

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

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FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977

TEL. (940) 387-8563  
FAX (940) 383-4746

**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, 2018, 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 June 30, 2018, 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

December 10, 2018

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

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

ASSETS

|  |                      |
|--|----------------------|
| Cash and cash equivalents                      | \$ 10,801,355        |
| Investments                                    | 53,598,969           |
| Accrued investment income                      | 91,433               |
| Contributions and other receivables            | 10,334,978           |
| Prepaid expenses                               | 9,890                |
| Artwork  | 53,800               |
| Cash value - life insurance policies           | 168,971              |
| Assets held under trust and annuity agreements | <u>8,602</u>         |
| Total Assets                                   | <u>\$ 75,067,998</u> |

LIABILITIES AND NET ASSETS

|                                  |                      |
|----------------------------------|----------------------|
| Liabilities:                     |                      |
| Accounts payable                 | \$ 991,488           |
| Annuity obligations              | 4,167                |
| Assets held for others           | <u>2,659,683</u>     |
| Total Liabilities                | <u>3,655,338</u>     |
| Net Assets:                      |                      |
| Unrestricted:                    |                      |
| Designated                       | \$ 1,399,334         |
| Undesignated                     | <u>7,696,441</u>     |
| Total Unrestricted               | 9,095,775            |
| Temporarily restricted           | 29,168,065           |
| Permanently restricted           | <u>33,148,820</u>    |
| Total Net Assets                 | <u>71,412,660</u>    |
| Total Liabilities and Net Assets | <u>\$ 75,067,998</u> |

See accompanying notes to the financial statements.

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Revenues, Gains, and Other Support                                       |                     |                                   |                                   |                   |
| Contributions  | \$ 1,202,406        | \$ 5,947,127                      | \$ 4,500,265                      | \$ 11,649,798     |
| Investment income  | 176,200             | 861,571                           |                                   | 1,037,771         |
| Less investment expenses   | (186,199)           |                                   |                                   | (186,199)         |
| Royalty income   | 29,734              |                                   |                                   | 29,734            |
| Special events   | 115,615             |                                   |                                   | 115,615           |
| Internal management fee  | 534,490             |                                   |                                   | 534,490           |
| Realized and unrealized gains/(losses)<br>on market value of investments | 332,756             | 2,352,100                         |                                   | 2,684,856         |
| Actuarial gain (loss) on annuity obligation                              | (493)               |                                   | (349)                             | (842)             |
| Increase in cash value - life insurance                                  |                     |                                   | 17,147                            | 17,147            |
| Miscellaneous income   |                     | 5,637                             |                                   | 5,637             |
|  | <u>2,204,509</u>    | <u>9,166,435</u>                  | <u>4,517,063</u>                  | <u>15,888,007</u> |
| Total Revenues, Gains, And<br>Other Support                              |                     |                                   |                                   |                   |
| Net Assets Released from Restrictions                                    |                     |                                   |                                   |                   |
| Satisfaction of program restrictions                                     | 2,505,934           | (2,505,934)                       |                                   | -                 |
| Changes in donor restrictions<br>and transfers                           | (337,274)           | 2,315,886                         | (1,978,612)                       | -                 |
|  | <u>2,168,660</u>    | <u>(190,048)</u>                  | <u>(1,978,612)</u>                | <u>-</u>          |
| Total Net Assets Released from<br>Restrictions                           |                     |                                   |                                   |                   |
| Program Expenses   |                     |                                   |                                   |                   |
| Scholarship and other program<br>endowment distributions                 | 1,298,006           |                                   |                                   | 1,298,006         |
| Current program and<br>scholarship distributions                         | 850,157             |                                   |                                   | 850,157           |
| Government relations   | 69,000              |                                   |                                   | 69,000            |
| TWU Special Events   | 43,923              |                                   |                                   | 43,923            |
| Management fees  | 515,805             |                                   |                                   | 515,805           |
|  | <u>2,776,891</u>    |                                   |                                   | <u>2,776,891</u>  |
| Total Program Expenses   |                     |                                   |                                   |                   |

See accompanying notes to the financial statements.

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

STATEMENT OF ACTIVITIES (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2018

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|                                 | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Management and General Expenses |                     |                                   |                                   |                      |
| Insurance                       | \$ 6,764            |                                   |                                   | \$ 6,764             |
| Financial and professional fees | 68,458              |                                   |                                   | 68,458               |
| Office expense                  | 10,265              |                                   |                                   | 10,265               |
| Software                        | 21,507              |                                   |                                   | 21,507               |
| Donor Cultivation               | 4,000               |                                   |                                   | 4,000                |
| Meetings                        | 3,013               |                                   |                                   | 3,013                |
| Publications                    | 2,121               |                                   |                                   | 2,121                |
| Foundation liaison              | 25,000              |                                   |                                   | 25,000               |
|                                 | <u>141,128</u>      |                                   |                                   | <u>141,128</u>       |
| Total Management and General    | <u>141,128</u>      |                                   |                                   | <u>141,128</u>       |
| Total Expenses                  | <u>2,918,019</u>    |                                   |                                   | <u>2,918,019</u>     |
| Change in Net Assets            | 1,455,150           | 8,976,387                         | 2,538,451                         | 12,969,988           |
| Net Assets - Beginning of Year  | <u>7,640,625</u>    | <u>20,191,678</u>                 | <u>30,610,369</u>                 | <u>58,442,672</u>    |
| Net Assets - End of Year        | <u>\$ 9,095,775</u> | <u>\$ 29,168,065</u>              | <u>\$ 33,148,820</u>              | <u>\$ 71,412,660</u> |

See accompanying notes to the financial statements.

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

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|   |               |
|---|---------------|
| Cash Flows From Operating Activities  |               |
| Change in net assets  | \$ 12,969,988 |
| Adjustments to reconcile change in net assets to net cash provided by Operating activities: |               |
| Realized and unrealized (gains)/losses on market value of investments                       | (2,684,856)   |
| Increase in accrued investment income   | (35,638)      |
| Increase in contributions and other receivables   | (7,622,507)   |
| Increase in prepaid expenses  | (2,781)       |
| Increase in accounts payable  | 491,682       |
| Decrease in annuity obligations   | (358)         |
| Increase in cash value – life insurance   | (17,147)      |
| Increase in assets held under trust and annuity agreements                                  | (1,172)       |
| Increase in assets held for others  | 232,632       |
|   | <hr/>         |
| Net Cash Provided By Operating Activities   | 3,329,843     |
|   | <hr/>         |
| Cash Flows From Investing Activities  |               |
| Proceeds from sale of investments   | 13,170,509    |
| Purchases of investments  | (19,397,831)  |
|   | <hr/>         |
| Net Cash Provided (Used) By Investing Activities  | (6,227,322)   |
|   | <hr/>         |
| Net Decrease in Cash and Cash Equivalents   | (2,897,479)   |
|   | <hr/>         |
| Cash and Cash Equivalents- Beginning of Year  | 13,698,834    |
|   | <hr/>         |
| Cash and Cash Equivalents- End of Year  | \$ 10,801,355 |
|   | <hr/>         |
| 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 JUNE 30, 2018

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### **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 more than one 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. 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.

#### 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 YEAR ENDED JUNE 30, 2018

**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

The Foundation carries investments in marketable securities and exchange traded index funds with readily determinable fair values at their fair values based on quoted prices in active markets (Level 1 measurements) in the statements of financial position. Investments in fixed income securities are carried at their fair value based on published valuations (Level 2 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

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 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, 2018 are composed of the following:

|  | <u>Cost</u>          | <u>Fair<br/>Value</u> |
|--|----------------------|-----------------------|
| U.S. Government and agency obligations                   | \$ 5,035,114         | \$ 4,908,797          |
| Municipal bonds  | 1,029,440            | 1,028,600             |
| Corporate bonds  | 10,302,721           | 10,058,944            |
| Common stocks  | 23,067,624           | 32,681,503            |
| Exchange traded index funds                              | <u>4,834,625</u>     | <u>4,929,727</u>      |
|  | <u>\$ 44,269,524</u> | 53,607,571            |
| Less investments held under trust and annuity agreements |                      | <u>(8,602)</u>        |
| Investments per statement of financial position          |                      | <u>\$ 53,598,969</u>  |

Investment income consists of interest and dividends on cash balances and investment securities.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 3 – FAIR VALUE MEASUREMENTS**

Fair value of assets measured on a recurring basis at June 30 2018 are as follows:

|   | Fair Value Measurements at Reporting Date Using |  |                                   |
|---|---|--|-----------------------------------|
|   | Fair Value                                      | Quoted Prices In Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) |
| June 30, 2018   |   |  |                                   |
| Equities, Exchange Traded Funds and Fixed Income Securities | \$ 53,607,571                                   | \$ 37,611,230  | \$ 15,996,341                     |
| Total   | \$ 53,607,571                                   | \$ 37,611,230  | \$ 15,996,341                     |

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for fixed income securities valued using level 2 inputs are based on values of comparable securities. There were no changes in valuation methods during fiscal year 2018.

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions and other amounts receivable as of June 30, 2018 are as follows:

|  | June 30, 2018        |
|--|----------------------|
| Contributions receivable in less than one year | \$ 1,506,512         |
| Contributions receivable in one to five years  | 5,855,680            |
| Contributions receivable in six to ten years   | <u>5,000,000</u>     |
| Total Contributions Receivable                 | 12,362,192           |
| Less discounts to net present value            | (1,489,448)          |
| Less allowance for uncollectible amounts       | <u>(543,637)</u>     |
| Net Contributions Receivable                   | 10,329,107           |
| Other amounts receivable                       | <u>5,871</u>         |
| Total Contributions and Other Receivables      | <u>\$ 10,334,978</u> |

Contributions receivable in more than one year have been discounted to net present value using an interest rate of three percent.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 5 – UNRESTRICTED NET ASSETS**

The Board of Directors has designated \$1,399,334 of the Foundation's unrestricted net assets for operating expenses of the Foundation for the following fiscal year. Undesignated unrestricted net assets are \$7,696,441 as of June 30, 2018.

**NOTE 6 – 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 7 – PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at June 30, 2018:

|   |                      |
|---|----------------------|
| Endowments to support various programs,<br>scholarships and other activities of<br>Texas Woman's University | \$ 32,977,883        |
| Gift Annuity agreements   | 1,966                |
| Cash value of life insurance policies<br>that will provide proceeds upon death<br>of insured for endowments | <u>168,971</u>       |
| Total   | <u>\$ 33,148,820</u> |

**NOTE 8 – 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, 2018, there were three such policies with death benefits totaling \$546,958 and cash values totaling \$168,971.

**NOTE 9 – 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, 2018.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 – 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, 2018:

|   |                 |
|---|-----------------|
| Fair value of investments held            | \$ 8,602        |
| Less present value of annuity obligations | <u>(4,167)</u>  |
| Net Assets                                | <u>\$ 4,435</u> |

The net assets consists of \$1,966 of permanently restricted net assets and \$2,469 of unrestricted net assets.

**NOTE 11 – 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.

**NOTE 12 – 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, 2018 was \$7,782,957. The Foundation also maintains the majority of its short-term cash funds in money market mutual funds, which are not federally insured. The balance invested in money market mutual funds as of June 30, 2018 was \$3,068,248.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has reviewed events subsequent to June 30, 2018 through December 10, 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.