net assets, with donor restrictions, end of year	174,423,095	179,218,762	(4,795,667)
Total net assets, end of year	189,426,441	231,888,247	(42,461,806)

<b>Statement of Cash Flows Year Ended June 30, 2019</b>			
Change in net assets	(15,859,916)	(16,504,096)	644,180
Changes in:			
Contracts receivable	(167,437)	-	(167,437)
Contributions receivable	4,403,419	4,235,982	167,437
Deferred revenue	80,747	724,927	(644,180)

# **Texas A&M University 12TH Man Foundation**

## **Notes to Financial Statements**

### **June 30, 2020 and 2019**

Because contracts are generally completed within a year, the Foundation used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended June 30, 2019.

#### ***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 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 \$691,456, \$493,239 and \$325,802 as of June 30, 2020, 2019 and 2018, respectively. Revenue from fees for future athletic events is deferred and recognized over the periods to which the fees relate. At June 30, 2020, 2019 and 2018, total deferred revenue related to future athletic events is \$40,345,729, \$42,461,806 and \$43,105,986, respectively. In addition, the Foundation collects pre-payments for future years' game day parking and road game programs, which are deferred and recognized over the periods to which fees relate. At June 30, 2020, 2019 and 2018, total deferred revenue related to game day parking and road game programs is \$1,656,702, \$2,399,599 and \$1,672,832, 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, 2020, 2019 or 2018.

#### ***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. The Foundation's estimate of the refund liability due to the COVID-19 pandemic as of June 30, 2020 is \$10,400,000 and is included in deferred revenue and there is no refund liability as of June 30, 2019.

For the years ended June 30, 2020 and 2019, the Foundation recognized revenue of \$41,719,048 and \$41,120,465, respectively, from goods and services that transfer to the member over time.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 2: Contributions Receivable, Net

Contributions receivable at June 30 consists of the following.

	<b>June 30, 2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Promised contributions	\$ 60,516	\$ 42,164,234	\$ 42,224,750
Less allowance for uncollectible contributions	(45,118)	(2,529,854)	(2,574,972)
	15,398	39,634,380	39,649,778
Less present value component	-	(2,388,166)	(2,388,166)
	\$ 15,398	\$ 37,246,214	\$ 37,261,612
Amount expected:			
Due within one year	\$ 15,398	\$ 13,872,541	\$ 13,887,939
Due within one to five years	-	22,070,581	22,070,581
Due in more than five years	-	1,303,092	1,303,092
	\$ 15,398	\$ 37,246,214	\$ 37,261,612
	<b>June 30, 2019 (Adjusted Note 1)</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Promised contributions	\$ 55,725	\$ 46,616,964	\$ 46,672,689
Less allowance for uncollectible contributions	(41,546)	(2,892,712)	(2,934,258)
	14,179	43,724,252	43,738,431
Less present value component	-	(3,319,709)	(3,319,709)
	\$ 14,179	\$ 40,404,543	\$ 40,418,722
Amount expected:			
Due within one year	\$ 14,179	\$ 9,678,997	\$ 9,693,176
Due within one to five years	-	29,363,998	29,363,998
Due in more than five years	-	1,361,548	1,361,548
	\$ 14,179	\$ 40,404,543	\$ 40,418,722

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

The discount rate used to calculate the present value component of contributions receivable for each of the years ended June 30, 2020 and 2019, was 4.0 percent, respectively. 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:

	<b>2020</b>	<b>2019</b>
Money Market Fund	\$ 13,970,962	\$ -
Commercial Paper	1,999,580	-
Corporate Bonds	18,900,029	-
Investment in pooled funds held by Texas A&M Foundation	114,626,427	118,742,443
	\$ 149,496,998	\$ 118,742,443
 Investments:		
Current	\$ 34,870,571	\$ -
Long-term	114,626,427	118,742,443
	\$ 149,496,998	\$ 118,742,443

Total investment return is comprised of the following:

	<b>2020</b>	<b>2019</b>
Gain and investment earnings on investment in pooled funds held by Texas A&M Foundation	\$ 1,562,916	\$ 5,610,628
Interest and dividends	272,503	902,691
Gain on other investments	356,431	80,186
	\$ 2,191,850	\$ 6,593,505

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.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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.

At June 30, 2020 and 2019, the pool's major investment types include:

	<u>2020</u>	<u>2019</u>
Domestic equities	18%	19%
International equities	17%	19%
Global equities	13%	14%
Public real estate and commodities	14%	16%
Private real estate and hard assets	0%	0%
Private equities	17%	13%
Alternative marketable investments	7%	7%
Alternative fixed income	1%	2%
Domestic fixed income	9%	4%
International fixed income	0%	3%
Cash and cash equivalents	4%	3%
	<u>100%</u>	<u>100%</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.

**Texas A&M University 12TH Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 4: Property and Equipment, Net**

Property and equipment at June 30 consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	2,396,578	\$ 2,072,817
Leasehold improvements	3,345,405	3,466,655
Vehicles	242,805	167,712
	<u>5,984,788</u>	<u>5,707,184</u>
Accumulated depreciation	<u>(2,644,722)</u>	<u>(2,352,036)</u>
	<u>\$ 3,340,066</u>	<u>\$ 3,355,148</u>

The Foundation's depreciation expense for the years ended June 30, 2020 and 2019, was \$312,745 and \$391,576, respectively.

**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>2020</u>	<u>2019</u> <u>(Adjusted Note 1)</u>
Subject to expenditure for specified purpose:		
12TH Man Foundation Funds	\$ 165,399	\$ 162,775
Athletic Department Funds	5,888,862	6,720,804
Athletic Endowment Funds	569,006	5,663,554
Athletic Facility Funds	62,821,228	66,942,130
Support Groups	4,255,616	3,747,255
	<u>73,700,111</u>	<u>83,236,518</u>
Subject to endowment spending policy or appropriation accumulated gains, endowments and investment in perpetuity:		
12TH Man Foundation Funds	62,488,650	66,144,090
1922 Scholarship Funds	14,480,714	9,309,119
Athletic Department Funds	6,464,214	6,372,932
Athletic Endowment Funds	8,775,220	8,122,906
Athletic Facility Funds	-	15,827
Support Groups	1,083,404	1,221,703
	<u>93,292,202</u>	<u>91,186,577</u>
	<u>\$ 166,992,313</u>	<u>\$ 174,423,095</u>

**Texas A&M University 12TH Man Foundation**  
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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:

	<b>2020</b>	<b>2019</b> <b>(Adjusted Note 1)</b>
Satisfaction of purpose restrictions:		
Athletic Department Funds	\$ 2,123,811	\$ 50,000
Athletic Endowment Funds	-	700,875
Athletic Facility Funds	17,573,659	38,269,818
Support Groups	1,362,327	2,752,999
Restricted purpose spending-rate distribution and appropriations:		
12TH Man Foundation Funds	2,476,618	2,460,811
1922 Scholarship Funds	412,136	21,324
Athletic Endowment Funds	236,301	416,775
	\$ 24,184,852	\$ 44,672,602

**Note 6: Endowment**

The Foundation's endowment consists of approximately 56 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

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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:

	<b>June 30, 2020</b>
	<b>With Donor Restrictions</b>
As of July 1, 2019	\$ 91,186,577
Investment return:	
Net appreciation (realized and unrealized)	1,085,950
Contributions	4,223,026
Bad debt expense	(78,296)
Appropriation of endowment assets for expenditures	(3,125,055)
As of June 30, 2020	\$ 93,292,202
	<b>June 30, 2019</b>
	<b>With Donor Restrictions</b>
As of July 1, 2018	\$ 87,464,353
Investment return:	
Net appreciation (realized and unrealized)	3,481,651
Contributions	3,228,826
Bad debt expense	(89,343)
Appropriation of endowment assets for expenditures	(2,898,910)
As of June 30, 2019	\$ 91,186,577



**Texas A&M University 12TH Man Foundation**  
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Amounts of donor-restricted endowment funds at June 30, 2020 and 2019, consisted of:

	<b>With Donor Restrictions</b>	
	<b>2020</b>	<b>2019</b>
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or TPMIFA	\$ 54,911,825	\$ 50,786,286
Portion of perpetual endowment funds subject to a restriction under TPMIFA	38,380,377	40,400,291
	\$ 93,292,202	\$ 91,186,577

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 \$9,559 and \$89 as of June 30, 2020 and 2019, 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 (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 percent and 5 percent. This should be achieved over rolling five- to ten-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 2020 and 2019, 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

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Unrestricted cash and cash equivalents	\$ 33,979,331	\$ 58,328,595
Accounts receivable	93,518	31,242
Net contributions receivable for general operations due in one year or less	706,854	411,723
Budgeted annual collections from seat renewals due in one year or less	38,826,200	40,550,000
Board designated athletic reserves due in one year or less	(6,547,639)	(22,215,073)
Athletic commitments due in one year or less	(41,218,399)	(44,441,561)
COVID-19-related refunds	<u>(10,400,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,439,865</u>	<u>\$ 32,664,926</u>

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.

The table above reflects the Foundation's financial assets as of June 30, 2020 and 2019, 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

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

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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.

In addition, the Foundation has shown projected refunds related to the COVID-19 pandemic. Due to the pandemic, Texas A&M athletic sporting events were subject to capacity restrictions and distanced seating manifests, which resulted in a reduced number of seating inventory available for those events. The projected refund balance is reflective of the estimated seat contribution refunds to be processed in the next fiscal year due to the loss in seating inventory.

### Note 8: 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, 2020, is as follows.

Annual transfers (through year ending June 30, 2028)	\$ 128,205,987
Bright Complex	4,451,284
Blue Bell Park at Olsen Field	6,683,250
Kyle Field redevelopment	372,396,885
Outdoor track and softball stadium	8,743,679
Swimming and diving upgrades	2,269,323
Cox McFerrin Center for Aggie Basketball	<u>3,688,569</u>
	<u>\$ 526,438,977</u>

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, 2020, the Foundation held approximately \$162.7 million of net assets 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 being in 2020, the Annual Transfer will be increased by \$3 million in 2021. The Annual Transfer commitment in the chart above is for the 8-year period of 2021 through 2028.

# Texas A&M University 12TH Man Foundation

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### ***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 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>
2021	\$ 709,104	\$ 180,947	\$ 890,051
2022	738,307	151,696	890,003
2023	769,336	121,241	890,577
2024	807,666	82,774	890,440
2025	847,822	42,391	890,213
	<u>\$ 3,872,235</u>	<u>\$ 579,049</u>	<u>\$ 4,451,284</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 contributions of \$288,284 annually for the period of 2014-2043.

**Texas A&M University 12TH Man Foundation**  
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The remaining future debt service amounts to be funded by the annual commitments above are as follows.

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 100,000	\$ 189,250	\$ 289,250
2022	105,000	184,250	289,250
2023	110,000	179,000	289,000
2024	115,000	173,500	288,500
2025	125,000	167,750	292,750
2026-2030	700,000	747,250	1,447,250
2031-2035	905,000	552,750	1,457,750
2036-2040	1,150,000	309,500	1,459,500
2041-2043	805,000	65,000	870,000
	<u>\$ 4,115,000</u>	<u>\$ 2,568,250</u>	<u>\$ 6,683,250</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.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 5,315,000	\$ 10,843,547	\$ 16,158,547
2022	5,580,000	10,577,797	16,157,797
2023	5,860,000	10,298,797	16,158,797
2024	6,155,000	10,005,797	16,160,797
2025	6,460,000	9,698,047	16,158,047
2026-2030	37,575,000	43,324,260	80,899,260
2031-2035	47,735,000	33,304,242	81,039,242
2036-2040	60,715,000	20,327,028	81,042,028
2041-2043	44,160,000	4,462,370	48,622,370
	<u>\$ 219,555,000</u>	<u>\$ 152,841,885</u>	<u>\$ 372,396,885</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.

# Texas A&M University 12TH Man Foundation

## Notes to Financial Statements

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### ***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 with the first four payments of \$5,000,000 being paid in August 2016 through 2019, leaving a balance of \$5,000,000.

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 \$15,196,321 to the University, leaving a balance of \$3,743,679. The Foundation has cash on hand of \$1,402,753 and \$2,955,504 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, 2020, \$3,930,676 has been sent to the University, leaving a balance of \$2,269,323. The Foundation has cash on hand of \$1,165,893 and \$1,163,835 in pledges receivable to collect against this project.

### ***Women's Basketball***

The Foundation has committed to pay \$2,500,000 toward the Women's Basketball project. As of June 30, 2020, the Foundation made its final payment towards the project and exceeded its cash balance in the account by \$738,638. The Foundation still has \$1,216,639 in pledges receivable. Receivables collected will be applied against the overage incurred by the Foundation.

### ***Davis Player Development Center Upgrades***

The Foundation has committed to pay \$7,000,000 towards the Davis Player Development Center project. As of June 30, 2020, \$6,950,471 has been sent to the University, leaving a balance of \$49,529. The Foundation exceeded its cash balance in the account by \$1,127,645; however, it has \$1,667,179 in pledges receivable to collect against this project. Receivables collected will be applied against the overage incurred by the Foundation.

### ***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. As of June 30, 2020, \$61,430 has been sent to the University, leaving a balance of \$3,688,569. The Foundation has cash on hand of \$146,058 and \$2,800,000 in pledges receivable to collect against this project. The Foundation intends to raise an additional, approximate \$750,000 to fully fund the project.

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**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. Minimum payments required under these lease agreements are as follows:

2021	\$ 76,730
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**Note 9: 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.
- 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, 2020 and 2019:

	Fair Value Measurements				Investments Measured at NAV (A)
	Total	Level 1	Level 2	Level 3	
June 30, 2020:					
Recurring basis:					
Assets:					
Cash equivalents	\$ 14,229,864	\$ 14,229,864	\$ -	\$ -	\$ -
Money Market Fund	13,970,962	-	-	-	13,970,962
Commercial Paper	1,999,580	-	1,999,580	-	-
Corporate Bonds	18,900,029	-	18,900,029	-	-
Long-term investment pool:					
Investment in pooled funds held by Texas A&M Foundation	114,626,427	-	-	-	114,626,427

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	Fair Value Measurements				Investments Measured at NAV (A)
	Total	Level 1	Level 2	Level 3	
June 30, 2019:					
Recurring basis:					
Assets:					
Cash equivalents	\$ 73,519,658	\$ 73,519,658	\$ -	\$ -	\$ -
Long-term investment pool:					
Investment in pooled funds held by Texas A&M Foundation	118,742,443	-	-	-	118,742,443

(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, 2020 and 2019.

***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.



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	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Investment in pooled funds held by Texas A&M Foundation (A)	\$ 114,626,427	\$ -	Annually	90 days
Money market fund (B)	13,970,962	-	Daily	Daily
	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Investment in pooled funds held by Texas A&M Foundation (A)	\$ 118,742,443	\$ -	Annually	90 days

(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.

### Note 10: 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 \$523,438 and \$426,077 for the years ended June 30, 2020 and 2019, 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 11: 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.

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**Note 12: 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***

Three and two donors were responsible for approximately 38 percent and 28 percent of all contributions receivable as of June 30, 2020 and 2019, respectively.

***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.

As of June 30, 2020 and 2019, the Foundation had 77 percent and 100 percent, respectively, of its investments in the pooled funds held by Texas A&M Foundation.

**Note 13: Subsequent Events**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, industry and workforce.

Since the end of the fiscal year, the Foundation was most largely impacted by the capacity restrictions placed on Collegiate sporting event venues, particularly the 25 percent capacity restriction imposed at Kyle Field for the 2020 football season. With the adoption of ASU 2014-09, the Foundation deferred its seat contribution revenue collected as of June 30, 2020 associated with the 2020 football season. As of December 31, 2020, the Foundation has processed approximately \$7.5 million in seat contribution refunds due to the capacity restrictions as well as reduced number of games on the home schedule caused by the pandemic. There will likely be additional refunds processed, including final

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refunds associated with the football season as well as spring sport venues that will potentially be subject to capacity restrictions. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity, but has made an effort to estimate the potential impact on its next year of operations within Note 7.