

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

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT

FOR THE TEN MONTHS ENDED JUNE 30, 2017

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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 June 30, 2017, and the related statements of activities and cash flows for the ten months 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 June 30, 2017, and the changes in its net assets and its cash flows for the ten months 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

April 9, 2018

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 13,698,834
Investments	44,686,790
Accrued investment income	55,796
Contributions receivable	2,712,471
Prepaid expenses	7,109
Artwork	53,800
Cash value - life insurance policies	151,824
Assets held under trust and annuity agreements	7,430
	<hr/>
Total Assets	<u>\$ 61,374,054</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 499,806
Annuity obligations	4,525
Assets held for others	2,427,051
	<hr/>
Total Liabilities	<u>2,931,382</u>
Net Assets:	
Unrestricted:	
Designated	\$ 462,947
Undesignated	<u>7,177,678</u>
Total Unrestricted	7,640,625
Temporarily restricted	20,191,678
Permanently restricted	<u>30,610,369</u>
	<hr/>
Total Net Assets	<u>58,442,672</u>
	<hr/>
Total Liabilities and Net Assets	<u>\$ 61,374,054</u>

See accompanying notes to the financial statements.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ 69,103	\$ 3,380,890
Investment income	114,918	593,964
Royalty income	22,349	
Special events	122,455	
Internal management fee	462,947	
Realized and unrealized gains/(losses) on market value of investments	463,782	2,877,776
Actuarial gain (loss) on annuity obligations	(345)	
Increase in cash value - life insurance		
Miscellaneous income		3,826
	<u>1,255,209</u>	<u>6,856,456</u>
Total Revenues, Gains, And Other Support		
	<u>1,255,209</u>	<u>6,856,456</u>
Net Assets Released from Restrictions		
Satisfaction of program restrictions	2,559,482	(2,559,482)
Other Transfers	(81,934)	608,435
	<u>2,477,548</u>	<u>(1,951,047)</u>
Total Net Assets Released from Restrictions		
	<u>2,477,548</u>	<u>(1,951,047)</u>
Program Expenses		
Scholarships	1,842,361	
Chancellor's 1000	17,877	
Government relations	92,000	
Support of TWU special programs	207,115	
TWU Special Events	55,130	
Management fees	462,962	
Distributions to TWU	262,246	
	<u>2,939,691</u>	
Total Program Expenses		
	<u>2,939,691</u>	

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Total</u>
\$ 3,296,715	\$ 6,746,708
	708,882
	22,349
	122,455
	462,947
	3,341,558
43,525	43,180
4,551	4,551
<u>3,344,791</u>	<u>3,826</u>
	<u>11,456,456</u>
	-
<u>(526,501)</u>	<u>-</u>
	-
<u>(526,501)</u>	<u>-</u>
	1,842,361
	17,877
	92,000
	207,115
	55,130
	462,962
	<u>262,246</u>
	<u>2,939,691</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE TEN MONTHS ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Insurance	\$ 5,855	
Financial and professional fees	52,706	
Office expense	6,975	
Investment manager fees	144,924	
Software	8,875	
Meetings	3,805	
Publications	909	
Foundation liaison	25,000	
	<u>249,049</u>	
Total Management and General		
	<u>3,188,740</u>	
Total Expenses		
Change in Net Assets	544,017	4,905,409
Net Assets - Beginning of Year	<u>7,096,608</u>	<u>15,286,269</u>
Net Assets - End of Year	<u>\$ 7,640,625</u>	<u>\$ 20,191,678</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Total</u>
	\$ 5,855
	52,706
	6,975
	144,924
	8,875
	3,805
	909
	<u>25,000</u>
	<u>249,049</u>
	<u>3,188,740</u>
2,818,290	8,267,716
<u>27,792,079</u>	<u>50,174,956</u>
<u>\$ 30,610,369</u>	<u>\$ 58,442,672</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE TEN MONTHS ENDED JUNE 30, 2017

Cash Flows From Operating Activities	\$ 8,267,716
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	(3,341,558)
Decrease in accrued investment income	1,098
Increase in contributions receivable	(2,128,892)
Decrease in prepaid expenses	18,275
Increase in accounts payable	463,324
Decrease in annuity obligations	(46,101)
Increase in cash value – life insurance	(4,552)
Decrease in assets held under trust and annuity agreements	81,921
Increase in assets held for others	<u>2,427,051</u>
Net Cash Provided By Operating Activities	<u>5,738,282</u>
Cash Flows From Investing Activities	
Proceeds from sale of investments	6,237,089
Purchases of investments	<u>(4,206,925)</u>
Net Cash Provided (Used) By Investing Activities	<u>2,030,164</u>
Net Increase in Cash and Cash Equivalents	7,768,446
Cash and Cash Equivalents- Beginning of Year	<u>5,930,388</u>
Cash and Cash Equivalents- End of Year	<u>\$ 13,698,834</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 TEN MONTHS ENDED JUNE 30, 2017

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 the end of the fiscal period.

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. During the current fiscal period, the Foundation's Board of Directors approved changing the fiscal year-end of the Foundation from August to June. As a result, these financial statements are for the transition fiscal period beginning September 1, 2016 and ending June 30, 2017.

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.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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 June 30, 2017 are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and agency obligations	\$ 4,315,546	\$ 4,291,830
Municipal bonds	1,039,441	1,078,658
Corporate bonds	6,231,102	6,260,412
Common stocks	21,884,884	29,453,112
Exchange traded index funds	<u>3,472,922</u>	<u>3,610,208</u>
	<u>\$36,944,895</u>	44,694,220
Less investments held under trust and annuity agreements		<u>(7,430)</u>
Investments per statement of financial position		<u>\$44,686,790</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2017

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2017 are as follows:

	<u>June 30, 2017</u>
Contributions receivable in less than one year	\$ 828,494
Contributions receivable in one to five years	<u>2,026,360</u>
Total Contributions Receivables	2,854,854
Less allowance for uncollectible amounts	<u>(142,383)</u>
Net Contributions Receivable	<u>\$ 2,712,471</u>

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

NOTE 4 – UNRESTRICTED NET ASSETS

The Board of Directors has designated \$462,947 of the Foundation's unrestricted net assets for operating expenses of the Foundation for the following fiscal year. Undesignated unrestricted net assets are \$7,177,678 as of June 30, 2017.

NOTE 5 – 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 6 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2017:

Endowments to support various programs, scholarships and other activities of Texas Woman's University	\$30,458,086
Gift Annuity agreements	459
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>151,824</u>
Total	<u>\$30,610,369</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2017

NOTE 7 – 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 June 30, 2017, there were three such policies with death benefits totaling \$546,958 and cash values totaling \$151,824.

NOTE 8 – 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 fiscal period ended June 30, 2017.

NOTE 9 – 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 June 30, 2017:

Fair value of investments held	\$ 7,430
Less present value of annuity obligations	<u>(4,525)</u>
Net Assets	<u>\$ 2,905</u>

The net assets consists of \$459 of permanently restricted net assets and \$2,446 of unrestricted net assets.

NOTE 10 – ASSETS HELD FOR OTHERS

In April 2016 and September 2016 the Foundation entered into certain agreements with the TWU Alumni Association. Under the terms of the agreements, the Foundation agreed to manage the assets of the TWU Alumni Association. The funds being managed continue to belong to the TWU Alumni Association and are shown in the Foundation's Statement of Financial Position as Assets Held For Others. The agreement with the TWU Alumni Association can be modified or terminated by either party upon 90 days written notice.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED JUNE 30, 2017

NOTE 11 – 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 June 30, 2017 was \$7,713,222. 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 June 30, 2017 was \$6,034,455.

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed events subsequent to June 30, 2017 through April 9, 2018, 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.