

**TEXAS WOMAN'S UNIVERSITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3-6
Statement of Cash Flows.....	7
Notes to the Financial Statements.....	8-12

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Texas Woman's University Foundation, Inc.
Denton, Texas

We have audited the accompanying financial statements of Texas Woman's University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year 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 Texas Woman's University Foundation, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

July 12, 2017

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016

ASSETS

Cash and cash equivalents	\$ 5,930,388
Investments	43,375,396
Accrued investment income	56,894
Contributions receivable	583,579
Prepaid expenses	25,384
Artwork	53,800
Cash value - life insurance policies	147,272
Assets held under trust and annuity agreements	<u>89,351</u>
Total Assets	<u>\$ 50,262,064</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 36,482
Annuity obligations	<u>50,626</u>
Total Liabilities	<u>87,108</u>
Net Assets:	
Unrestricted	7,096,608
Temporarily restricted	15,286,269
Permanently restricted	<u>27,792,079</u>
Total Net Assets	<u>50,174,956</u>
Total Liabilities and Net Assets	<u>\$ 50,262,064</u>

See accompanying notes to the financial statements.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ 94,364	\$ 2,010,456
Investment income	151,686	694,816
Royalty income	28,235	
Special events	121,630	
Internal management fee	297,918	
Realized and unrealized gains/(losses) on market value of investments	669,789	2,194,213
Actuarial gain (loss) on annuity obligations	(399)	
Increase in cash value - life insurance		
	<hr/>	<hr/>
Total Revenues, Gains, And Other Support	1,363,223	4,899,485
Net Assets Released from Restrictions		
Satisfaction of program restrictions	1,607,005	(1,607,005)
Other Transfers	(63,130)	37,333
	<hr/>	<hr/>
Total Net Assets Released from Restrictions	1,543,875	(1,569,672)
Program Expenses		
Scholarships	543,373	
Chancellor's 1000	80,549	
Government relations	64,545	
Support of TWU special programs	197,005	
TWU Special Events	66,192	
Management fees	297,918	
Distributions to TWU	691,045	
	<hr/>	
Total Program Expenses	1,940,627	

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,366,038	\$ 3,470,858
230	846,732
	28,235
	121,630
	297,918
	2,864,002
(3,602)	(4,001)
<u>5,738</u>	<u>5,738</u>
 <u>1,368,404</u>	 <u>7,631,112</u>
 -	 -
<u>25,797</u>	<u>-</u>
 <u>25,797</u>	 <u>-</u>
	543,373
	80,549
	64,545
	197,005
	66,192
	297,918
	<u>691,045</u>
	 <u>1,940,627</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Insurance	\$ 6,519	
Financial and professional fees	43,736	
Office expense	7,503	
Investment manager fees	166,748	
Training	130	
Meetings	8,060	
Donor cultivation	11,808	
Publications	2,569	
Foundation liaison	<u>25,000</u>	
Total Management and General	<u>272,073</u>	
Total Expenses	<u>2,212,700</u>	
Change in Net Assets	694,398	3,329,813
Net Assets - Beginning of Year	<u>6,402,210</u>	<u>11,956,456</u>
Net Assets - End of Year	<u>\$ 7,096,608</u>	<u>\$ 15,286,269</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Total</u>
	\$ 6,519
	43,736
	7,503
	166,748
	130
	8,060
	11,808
	2,569
	<u>25,000</u>
	<u>272,073</u>
	<u>2,212,700</u>
1,394,201	5,418,412
<u>26,397,878</u>	<u>44,756,544</u>
<u><u>\$ 27,792,079</u></u>	<u><u>\$ 50,174,956</u></u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016

Cash Flows From Operating Activities	\$ 5,418,412
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by Operating activities:	
Realized and unrealized (gains)/losses on market value of investments	(2,864,002)
Increase in accrued investment income	(167)
Decrease in contributions receivable	8,416,421
Increase in prepaid expenses	(7,504)
Increase in accounts payable	36,482
Decrease in annuity obligations	(1,655)
Increase in cash value – life insurance	(5,737)
Decrease in assets held under trust and annuity agreements	5,655
	<u>10,997,905</u>
Net Cash Provided By Operating Activities	
	<u>10,997,905</u>
Cash Flows From Investing Activities	
Proceeds from sale of investments	4,438,027
Purchases of investments	(10,663,695)
	<u>(6,225,668)</u>
Net Cash Provided (Used) By Investing Activities	
	<u>(6,225,668)</u>
Net Increase in Cash and Cash Equivalents	4,772,237
Cash and Cash Equivalents- Beginning of Year	<u>1,158,151</u>
Cash and Cash Equivalents- End of Year	<u><u>\$ 5,930,388</u></u>
Supplemental Data:	
Interest paid	-
Income taxes paid	-

See accompanying notes to the financial statements.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Texas Woman's University Foundation, Inc. ("the Foundation") is a nonprofit organization with the purpose of providing financial support to Texas Woman's University. This purpose is accomplished by the Foundation receiving and managing donations (cash and non-cash) from individuals and organizations.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Public Support and Revenue

Contributions are generally temporarily or permanently restricted by the donor to support specific programs within Texas Woman's University. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their estimated net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises to give has been provided based on management's evaluation of contributions receivable at year end.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are transferred to temporarily restricted net assets when program restrictions exist.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. Investment security transactions are recorded on a trade-date basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, primarily checking and money market accounts, to be cash equivalents.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are presented in the financial statements at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Purchases and sales of investments are recorded on the trade date. Investment income is recorded in the period when earned.

Artwork

Artwork consists of pieces of art donated to the Foundation. The artwork is recorded at its fair value as of the date of the donation.

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair value (see Note 1). Investments other than the certificate of deposit are held in an institutional brokerage account in the name of the Foundation, and are managed by an investment management company.

Investments as of August 31, 2016 are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and agency obligations	\$ 4,175,026	\$ 4,225,932
Municipal bonds	1,039,441	1,116,696
Corporate bonds	6,851,778	6,921,714
Common stocks	22,111,002	27,937,315
Exchange traded index funds	<u>3,472,974</u>	<u>3,263,090</u>
	<u>\$37,650,221</u>	43,464,747
Less investments held under trust and annuity agreements		<u>(89,351)</u>
Investments per statement of financial position		<u>\$43,375,396</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2016 are as follows:

	<u>August 31, 2016</u>
Contributions receivable in less than one year	\$ 383,315
Contributions receivable in one to five years	<u>230,979</u>
Total Contributions Receivables	614,294
Less allowance for uncollectible amounts	<u>(30,715)</u>
Net Contributions Receivable	<u>\$ 583,759</u>

Contributions receivable in more than one year have not been discounted to net present value as the discount is not material.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions from donors who have specified certain programs or scholarships within Texas Woman's University for use of the contributions. Temporarily restricted net assets also includes income from endowment funds that are available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at August 31, 2016:

Endowments to support various programs, scholarships and other activities of Texas Woman's University	\$29,809,075
Gift Annuity agreements	36,057
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>147,272</u>
Total	<u>\$29,992,404</u>

NOTE 6 – LIFE INSURANCE POLICIES

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Premium payments made by the Foundation are reimbursed by the donors of the policies. As of August 31, 2016, there were three such policies with death benefits totaling \$531,447 and cash values totaling \$147,272.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7 – INCOME TAX STATUS

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code and had no unrelated business taxable income during the year ended August 31, 2016.

NOTE 8 – ASSETS HELD UNDER ANNUITY AGREEMENTS AND ANNUITY OBLIGATIONS

The Foundation has entered into several gift annuity agreements whereby the donors receive annual payments for life. Upon the death of the annuitants, any remaining net assets revert to the Foundation.

The assets held under these agreements are included in the statement of financial position at fair value. The annuity obligations are recorded at the present value of the expected future cash payments based on published life expectancy tables using a discount rate of six percent.

Following is a summary of the net assets related to the gift annuity agreements as of August 31, 2016:

Fair value of investments held	\$ 89,351
Less present value of annuity obligations	<u>(50,626)</u>
Net Assets	<u>\$ 38,725</u>

The net assets consists of \$36,057 of permanently restricted net assets and \$2,668 of unrestricted net assets.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Foundation at certain times maintains cash balances in excess of \$250,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. The total amount of checking and money-market account deposits as of August 31, 2016 was \$3,138,093. The Foundation also maintains the majority of its short-term cash funds in a money market mutual fund, which is not federally insured. The balance invested in this money market mutual fund as of August 31, 2016 was \$2,802,910.

NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed events subsequent to August 31, 2016 through July 12, 2017, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.