

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

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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, PC

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

October 30, 2020

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 10,488,343
Investments	65,204,805
Accrued investment income	146,576
Contributions and other receivables	13,006,428
Prepaid expenses	63,686
Inventory	56,890
Cash value - life insurance policies	183,777
Assets held under split-interest agreements	<u>7,868</u>
Total Assets	<u>\$ 89,158,373</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 1,173
Liabilities under split-interest agreements	4,387
Assets held for others	<u>2,885,877</u>
Total Liabilities	<u>2,891,437</u>
Net Assets:	
Without donor restrictions:	
Undesignated	\$ 296,207
Board designated endowments	9,669,693
Board designated for reserves	<u>916,431</u>
Total without donor restrictions	10,882,331
With donor restrictions:	
Purpose restrictions	10,339,780
Perpetual in nature	<u>65,044,825</u>
Total with donor restrictions	<u>75,384,605</u>
Total Net Assets	<u>86,266,936</u>
Total Liabilities and Net Assets	<u>\$ 89,158,373</u>

See accompanying notes to the financial statements.

TEXAS WOMAN'S UNIVERSITY FOUNDATION. INC.

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT:</u>			
Gifts	\$ 70,407	\$ 11,246,759	\$ 11,317,166
Net investment return	275,408	2,750,148	3,025,556
Other income	22,817	5,269	28,086
Special events	110,525	-	110,525
Change in value of split-interest agreements	(636)	(615)	(1,251)
Change in cash value of life insurance policies	-	7,884	7,884
Asset management fee income	267,617	-	267,617
Release of donor restrictions	5,044,959	(5,044,959)	-
Transfers/Changes in donor restrictions	1,214,581	(1,214,581)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>7,005,678</u>	<u>7,749,905</u>	<u>14,755,583</u>
<u>EXPENSES:</u>			
<u>PROGRAM SERVICES:</u>			
Support of Texas Woman's University:			
Scholarship and other program endowment distributions	2,204,365		2,204,365
Current program and scholarship distributions	2,819,777		2,819,777
Government relations	43,000		43,000
TWU special events expense	36,840		36,840
TWU faculty travel and research support	40,000		40,000
Other support provided	196,113		196,113
Internal management fees	257,795		257,795
TOTAL PROGRAM SERVICES	<u>5,597,890</u>		<u>5,597,890</u>
<u>MANAGEMENT & GENERAL EXPENSES:</u>			
Administrative services	125,000		125,000
Administrative expenses	690		690
Professional development	2,258		2,258
Donor cultivation	142,012		142,012
Computer software	57,087		57,087
Professional fees	15,975		15,975
Meetings, receptions, and luncheons	1,481		1,481
Bank charges and fees	8,904		8,904
Insurance	6,139		6,139
TOTAL MANAGEMENT & GENERAL EXPENSES	<u>359,546</u>		<u>359,546</u>
TOTAL EXPENSES	<u>5,957,436</u>		<u>5,957,436</u>
CHANGE IN NET ASSETS	1,048,242	7,749,905	8,798,147
NET ASSETS, BEGINNING OF YEAR	9,834,089	67,634,700	77,468,789
NET ASSETS, END OF YEAR	<u>\$ 10,882,331</u>	<u>\$ 75,384,605</u>	<u>\$ 86,266,936</u>

See accompanying notes to the financial statements.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities	
Change in net assets	\$ 8,798,147
Adjustments to reconcile change in net assets to net cash provided by Operating activities:	
Realized and unrealized (gains)/losses on market value of investments	(1,963,497)
Decrease in accrued investment income	20,311
Increase in contributions and other receivables	(3,593,442)
Increase in prepaid expenses	(58,213)
Decrease in accounts payable	(712,868)
Increase in liabilities under split-interest agreements	51
Increase in cash value – life insurance	(7,884)
	<u>2,482,605</u>
Net Cash Provided By Operating Activities	
	<u>2,482,605</u>
Cash Flows From Investing Activities	
Increase in assets held for others	77,742
Proceeds from sale of investments	23,174,574
Purchases of investments	(22,575,128)
	<u>677,188</u>
Net Cash Provided (Used) By Investing Activities	
	<u>677,188</u>
Net Increase in Cash and Cash Equivalents	3,159,793
Cash and Cash Equivalents- Beginning of Year	<u>7,328,550</u>
Cash and Cash Equivalents- End of Year	<u>\$ 10,488,343</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 JUNE 30, 2020

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.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

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 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 income available for distribution is recorded as donor restricted net assets because of program restrictions.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated endowments.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - continued

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been reported on a functional basis in the statements of activities in order to present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

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

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Inventory

Inventory consists of pieces of art donated to the Foundation and other miscellaneous personal property donated to the Foundation. The inventory was recorded at its fair value as of the date of the donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

Subsequent events were evaluated through October 30, 2020, the date the financial statements were available to be issued.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Gift Annuities

Under charitable gift annuity contracts, we receive immediate title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques. The excess of contributed assets over the annuity liability is recorded as a contribution with donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 10,488,343
Cash and cash equivalents included in donor restricted funds	<u>(9,584,068)</u>
	<u>\$ 904,275</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowments of \$9,669,693 provide for annual distributions to Texas Woman's University. Although we do not intend to spend from these board-designated endowments for general expenditures, these amounts could be made available if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments and money market funds.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of publicly traded securities, exchange traded funds and open-end mutual funds with readily determinable fair values based on daily redemption values.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The following table presents investments measured at fair value on a recurring basis at June 30, 2020.

Investments	Fair Value Measurements at June 30, 2020 Using			
	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. and International Equities				
Securities and mutual funds	\$ 40,430,365	\$ 40,430,365	\$ -	\$ -
Exchange traded funds	2,305,895	2,305,895	-	-
	42,736,260	42,736,260	-	-
U. S. Fixed Income				
U. S. Government/Agency bonds	9,633,994	-	9,633,994	-
Corporate and Municipal bonds	12,842,419	-	12,842,419	-
	22,476,413	-	22,476,413	-
Total Investments	65,212,673	\$ 42,736,260	\$ 22,476,413	\$ -
Less amount reported as assets held under split-interest agreements	(7,868)			
Investments per Statement of Financial Position	\$ 65,204,805			

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments other than investments are cash and cash equivalents, contributions and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions and other amounts receivable as of June 30, 2020 are as follows:

	June 30, 2020
Contributions receivable in less than one year	\$ 2,240,090
Contributions receivable in one to five years	5,408,725
Contributions receivable in six to ten years	<u>974,438</u>
 Total Contributions Receivable	 8,623,253
 Less discounts to net present value	 (900,636)
Less allowance for uncollectible amounts	<u>(386,131)</u>
 Net Contributions Receivable	 7,336,486
Other amounts receivable	<u>5,669,942</u>
 Total Contributions and Other Receivables	 <u>\$ 13,006,428</u>

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

NOTE 6 –NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's Board of Directors has designated \$9,669,693 of net assets without donor restrictions as board-designated endowment funds. The funds will be used for scholarships and other programs within Texas Woman's University.

Although the Board retains the right to re-designate these funds for another purpose, the intent is to continue to support TWU students with these funds. Pursuant to FASB requirements, these endowments are included in Net Assets Without Donor Restrictions, however, these funds are not available for operating expenses.

Net assets without donor restrictions at June 30, 2020 also include \$916,431 which has been designated by the Foundation's Board of Directors as a reserve for future operations.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions were restricted for the following as of June 30, 2020:

TWU Department Gift & Fundraising Accounts	\$ 10,339,780
Endowments according to Donor agreement under Board Distribution Policy	64,859,597
Split-interest agreements net of liabilities	1,451
Cash value of life insurance policies	<u>183,777</u>
Total Net Assets with Donor Restrictions	<u>\$ 75,384,605</u>

TEXAS WOMAN'S UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 – LIFE INSURANCE POLICIES

Two 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, 2020, there were two such policies with death benefits totaling \$567,996 and cash values totaling \$183,777.

NOTE 9 – INCOME TAX STATUS

The Foundation is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Tax Return (Form 990-T) with the IRS.

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.

NOTE 11 – FINANCE INSTRUMENTS AND CREDIT RISK

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.