




**Texas A&M University -
Kingsville**

**A Component Unit of
Texas A&M University System**

**Independent Auditor's Report and
Financial Statements**

August 31, 2023



Texas A&M University - Kingsville
A Component Unit of Texas A&M University System
Contents
August 31, 2023

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Net Position	4
Texas A&M University – Kingsville Foundation, Inc. – Statement of Financial Position.....	6
Statement of Revenues, Expenses, and Changes in Net Position.....	7
Texas A&M University – Kingsville Foundation, Inc. – Statement of Activities.....	9
Statement of Cash Flows	10
Notes to Financial Statements	12
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report.....	30

Independent Auditor's Report

Board of Regents
Texas A&M University - Kingsville
A Component Unit of Texas A&M University System
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Texas A&M University - Kingsville (University), collectively a component unit of the Texas A&M University System, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of August 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Texas A&M University - Kingsville Foundation, Inc. (Foundation), which is the only discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statement is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance

Forvis Mazars, LLP

**San Antonio, Texas
October 11, 2024**

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Net Position
August 31, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 15,076,702
Restricted	
Cash and cash equivalents	2,771,262
Legislative appropriations	22,374,424
Receivables	
Federal	2,675,458
Interest and dividends	297
Student	2,326,338
Accounts	2,168,801
Other	175,726
Lease receivable	177,604
Due from other agencies	708,666
Due from other members	433,560
Loans and contracts	1,557
Other current assets	10,154,401

Total Current Assets

59,044,796

Noncurrent Assets

Assets held by System Office	74,388,294
Restricted	
Assets held by System Office	57,987,839
Lease receivable	92,570
Capital and subscription assets	161,823,185

Total Noncurrent Assets

294,291,888

Total Assets

\$ 353,336,684

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Net Position
August 31, 2023

(Continued)

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Payables	
Accounts	\$ 2,322,810
Payroll	6,270,628
Student	417,052
Other	11,456
Due to other agencies	228,267
Due to other members	26,023
Unearned revenue	26,899,246
Employees compensable leave	540,111
Software subscription liability	268,806
Other current liabilities	146,690

Total Current Liabilities	<u>37,131,089</u>
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Noncurrent Liabilities

Employees compensable leave	2,995,813
Software subscription liability	650,031
Other noncurrent liabilities	260,411

Total Noncurrent Liabilities	<u>3,906,255</u>
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Deferred Inflows of Resources

Leases	252,574
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Total Deferred Inflows of Resources	<u>252,574</u>
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Total Liabilities and Deferred Resources	<u>41,289,918</u>
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Net Position

Net Position

Net investment in capital assets	160,904,347
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Restricted For

Capital projects	310,622
Education	38,446,271
Endowment and permanent funds	
Nonexpendable	19,494,006
Expendable	9,773,479

Unrestricted	<u>83,118,041</u>
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Total Net Position	<u>312,046,766</u>
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Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 353,336,684</u>
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Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Texas A&M University - Kingsville Foundation, Inc.
Statement of Financial Position
August 31, 2023

ASSETS

Cash and cash equivalents	\$ 2,203,000
Prepaid expenses/bronze statues inventory	69,200
Pooled investment funds, at fair value	98,781,800
Unconditional promises to receive	2,178,308
Land, property and equipment, net	<u>892,524</u>

Total Assets \$ 104,124,832

LIABILITIES AND NET ASSETS

Liabilities

Distributions payable	\$ 218,922
Accounts payable	683,086
Payroll taxes payable	<u>3,418</u>

Total Liabilities 905,426

Net Assets

Without donor restrictions	13,766,270
With donor restrictions	<u>89,453,136</u>

Total Net Assets 103,219,406

Total Liabilities and Net Assets \$ 104,124,832

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended August 31, 2023

Operating Income (Loss)	
Operating Revenues	
Tuition and fees	\$ 59,593,741
Discounts and allowaces	(21,092,887)
Auxiliary enterprises	14,383,936
Discounts and allowaces	(3,931,885)
Other sales of goods and services	4,817,184
Federal revenue - operating	16,137,997
Federal pass through revenue	1,195,755
State grant revenue	42,254
State pass through revenue	9,240,733
Other grants and contracts	4,638,353
Other operating revenue	773,426
	<u>85,798,607</u>
Total Operating Revenues	<u>85,798,607</u>
Operating Expenses	
Instruction	43,915,142
Research	20,760,760
Public service	697,343
Academic support	15,489,901
Student service	16,634,395
Institutional support	13,875,579
Operation and maintenance of plant	16,002,633
Scholarships and fellowships	18,326,746
Auxiliary	23,114,273
Depreciation/amortization	12,720,881
	<u>181,537,653</u>
Total Operating Expenses	<u>181,537,653</u>
Total Operating Income (Loss)	<u>(95,739,046)</u>
Nonoperating Revenues (Expenses)	
Legislative revenue	47,262,774
Federal revenue non-operating	23,093,816
Federal pass through revenue non-operating	603,936
Gifts	9,280,361
Investment income	10,484,763
Investing activities expense	(319,025)
Interest expense	(13,119)
Gain on sale or disposal of capital assets	37,792
Other nonoperating revenues	4,401,038
Other nonoperating expenses	(4,137,387)
	<u>90,694,949</u>
Total Nonoperating Revenues (Expenses)	<u>90,694,949</u>
Income (Loss) Before Other Capital Contributions, Endowments and Transfers	<u>(5,044,097)</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Revenues, Expenses, and Changes in Net Positions
Year Ended August 31, 2023

(Continued)

Capital Contributions, Endowments, and Transfers	
Capital contributions	\$ 33,677
Capital appropriation - Higher Education Fund	8,858,060
Additions to permanent and term endowments	693,490
Transfers in	
Transfers from other state agencies	88,331
Nonmandatory transfers from other members	1,260,073
Transfers out	
Transfers to other state agencies	(2,166)
Mandatory transfers to other members	(6,174,890)
Nonmandatory transfers to other members	(1,108,454)
Legislative transfers - in	127,190
Legislative transfers - out	<u>(7,348,618)</u>
Total Capital Contributions, Endowments, and Transfers	<u>(3,573,307)</u>
Change in Net Position	(8,617,404)
Net Position, Beginning of Year	<u>320,664,170</u>
Net Position, End of Year	<u><u>\$ 312,046,766</u></u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Texas A&M University - Kingsville Foundation, Inc.
Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions			
Cash	\$ 4,000	\$ 4,460,406	\$ 4,464,406
Securities	-	177,301	177,301
Unconditional promises to receive	-	2,321,635	2,321,635
Total contributions	4,000	6,959,342	6,963,342
Interest and dividends	213,666	1,389,831	1,603,497
Royalty income (net of production taxes)	14,140	160	14,300
Royalty income (other)	99	199	298
Miscellaneous income (loss)	3,000	-	3,000
Reclassification	(142,665)	142,665	-
Net assets released from restrictions	5,587,813	(5,587,813)	-
Total Revenues, Gains, and Other Support	5,680,053	2,904,384	8,584,437
Expenses and Losses			
Program expenses			
Texas A&M University Kingsville	4,126,226	-	4,126,226
Other	401,730	-	401,730
Supporting services			
Management and general	683,134	-	683,134
Fundraising	498,954	-	498,954
Total support services	5,710,044	-	5,710,044
Nonoperating activities			
Investment return:			
Pooled fund portfolio gains (losses), realized	98,997	961,981	1,060,978
Other gains (losses), realized	(14)	1,204	1,190
Portfolio gains (losses), unrealized	(3,412,510)	(20,411,027)	(23,823,537)
Pooled investment fees	(267,228)	-	(267,228)
Investment returns, net	(3,580,755)	(19,447,842)	(23,028,597)
Change in Net Assets	(3,610,746)	(16,543,458)	(20,154,204)
Net Assets, Beginning of Year	17,377,016	105,996,594	123,373,610
Net Assets, End of Year	\$ 13,766,270	\$ 89,453,136	\$ 103,219,406

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Cash Flows
Year Ended August 31, 2023

Operating Activities	
Proceeds from tuition and fees	\$ 41,159,035
Proceeds from customers	4,309,304
Proceeds from grants and contracts	28,320,383
Proceeds from auxiliary enterprises	11,444,907
Proceeds from loan programs	22,686,416
Proceeds from other operating revenues	807,187
Payments to suppliers for goods and services	(62,226,275)
Payments to employees	(90,366,801)
Payments for loans provided	(22,686,416)
Payments for other operating expenses	(17,573,841)
	<u>(84,126,101)</u>
Net Cash Used In Operating Activities	
Noncapital Financing Activities	
Proceeds from state appropriations	45,210,398
Proceeds from gifts	9,280,361
Proceeds from endowments	693,490
Proceeds from transfers from other funds	88,331
Proceeds from other grant receipts	23,425,496
Proceeds from other noncapital financial activities	4,405,321
Payments for transfers to other funds	(2,166)
Payments of other noncapital financing uses	(60,144)
Other noncapital transfers to/from System	151,619
	<u>83,192,706</u>
Net Cash Provided By Noncapital Financing Activities	
Capital and Related Financing Activities	
Proceeds from sale of capital assets	44,191
Payments for additions to capital assets	(8,317,825)
Payments for leases/SBITA	(775)
Payments of interest on debt issuance	(3,054)
Proceeds from state appropriations	8,858,060
Transfer of capital debt proceeds from System (nonmandatory)	1,905,906
Intrasystem transfers for capital debt (mandatory)	(13,523,508)
	<u>(11,037,005)</u>
Net Cash Used In Capital and Related Financing Activities	

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Cash Flows
Year Ended August 31, 2023

(Continued)

Investing Activities	
Sale and purchase of investments held by System, net	\$ 12,121,783
Proceeds from interest and investment income	<u>2,336,126</u>
Net Cash Provided By Investing Activities	<u>14,457,909</u>
Increase in Cash and Cash Equivalents	2,487,509
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>15,360,455</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>\$ 17,847,964</u></u>
Reconciliation of Operating Loss to	
Net Cash Used In Operating Activities	
Operating loss	\$ (95,739,046)
Adjustments to Reconcile Operating Loss to Net Cash Used By	
Operating Activities	
Amortization and depreciation	12,720,881
Bad debt expense	657,340
Operating loss and cash flow categories classification difference	
Changes in assets and liabilities	
Decrease in receivables	(3,022,842)
Decrease in due from agencies/funds	(334,050)
Decrease in due from System members	(66,941)
Decrease in prepaid expenses	(1,328,927)
Increase in loans and contracts	894
Decrease in other assets	(8,986)
Decrease in payables	(210,783)
Increase in due to other agencies/funds	15,129
Decrease in due to other System members	(27,237)
Increase in unearned revenue	2,998,204
Decrease in deposits	(27,916)
Increase in employees compensable leave	186,504
Increase in other liabilities	138,485
Decrease in deferred inflows of resources - leases	<u>(76,810)</u>
Total Adjustments	<u>11,612,945</u>
Net Cash Used In Operating Activities	<u><u>\$ (84,126,101)</u></u>
Noncash Transactions	
Donation of capital assets	\$ 33,677
Net change in fair value of investments	\$ 7,575,649
Borrowing under lease purchase	\$ 918,838
Other	\$ 37,792

Note 1. Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The accompanying financial statements of Texas A&M University - Kingsville (TAMUK) are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) pronouncements, the requirements of the Texas Comptroller of Public Accounts, and the guidelines from the National Association of College and University Business Officers.

TAMUK is a component unity of the Texas A&M University (System). Major federally funded student financial aid programs in which TAMUK participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, and Federal Direct Loan Programs. TAMUK extends unsecured credit to students.

Foundation

Texas A&M University – Kingsville Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of TAMUK. The Foundation's primary function is to raise and hold funds to support TAMUK and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of TAMUK.

Although TAMUK does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of TAMUK. Because these restricted resources held by the Foundation can only be used by, or for the benefit of TAMUK, the Foundation is considered a component unit of TAMUK and is discretely presented in the TAMUK financial statements. The Foundation has a different year-end from TAMUK with a fiscal year-end of December 31, 2022.

During the year ended August 31, 2023, the Foundation provided \$6,905,377 of support to TAMUK. Complete audited financial statements of the Foundation may be obtained from its administrative office at the following address: MSC 173, 700 University Blvd., Kingsville, Texas 78363.

Basis of Accounting and Presentation

The financial statements of TAMUK have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, deferred inflows, and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transactions take place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific (such as state appropriations) and investment income are included in nonoperating revenues and expenses. TAMUK first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Current Assets

On the statement of net position, items classified as current are defined as resources expected to be realized or consumed within one year.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. With the exception of residual cash, which results from the management of investment portfolios, TAMUK maintains cash and cash equivalents for the purpose of meeting short-term disbursement requirements. At August 31, 2023, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments and Investment Income

All investments of TAMUK are included in assets held by System Office on the statement of net position. Investments are reported at fair value. Fair value is defined as the price received if an investment were sold in an orderly transaction between market participants at the measurement date. Measuring fair value requires gathering information, or input, about the asset or liability being measured.

Foundation investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, and Treasury inflation-protected securities with readily determinable fair values are reported at fair value.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments.

Legislative Appropriations

The appropriations of revenues by the Texas Legislature (Legislature) are in the form of general revenues. The Legislature meets every odd-numbered year and approves a two-year budget (biennial) for all state agencies. The general revenue appropriations to TAMUK supports the instruction, research, and operation of TAMUK. Appropriations also include payments made by the state on behalf of TAMUK for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its appropriations to TAMUK in future years; however, TAMUK expects that the Legislature will continue to do so.

Receivables

Receivable balances are grouped into several receivable categories. Accounts receivable reflect amounts owed for goods and services provided. Student receivables consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Federal receivables reflect amounts owed related to eligible expenses incurred on federal grant programs. Other receivables include items such as travel advances, returned checks, and various items accrued.

Receivable balances are presented net of an allowance for uncollectible accounts. The allowance is based on management's judgment of potential uncollectible amounts, which includes such factors as historical experience and type of receivable.

Lease Receivables

Lease receivables are recorded by TAMUK as the present value of lease payments expected to be received under leases meeting the \$100,000 threshold per contract excluding short-term leases. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short-term leases, those with a maximum period of 12 months, are recognized as collected.

Other Current Assets

Balances reported as other current assets consist mostly of prepaid expenses along with other miscellaneous deposit balances.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The capitalization threshold for personal property is \$5,000. The capitalization threshold is \$100,000 for buildings and building improvements, facilities, and other improvements; purchased software; land use rights with terms; and leasehold improvements. Infrastructure has a capitalization threshold of \$500,000. Internally developed software has a capitalization threshold of \$1,000,000. All land, land improvements, permanent land use rights, library books/materials, museums/collections, and works of art/historical treasures are capitalized.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets; generally, 10 to 30 years for buildings and building improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

Lease and Subscription Assets

Lease and subscription assets represent the right to use another entity's nonfinancial asset (building, land, equipment, subscription software, etc.) for a specified period of time as defined in the lease or subscription contract. Lease and subscription assets and the related liabilities are recognized at the commencement date and measured based on the present value of future payments. Lease and subscription assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease and subscription assets are included in capital assets on the statement of net position.

Capital, Lease, and Subscription Asset Impairment

TAMUK evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the year ended August 31, 2023.

Payables

Payable balances are grouped into various payable categories on the statement of net position. Accounts payable represents the liability for the value of assets or services received as of the date of the financial statements, for which payment is pending. Payroll payable includes accrued salary, wages, and benefits. Other payables include a variety of items, including payables for investment manager fees, sales taxes, and student liabilities.

Subscription Liability

Subscription liabilities represent TAMUK's obligation to make software lease payments arising from subscriptions meeting the \$500,000 threshold per contract, excluding short-term subscriptions. Subscription liabilities are recognized at the subscription commencement date based on the present value of future lease payments over the remaining subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by TAMUK. Short-term subscriptions, those with a maximum period of 12 months, are expensed as incurred.

Unearned Revenue

The University records receivables when revenue is earned but not collected. Unearned revenue is recognized when cash is received prior to revenue recognition and is considered a liability. At August 31, 2023, the majority of unearned revenue is related to tuition and fees paid for the 2023 fall semester.

Risk Management

TAMUK is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from matters other than workers' compensation and natural disasters. There have been no significant reductions in insurable coverage, and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

Employees' Compensable Leave

Employee vacation pay and overtime is accrued at year-end for financial statement purposes. The liability is recorded at year-end as employee compensable leave (current and non-current) in the statement of net position. The expense is recorded as a component of operating expenses in the statement of revenues, expenses, and changes in net position.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in noncurrent liabilities.

Deferred Inflows of Resources

TAMUK's statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period and have a negative effect on net position, similar to liabilities.

Net Position

Net position is the difference between assets less liabilities plus deferred inflows of resources.

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted assets are available for use, restricted resources are used first, then unrestricted resources are used as needed. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained for perpetuity as specified by parties external to TAMUK, such as permanent endowments.

Unrestricted Net Position

Unrestricted net position consists of net resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management but can be removed or modified.

Revenues and Expenses

Operating revenues include activities such as student tuition and fees, net sales and services of auxiliary enterprises, and certain federal, state, and local grants and contracts. Operating expenses include salaries and wages, payroll-related costs, professional fees and services, materials and supplies, and scholarships.

Nonoperating revenues include activities such as state appropriations, gifts and contributions, investment income, and other revenue sources, which are defined as nonoperating revenues by the GASB (Governmental Accounting Standards Board). Nonoperating expenses include activities such as interest expense on capital asset financings and other expenses.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by TAMUK and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues, and other governmental grants are recorded as operating revenues in TAMUK's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, TAMUK has recorded a scholarship allowance.

Income Taxes

As a state institution of higher education, the income of TAMUK is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, TAMUK is subject to federal income tax on any unrelated business taxable income.

GASB Statement Implementations in Fiscal Year 2023

In the fiscal year 2023, TAMUK adopted GASB 96, *Subscription-Based Information Technology Arrangements*, and GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, as part of its financial reporting.

GASB 96 defines Subscription-Based Information Technology Arrangements (SBITA) as contracts involving control over the right to use another party's IT software or IT software combined with tangible capital assets for a specified period. Implementation details are available in Note 7 – SBITAs.

GASB 94 addresses Public-Private and Public-Public Partnership arrangements (PPPs), which involve governments contracting with operators to provide public services by transferring control over nonfinancial assets for a set period. This statement had no impact on TAMUK.

These accounting standards enhance the transparency and compliance of our financial reporting.

Note 2. Deposits and Investments

Deposits

As of August 31, 2023, TAMUK had the following bank deposits:

	<u>Carrying Amount</u>
Composition of Cash and Cash Equivalents	
Cash held by System Office	\$ 16,964,669
Petty cash	20,775
Cash in Transit/Reimburse from Treasury	<u>862,520</u>
Total Cash and Cash Equivalents, Including Restricted Cash	<u>\$ 17,847,964</u>

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. TAMUK's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities, or the state of Texas; bonds of any city, county, school district, or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Investments

TAMUK's investments are held by the System Office, and TAMUK has specific units of participation in the System's investment portfolio.

The System's investment policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, equity, international obligations, international equity, certificates of deposit, banker's acceptances, negotiable certificates of deposit, money market mutual funds, mutual funds, repurchase agreements, venture capital, private equity, hedge funds, Real Estate Investment Trusts (REITs), securities lending, derivatives, timber, bank loans, energy, and real estate.

At August 31, 2023, TAMUK had approximately \$132,376,000 invested in the Texas A&M Master Trust.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, TAMUK will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The A&M System's investment policy requires that direct repurchase agreements and security lending transactions be fully collateralized by obligations authorized under the A&M System investment policy and such collateral be held by a third party. There was no custodial credit risk related to securities lending or repurchase agreements as of August 31, 2023. The A&M System did not participate in a securities lending program during fiscal year 2023, and the only direct repurchase agreement investments were held through the Texas Treasury Safekeeping Trust Company.

Foreign currency risk relates to adverse effects on the fair value of an investment from the changes in exchange rates. The A&M System's policy authorizes the utilization of derivatives for the purpose of hedging currency risk but does not otherwise address foreign currency risk. The exposure to foreign currency risk as of August 31, 2023, is at the System level, and TAMUK has limited exposure to this risk.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The A&M System's investment policy requires that traditional fixed income securities have a long-term rating of B or better at the time of purchase and traditional fixed income portfolios maintain an overall credit rating of A or better. Securities using short-term credit ratings must be rated at least A-2, P-2, F-2, or equivalent.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the A&M System manages its exposure to fair value losses arising from changing interest rates by requiring traditional fixed income managers to maintain a duration of +/- 30% of the effective duration of the appropriate index. In addition, the A&M System's policy limits the duration of its short-term investment portfolio to a maximum of one year.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position as follows:

Carrying value	
Deposits	\$ 17,847,964
Investments	<u>132,376,133</u>
Total Carrying Value	<u><u>\$ 150,224,097</u></u>
Included in the Following Statement of Net Position Captions	
Cash and cash equivalents	\$ 15,076,702
Restricted cash and cash equivalents	2,771,262
Assets held by System Office	74,388,294
Restricted assets held by System Office	<u>57,987,839</u>
	<u><u>\$ 150,224,097</u></u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Note 3. Capital and Subscription Assets

Capital and subscription assets activity for the year ended August 31, 2023, was:

	Balance 9/1/2022	Transfers	Additions	Deletions	Balance 8/31/2023
Nondepreciable or Nonamortizable Assets					
Land and land improvements	\$ 2,641,982	\$ -	\$ -	\$ -	\$ 2,641,982
Construction in progress	30,614,392	(18,575,353)	4,659,074	-	16,698,113
Other tangible capital assets	207,076	-	-	(9,933)	197,143
Total Nondepreciable or Nonamortizable Assets	33,463,450	(18,575,353)	4,659,074	(9,933)	19,537,238
Depreciable and Amortizable Assets					
Buildings	263,692,449	14,718,381	-	(4,077,394)	274,333,436
Infrastructure	19,285,090	2,511,665	-	-	21,796,755
Facilities and other improvements	20,677,053	1,345,307	-	-	22,022,360
Furniture and equipment	22,023,847	-	2,978,389	(1,035,290)	23,966,946
Vehicle, boats and aircraft	2,855,436	-	81,557	(203,547)	2,733,446
Other capital assets	6,448,453	-	31,840	(25,486)	6,454,807
Total Depreciable and Amortizable assets at Historical Costs	334,982,328	18,575,353	3,091,786	(5,341,717)	351,307,750
Less Accumulated Depreciation for					
Buildings and building improvements	(150,666,460)	-	(9,451,145)	-	(160,117,605)
Infrastructure	(11,479,542)	-	(648,281)	-	(12,127,823)
Facilities and other improvements	(10,428,703)	-	(891,080)	-	(11,319,783)
Furniture and equipment	(17,738,978)	-	(1,399,425)	1,028,891	(18,109,512)
Vehicle, boats and aircraft	(2,342,143)	-	(140,640)	203,547	(2,279,236)
Other capital assets	(6,003,911)	-	(58,232)	25,486	(6,036,657)
Total Accumulated Depreciation	(198,659,737)	-	(12,588,803)	1,257,924	(209,990,616)
Depreciable Assets, Net	136,322,591	18,575,353	(9,497,017)	(4,083,793)	141,317,134
Amortizable Assets, Net					
Computer software	2,149,129	-	-	-	2,149,129
Total Intangible Net Assets at Historical Cost	2,149,129	-	-	-	2,149,129
Less Accumulated Amortization for					
Computer software	(2,149,129)	-	-	-	(2,149,129)
Total Accumulated Amortization	(2,149,129)	-	-	-	(2,149,129)
Total Capital Assets, Net	169,786,041	-	(4,837,943)	(4,093,726)	160,854,372
Subscription Assets					
Software subscription	-	-	1,122,766	-	1,122,766
Total Subscription Assets	-	-	1,122,766	-	1,122,766
Less Accumulated Amortization for Subscription Assets					
Software subscription	-	-	(153,953)	-	(153,953)
Total Accumulated Amortization for Subscription Assets	-	-	(153,953)	-	(153,953)
Total Subscription Assets, Net	-	-	968,813	-	968,813
Total Capital and Subscription Assets, Net	\$ 169,786,041	\$ -	\$ (3,869,130)	\$ (4,093,726)	\$ 161,823,185

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended August 31, 2023:

	<u>Balance</u> <u>9/1/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2023</u>	<u>Due Within</u> <u>One Year</u>	<u>Due</u> <u>Thereafter</u>
Employee's compensable leave	\$ 3,349,420	\$ 717,030	\$ (530,526)	\$ 3,535,924	\$ 540,111	\$ 2,995,813
Subscription liability	\$ -	\$ 1,122,766	\$ (203,929)	\$ 918,837	\$ 268,806	\$ 650,031

Compensated Absences

Full-time state employees earn eight to twenty hours per month in annual leave, depending on years of state employment. Under the state's policy, an employee with 35 or more years of state service may carry up to 532 hours of accrued leave forward from one fiscal year to another.

Employees with at least six months of state services who terminate employment are entitled to payment for all accumulated annual leave up to the maximum allowed. TAMUK accrues the dollar value of annual leave benefits, which are payable upon retirement, termination, or death of its employees. The amounts of these liabilities and their related benefits are reported in the statement of net position. The estimated liability, \$3,535,924 as of August 31, 2023, is based on calculations from the A&M System centralized leave tracking System and employer estimates.

Sick leave accumulation is not limited. Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement, or 336 hours. The TAMUK policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since the historical use of sick leave has been minimal.

Note 5. Bond Indebtedness

All bonded indebtedness for TAMUK is issued by the System through the Texas A&M University Revenue Financing System (Revenue Financing System). The System and each component institution within the System are members of the Revenue Financing System. The Board of Regents of the System (Board) pledged all the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that are lawfully available to the Board for payments on parity debt.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

System Administration issued the debt; therefore, the bonds payable attributable to TAMUK are included with the bonds payable reported by the System. TAMUK has historically repaid the debt that was issued on its behalf, but there is no formal agreement or contract with the System that obligates TAMUK to pay; consequently, the following debt amortization schedule is presented for informational purposes only:

<u>Year Ending August 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 12,825,951	\$ 8,891,300	\$ 3,934,651
2025	12,802,468	9,200,800	3,601,668
2026	12,111,914	8,865,200	3,246,714
2027	12,047,563	9,139,500	2,908,063
2028	12,033,752	9,452,600	2,581,152
2029 – 2033	41,623,450	33,431,300	8,192,150
2034 – 2038	20,516,078	17,040,000	3,476,078
2039 – 2043	4,987,292	4,625,000	362,292
	<u>\$ 128,948,468</u>	<u>\$ 100,645,700</u>	<u>\$ 28,302,768</u>

Note 6. Pension Plans and Optional Retirement Program

Teacher Retirement System (TRS)

TAMUK participates in a cost-sharing, multi-employer, defined benefit pension plan with a special funding situation administered by TRS (Plan). All employees of the A&M System who are employed for one-half or more of the standard workload and not exempted from membership under the Texas Government Code, Title 8, Section 822.002 are covered by the plan.

The TRS plan provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered employees who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

TRS is primarily funded through state and employee contributions. TRS contribution rates are established by the state legislature. Contributions by employees were 8.0% of gross earnings for 2023, while employer contributions were 7.75% of the participants' gross earnings for 2023. The contributions for TAMUK for the plan year ended August 31, 2023 are as follows:

Employer	\$ 3,293,749
Employee	<u>3,359,868</u>
Total	<u>\$ 6,653,617</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

TRS currently does not separately account for each of its component government agencies because TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the state Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in TRS' annual financial report, which may be found on the TRS website at www.trs.state.gov.

In accordance with the Reporting Requirements for Annual Financial Reports of State Agencies and Universities (Reporting Requirements) promulgated by the Texas Comptroller of Public Accounts, the Texas A&M University System has implemented GASB Statement No. 68, *Accounting and Financial Report for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which includes the net pension expense, net pension liability, and related deferred inflows and outflows. Under the Reporting Requirements, employees of TAMUK are treated as employees of the System for GASB 68 reporting; therefore, these financial statements neither record nor disclose the net pension expense, net pension liability, or related deferred inflows and outflows attributable to TAMUK. Recording and disclosure of this information occurs for the System as a whole in the consolidated Annual Financial Report of the Texas A&M University System. The state of Texas and the System share responsibility for funding their proportional shares of the obligations of this Plan.

Optional Retirement Program (ORP)

The state has also established the Optional Retirement Program (ORP) for institutions of higher education, which is available to certain eligible employees in lieu of participation in the TRS. The Optional Retirement Program provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries during the fiscal year provided by the state and by each participant who was enrolled in the plan on or before August 31, 1995 were 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the state and an additional 1.90% contributed by the A&M System. For participants who enrolled on or after September 1, 1995, the state and participant contributions were 6.6% and 6.65%, respectively.

Contributions made by participants and the University for the fiscal year ended August 31, 2023, were as follows:

Employer	\$ 1,291,590
Employee	<u>1,131,747</u>
Total	<u>\$ 2,423,337</u>

Note 7. Subscription Liabilities

TAMUK has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. During the year ended August 31, 2023, TAMUK did not recognize subscription expense for variable payments not previously included in the measurement of the subscription liability.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

The following is a schedule by year of payments under the SBITAs as of August 31, 2023:

<u>Year Ending August 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 288,574	\$ 268,808	\$ 19,766
2025	286,493	273,913	12,580
2026	122,450	114,061	8,389
2027	127,305	122,233	5,072
2028	141,346	139,822	1,524
	<u>\$ 966,168</u>	<u>\$ 918,837</u>	<u>\$ 47,331</u>

Note 8. Donor-Restricted Endowments

The purpose of The Texas A&M University System Endowment Fund (the Fund) is to provide for the collective investment of all endowment and trust funds held by the A&M System or by the Board of Regents of the A&M System in a fiduciary capacity. The Fund is used to provide funding for scholarships, fellowships, professorships, academic chairs, and other uses as specified by donors. Expenditure of endowment funds is not permitted without the express consent of the donor. The majority of the System's endowments are held in perpetuity. In many cases, endowment earnings are expendable as noted above or reinvested.

The Regents of the System have established an endowment policy which attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. Distributions are made quarterly after the last calendar day of November, February, May, and August of each fiscal year to TAMUK's endowment and trust funds participating in the Fund during the respective quarter. Income consists of interest earnings, dividends, and realized capital gains. The income distribution per unit for each fiscal year will be to distribute, excluding fees, 5% of the 20-quarter average market value per unit as of the end of the previous February.

The amount of net appreciation for donor restricted true endowments presented in the table below is available for authorization and expenditure by the System:

<u>Donor-Restricted Endowments</u>	<u>Amounts of Net Appreciation</u>	<u>Reported in Net Assets</u>
True endowments	\$ 7,207,939	Restricted for expendable
Term endowments	72,743	Restricted for expendable
Quasi endowments	<u>2,492,797</u>	Restricted for expendable
Total	<u>\$ 9,773,479</u>	

Note 9. Disclosures About Fair Value of Assets and Liabilities

The 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements of TAMUK measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets held by System Office	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,376,133</u>	<u>\$ 132,376,133</u>

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. See the table below for inputs and valuation techniques used for Level 3 securities.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled Investment Funds				
Assets held by System Office	\$ 132,376,133	\$ -	Daily	None

Note 10. Contingencies

General Litigation

TAMUK is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by TAMUK's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. TAMUK evaluates such allegations by conducting investigations to determine the validity of each potential claim. 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 statements of net position, change in net position, and cash flows of TAMUK. Events could occur that would change this estimate materially in the near term.

Government Grants

TAMUK is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Investments

TAMUK invests in various investment securities through the System. 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 changes could materially affect the amounts reported in the accompanying statement of net position.

Note 11. Texas A&M University - Kingsville Foundation, Inc.

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions and contributions that increase net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. As permitted by GASB Statement No. 34, TAMUK has elected not to present a statement of cash flows for the Foundation in the basic financial statements of TAMUK's reporting entity.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Contributions Receivable

Contributions receivable consisted of the following:

Total gross unconditional promises to receive	\$ 2,347,242
Less: unamortized discount	<u>(168,934)</u>
Net unconditional promises to receive	<u>\$ 2,178,308</u>
Amounts due in:	
Less than one year	\$ 671,700
One to five years	<u>1,506,608</u>
	<u>\$ 2,178,308</u>

Effective interest rate on discounted receivables ranges from 1.07% to 3.35%.

Net Assets

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

Student support	\$ 20,784,105
Research and programs	37,540,756
Facilities	5,690,525
Operations	<u>25,437,750</u>
	<u>\$ 89,453,136</u>

Net assets released from restriction for purpose were \$5,587,813 for the year ended December 31, 2022.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Endowments

The composition of net assets by type of endowment fund at December 31, 2022 was:

<u>Type of Endowment Fund</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted funds:			
Perpetual endowment	\$ -	\$ 86,940,026	\$ 86,940,026
Board designated endowments:			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	506,933	-	506,933
Welhausen - College of Agriculture	88,184	-	88,184
Welhausen - College of Arts and Sciences	523,014	-	523,014
Welhausen - Department of Intercollegiate Athletics	506,912	-	506,912
Welhausen - College of Business Administration	506,874	-	506,874
Welhausen - College of Education and Human Performance	507,979	-	507,979
Frank H. Dotterweich Chare in Natural Gas Engineering	1,396,051	-	1,396,051
Stevens and June Herbst Dotterweich Chair Research Support	117,482	-	117,482
Welhausen - Frank H. Dotterweich College of Engineering	501,845	-	501,845
Reese Franke Endowment Fund	936,463	-	936,463
Walter Sells and Helen B. Sells Presidential Endowment	1,124,521	-	1,124,521
Welhausen - President's Scholarship	547,900	-	547,900
Welhausen Match Program	64,283	-	64,283
Welhausen Ranch Proceeds	2,625,653	-	2,625,653
	<u>\$ 9,954,094</u>	<u>\$ 86,940,026</u>	<u>\$ 96,894,120</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Change in endowment net assets for the year ended December 31, 2022 were:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment:			
Net assets, January 1, 2022	\$ 12,925,213	\$ 104,470,772	\$ 117,395,985
Contributions	-	5,342,645	5,342,645
Royalties	-	26	26
Endowment activity			
Welhausen matching program	(94,692)	94,692	-
Real estate improvements/expenses	-	6,558	6,558
Other reclassifications	-	86,000	86,000
Investment return, as restricted:			
Income	168,214	1,389,848	1,558,062
Realized gains (losses)	81,163	962,080	1,043,243
Unrealized gains (losses)	(2,682,027)	(20,411,030)	(23,093,057)
Investment management fees	-	(267,228)	(267,228)
Distributions payable activity:			
Paid	(443,777)	(3,713,862)	(4,157,639)
Annual operating fee	-	(1,020,465)	(1,020,465)
Other	-	(10)	(10)
	<u> </u>	<u> </u>	<u> </u>
Net assets December 31, 2022	<u>\$ 9,954,094</u>	<u>\$ 86,940,026</u>	<u>\$ 96,894,120</u>

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Financial Assets	
Cash and cash equivalents	\$ 2,203,000
Prepaid expenses/Bronze Statues inventory	69,200
Pooled investment funds, at fair value	98,781,800
Unconditional promises to receive, net	<u>2,178,308</u>
Total Financial Assets	103,232,308
Less financial assets held to meet donor-imposed restrictions:	
Donor restricted endowment funds	(86,940,026)
Less financial assets not available within one year:	
Unconditional promises to receive	(1,506,608)
Less Board-designated endowments	<u>(9,954,094)</u>
Amount available for general expenditures within one year	<u>\$ 4,831,580</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2023

Disclosures About Fair Value of Assets

The following table presents the fair value measurements of assets 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 December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,573,165	\$ -	\$ -	\$ 1,573,165
Mutual funds	76,148,022	-	-	76,148,022
Corporate stocks:				
Manufacturing/industrials	2,374,442	-	-	2,374,442
Financials	2,394,837	-	-	2,394,837
Consumer discretionary	1,995,176	-	-	1,995,176
Energy	1,063,432	-	-	1,063,432
Technology	1,762,665	-	-	1,762,665
Consumer staples	946,886	-	-	946,886
Healthcare	2,712,457	-	-	2,712,457
Other	1,632,613	-	-	1,632,613
Government securities	2,123,028	69,973	-	2,193,001
Corporate bonds:				
Financial institutions	-	1,221,282	-	1,221,282
Other	-	556,963	-	556,963
Mortgage securities	-	1,088,673	-	1,088,673
Publicly traded limited partnerships	1,118,186	-	-	1,118,186
	<u>\$ 95,844,909</u>	<u>\$ 2,936,891</u>	<u>\$ -</u>	<u>\$ 98,781,800</u>

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Regents
Texas A&M University – Kingsville
A Component Unit of Texas A&M University
Kingsville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the discretely presented component unit of Texas A&M University – Kingsville (University), collectively a component unit of Texas A&M University System, as of and for the year ended August 31, 2023, and the related notes, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 11, 2024.

Our report includes a reference to other auditors who audited the financial statements of Texas A&M University - Kingsville Foundation, Inc. (Foundation), the discretely presented component unit of the University, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation that are reported on separately by those auditors who audited the Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**San Antonio, Texas
October 11, 2024**