



Texas A&M University - Kingsville

A Component Unit of Texas A&M University System

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

August 31, 2024



Texas A&M University - Kingsville
A Component Unit of Texas A&M University System
Contents
August 31, 2024

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	31

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, 2024, 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, 2024, 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 January 16, 2025, 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
January 16, 2025**

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Net Position
August 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 13,452,384
Restricted	
Cash and cash equivalents	3,003,117
Legislative appropriations	21,492,656
Receivables	
Federal	4,345,377
Interest and dividends	3,310
Student	2,439,691
Accounts	1,821,593
Other	100,147
Lease receivable	197,802
Due from other agencies	520,979
Due from other members	93,966
Other current assets	<u>11,107,801</u>

Total Current Assets

58,578,823

Noncurrent Assets

Assets held by System Office	70,450,930
Restricted	
Assets held by System Office	66,084,857
Lease receivable	1,015,632
Capital and subscription assets	<u>157,238,178</u>

Total Noncurrent Assets

294,789,597

Total Assets

\$ 353,368,420

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Net Position
August 31, 2024

(Continued)

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Payables	
Accounts	\$ 3,351,925
Payroll	6,974,184
Student	849,387
Other	12,744
Due to other agencies	152,068
Due to other members	35,193
Unearned revenue	29,774,539
Employees compensable leave	535,726
Software subscription liability	282,910
Other current liabilities	179,520

Total Current Liabilities 42,148,196

Noncurrent Liabilities

Employees compensable leave	3,352,829
Software subscription liability	367,122
Other noncurrent liabilities	265,322

Total Noncurrent Liabilities 3,985,273

Deferred Inflows of Resources

Leases	1,196,098
--------	-----------

Total Liabilities and Deferred Inflows of Resources 47,329,567

Net Position

Net investment in capital assets	156,588,146
----------------------------------	-------------

Restricted For

Capital projects	22,512
Education	44,763,766
Endowment and permanent funds	
Nonexpendable	19,525,975
Expendable	12,023,039

Unrestricted 73,115,415

Total Net Position 306,038,853

Total Liabilities, Deferred Inflows, and Net Position \$ 353,368,420

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Texas A&M University - Kingsville Foundation, Inc.
Statement of Financial Position
December 31, 2023

ASSETS

Cash and cash equivalents	\$ 4,271,513
Prepaid expenses/bronze statues inventory	61,282
Pooled investment funds, at fair value	122,797,816
Unconditional promises to receive	1,610,028
TAMUK H.R. Smith Ranch, LLC	29,131,388
Land, property, and equipment, net	<u>125,849</u>

Total Assets \$ 157,997,876

LIABILITIES AND NET ASSETS

Liabilities

Distributions payable	\$ 351,622
Accounts payable	1,778,440
Payroll taxes payable	<u>2,462</u>

Total Liabilities 2,132,524

Net Assets

Without donor restrictions	15,473,552
With donor restrictions	<u>140,391,800</u>

Total Net Assets 155,865,352

Total Liabilities and Net Assets \$ 157,997,876

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, 2024

Operating Revenues	
Tuition and fees	\$ 62,416,407
Discounts and allowances	(24,982,099)
Professional Fees	151,650
Auxiliary enterprises	15,984,772
Discounts and allowances	(5,084,029)
Other sales of goods and services	5,479,126
Federal revenue - operating	22,635,974
Federal pass through revenue	990,639
State grant revenue	51,934
State pass through revenue	9,141,719
Other grants and contracts	3,476,584
Other operating revenue	729,118
	<hr/>
Total Operating Revenues	90,991,795
Operating Expenses	
Instruction	43,478,591
Research	25,796,470
Public service	644,775
Academic support	18,474,005
Student service	18,300,732
Institutional support	15,158,861
Operation and maintenance of plant	17,665,292
Scholarships and fellowships	12,338,658
Auxiliary	25,406,010
Depreciation/amortization	13,680,730
	<hr/>
Total Operating Expenses	190,944,124
Total Operating Income (Loss)	(99,952,329)
Nonoperating Revenues (Expenses)	
Legislative revenue	52,576,504
Federal revenue non-operating	20,877,061
Federal pass through revenue non-operating	94,602
Gifts	9,612,019
Investment income	17,637,997
Investing activities expense	(320,568)
Interest expense	(19,768)
Gain on sale or disposal of capital assets	214,853
Other nonoperating revenues	711,272
Other nonoperating expenses	(2,112,101)
	<hr/>
Total Nonoperating Revenues (Expenses)	99,271,871
Income (Loss) Before Other Capital Contributions, Endowments, and Transfers	(680,458)

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, 2024

(Continued)

Capital Contributions, Endowments, and Transfers	
Capital contributions	\$ 111,601
Capital appropriation - Higher Education Fund	9,125,307
Additions to permanent and term endowments	106,365
Transfers in	
Transfers from other state agencies	89,709
Nonmandatory transfers from other members	1,266,488
Transfers out	
Transfers to other state agencies	(2,132)
Mandatory transfers to other members	(5,780,268)
Nonmandatory transfers to other members	(217,058)
Legislative transfers - in	934,495
Legislative transfers - out	<u>(10,961,962)</u>
Total Capital Contributions, Endowments, and Transfers	<u>(5,327,455)</u>
Change in Net Position	(6,007,913)
Net Position, Beginning of Year	<u>312,046,766</u>
Net Position, End of Year	<u><u>\$ 306,038,853</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions			
Cash	\$ 55,500	\$ 8,290,943	\$ 8,346,443
Securities	-	409,996	409,996
Unconditional promises to receive	-	1,576,820	1,576,820
Real estate and capital assets	-	28,279,475	28,279,475
Total Contributions	55,500	38,557,234	38,612,734
Interest and dividends	241,912	1,765,952	2,007,864
Royalty income (net of production taxes)	5,054	15	5,069
Royalty income (other)	226	220	446
TAMUK H.R. Smith Ranch, LLC			-
Cattle sales	-	231,631	231,631
Water sales	-	293,765	293,765
Other	-	13,436	13,436
Reclassification	(122,404)	122,404	-
Net assets released from restrictions	6,958,271	(6,958,271)	-
Total Revenues, Gains, and Other Support	7,138,559	34,026,385	41,164,945
Expenses			
Program expenses			
Texas A&M University Kingsville	5,097,904	-	5,097,904
TAMUK H.R. Smith Ranch, LLC	456,919	-	456,919
Related support	23,530	-	23,530
Other	348,641	-	348,641
Supporting services			
Management and general	826,231	-	826,231
Fundraising	502,602	-	502,602
Total Expenses	7,255,827	-	7,255,827
Nonoperating Activities			
Investment return			
Pooled fund portfolio gains, realized	94,681	1,064,067	1,158,748
Other gains, realized	4,175	3,000	7,175
Portfolio gains, unrealized	1,987,432	15,845,212	17,832,644
Pooled investment fees	(261,739)	-	(261,739)
Investment returns, net	1,824,549	16,912,279	18,736,828
Change in Net Assets	1,707,282	50,938,664	52,645,946
Net Assets, Beginning of Year	13,766,270	89,453,136	103,219,406
Net Assets, End of Year	\$ 15,473,552	\$ 140,391,800	\$ 155,865,352

See Notes to Financial Statements

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Cash Flows
Year Ended August 31, 2024

Operating Activities

Proceeds from tuition and fees	\$ 39,736,835
Proceeds from customers	5,983,445
Proceeds from grants and contracts	36,376,762
Proceeds from auxiliary enterprises	11,393,982
Proceeds from loan programs	24,392,810
Proceeds from other operating revenues	754,170
Payments to suppliers for goods and services	(63,210,866)
Payments to employees	(96,322,321)
Payments for loans provided	(24,392,710)
Payments for other operating expenses	(16,982,108)

Net Cash Used In Operating Activities (82,270,001)

Noncapital Financing Activities

Proceeds from state appropriations	63,591,566
Proceeds from gifts	9,612,019
Proceeds from endowments	106,365
Proceeds from transfers from other funds	89,709
Proceeds from other grant receipts	20,864,135
Proceeds from other noncapital financial activities	721,992
Payments for transfers to other funds	(2,132)
Payments of other noncapital financing uses	(832,461)
Other noncapital transfers to/from System	1,048,985
Transfers between Fund Groups	

Net Cash Provided By Noncapital Financing Activities 95,200,178

Capital and Related Financing Activities

Proceeds from sale of capital assets	218,487
Payments for additions to capital assets	(11,220,502)
Payments of interest on debt issuance	(21,265)
Transfer of capital debt proceeds from System (nonmandatory)	288,110
Intrasystem transfers for capital debt (mandatory)	(16,742,229)

Net Cash Used In Capital and Related Financing Activities (27,477,399)

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Statement of Cash Flows
Year Ended August 31, 2024

(Continued)

Investing Activities	
Sale and purchase of investments held by System, net	\$ 10,356,248
Proceeds from interest and investment income	<u>2,798,512</u>
Net Cash Provided By Investing Activities	<u>13,154,760</u>
Decrease in Cash and Cash Equivalents	(1,392,463)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>17,847,964</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 16,455,501</u>
Reconciliation of Operating Loss to	
Net Cash Used In Operating Activities	
Operating loss	\$ (99,952,329)
Adjustments to Reconcile Operating Loss to Net Cash Used By	
Operating Activities	
Amortization and depreciation	13,680,730
Bad debt expense	240,273
Increase in receivables	(1,843,250)
Decrease in due from agencies/funds	187,687
Decrease in due from System members	51,485
Increase in prepaid expenses	(960,815)
Decrease in loans and contracts	2,596
Decrease in other assets	7,414
Increase in payables	2,079,206
Increase in due to other agencies/funds	31,330
Increase in due to other System members	9,170
Increase in unearned revenue	2,875,293
Increase in deposits	1,033
Increase in employees compensable leave	352,630
Increase in other liabilities	24,022
Increase in deferred inflows of resources - leases	<u>943,523</u>
Total Adjustments	<u>17,682,327</u>
Net Cash Used In Operating Activities	<u>\$ (82,270,002)</u>
Noncash Transactions	
Donation of capital assets	\$ 111,601
Net change in fair value of investments	\$ 12,091,377
Other	\$ 215,298

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, 2023.

During the year ended August 31, 2024, the Foundation provided \$7,257,126 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.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

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, 2024, 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 are 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 or subscription 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, 2024.

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, 2024, the majority of unearned revenue is related to tuition and fees paid for the 2024 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 of TAMUK are treated as employees of the System for workers' compensation; therefore, the recording and disclosures of any related liability occurs for the System as a whole in the consolidated Annual Financial Report of the Texas A&M University System. TAMUK's only responsibility related to workers' compensation is the monthly premiums it pays to the System.

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.

Note 2. Deposits and Investments

Deposits

As of August 31, 2024, TAMUK had the following bank deposits:

	<u>Carrying Amount</u>
Composition of Cash and Cash Equivalents	
Cash held by System Office	\$ 15,218,471
Petty cash	21,475
Cash in transit/reimburse from U.S. Treasury	<u>1,215,555</u>
Total Cash and Cash Equivalents, Including Restricted Cash	<u><u>\$ 16,455,501</u></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, 2024, TAMUK had \$136,535,787 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 Texas A&M System's investment policy requires that direct repurchase agreements and security lending transactions be fully collateralized by obligations authorized under the Texas 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, 2024. The Texas A&M System did not participate in a securities lending program during FY 2024, and the only direct repurchase agreement investments were held through the Texas Treasury Safekeeping Trust Company.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Foreign currency risk relates to adverse effects on the fair value of an investment from the changes in exchange rates. The Texas 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, 2024 is at the System level, and TAMUK has limited exposure to this risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Texas 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 Texas 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 Texas 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 August 31, 2024 carrying values of deposits and investments shown above are included in the statement of net position as follows:

Carrying value	
Deposits	\$ 16,455,501
Investments	<u>136,535,787</u>
Total Carrying Value	<u><u>\$ 152,991,288</u></u>
Included in the Following Statement of Net Position Captions	
Cash and cash equivalents	\$ 13,452,384
Restricted cash and cash equivalents	3,003,117
Assets held by System Office	70,450,930
Restricted assets held by System Office	<u>66,084,857</u>
	<u><u>\$ 152,991,288</u></u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Note 3. Capital and Subscription Assets

Capital and subscription assets activity for the year ended August 31, 2024, was:

	Balance 9/1/2023	Transfers	Additions	Deletions	Balance 8/31/2024
Nondepreciable or Nonamortizable Assets					
Land and land improvements	\$ 2,641,982	\$ -	\$ -	\$ (1,379)	\$ 2,640,603
Construction in progress	16,698,113	(5,751,064)	8,478,663	-	19,425,712
Other tangible capital assets	197,143	-	-	-	197,143
Total Nondepreciable or Nonamortizable Assets	19,537,238	(5,751,064)	8,478,663	(1,379)	22,263,458
Depreciable and Amortizable Assets					
Buildings	274,333,436	5,751,064	-	(2,052,466)	278,032,034
Infrastructure	21,796,755	-	-	-	21,796,755
Facilities and other improvements	22,022,360	-	-	-	22,022,360
Furniture and equipment	23,966,946	-	2,343,017	(1,202,493)	25,107,470
Vehicle, boats and aircraft	2,733,446	-	806,893	(75,098)	3,465,241
Other capital assets	6,454,808	-	39,105	(18,681)	6,475,232
Total Depreciable and Amortizable Assets at Historical Costs	351,307,751	5,751,064	3,189,015	(3,348,738)	356,899,092
Less Accumulated Depreciation For					
Buildings and building improvements	(160,117,605)	-	(9,897,776)	-	(170,015,381)
Infrastructure	(12,127,824)	-	(745,464)	-	(12,873,288)
Facilities and other improvements	(11,319,783)	-	(974,482)	-	(12,294,265)
Furniture and equipment	(18,109,511)	-	(2,108,940)	1,193,483	(19,024,968)
Vehicle, boats and aircraft	(2,279,236)	-	(165,056)	75,098	(2,369,194)
Other capital assets	(6,036,657)	-	(56,689)	18,681	(6,074,665)
Total Accumulated Depreciation	(209,990,616)	-	(13,948,407)	1,287,262	(222,651,760)
Depreciable Assets, Net	141,317,135	5,751,064	(10,759,392)	(2,061,476)	134,247,331
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	160,854,373	-	(2,280,729)	(2,062,855)	156,510,789
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)	-	(241,425)	-	(395,378)
Total Accumulated Amortization for Subscription Assets	(153,953)	-	(241,425)	-	(395,378)
Total Subscription Assets, Net	968,813	-	(241,425)	-	727,388
Total Capital and Subscription Assets, Net	\$ 161,823,186	\$ -	\$ (2,522,154)	\$ (2,062,855)	\$ 157,238,178

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended August 31, 2024:

	<u>Balance</u> <u>9/1/2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2024</u>	<u>Due Within</u> <u>One Year</u>	<u>Due</u> <u>Thereafter</u>
Employee's compensable leave	\$ 3,535,924	\$ 438,159	\$ (85,528)	\$ 3,888,555	\$ 535,726	\$ 3,352,829
Subscription liability	\$ 918,837	\$ -	\$ (268,805)	\$ 650,032	\$ 282,910	\$ 367,122

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, \$3,888,555 as of August 31, 2024, is based on calculations from the Texas 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, 2024

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>
2025	\$ 16,719,045	\$ 11,687,668	\$ 5,031,377
2026	16,028,492	11,414,250	4,614,242
2027	15,964,140	11,816,002	4,148,138
2028	14,165,002	10,477,600	3,687,402
2029	14,196,206	10,896,300	3,299,906
2030 – 2034	44,720,289	33,335,000	11,385,289
2035 – 2039	29,776,826	24,410,000	5,366,826
2040 – 2042	8,277,250	7,555,000	722,250
	<u>\$ 159,847,250</u>	<u>\$ 121,591,820</u>	<u>\$ 38,255,430</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 8.25% of gross earnings for 2024, while employer contributions were 8.25% of the participants' gross earnings for 2024. The contributions for TAMUK for the plan year ended August 31, 2024 are as follows:

Employer	\$ 3,729,305
Employee	<u>3,784,250</u>
Total	<u>\$ 7,513,555</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

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, 2024, were as follows:

Employer	\$ 1,257,851
Employee	<u>1,217,243</u>
Total	<u><u>\$ 2,475,095</u></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, 2024, 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, 2024

The following is a schedule by year of payments under the SBITAs as of August 31, 2024:

<u>Year Ending August 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 295,490	\$ 282,910	\$ 12,580
2026	122,450	114,061	8,389
2027	127,305	122,233	5,072
2028	132,352	130,828	1,524
	<u>\$ 677,597</u>	<u>\$ 650,032</u>	<u>\$ 27,565</u>

Note 8. Donor-Restricted Endowments

The purpose of The Texas A&M University System Endowment Fund (Fund) is to provide for the collective investment of all endowment and trust funds held by the Texas A&M System or by the Board of Regents of the Texas 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	\$ 9,050,732	Restricted for expendable
Term endowments	191,462	Restricted for expendable
Quasi endowments	<u>2,780,845</u>	Restricted for expendable
Total	<u>\$ 12,023,039</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, 2024:

Asset Class	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held by System Office	\$ 136,535,787	\$ -	\$ -	\$ 136,535,787

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.

Pooled Investment Funds	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Assets held by System Office	\$ 136,535,787	\$ -	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) as of and for the year ended December 31, 2023. 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, 2024

Contributions Receivable

Contributions receivable consisted of the following as of December 31, 2023:

Total gross unconditional promises to receive	\$ 1,758,132
Less unamortized discount	<u>(148,104)</u>
Net unconditional promises to receive	<u>\$ 1,610,028</u>
Amounts due in	
Less than one year	\$ 659,166
One to five years	<u>950,862</u>
	<u>\$ 1,610,028</u>

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

Net Assets

Net assets with donor restrictions at December 31, 2023 are restricted for the following purposes or periods:

Student support	\$ 27,593,281
Research and programs	72,534,446
Facilities	6,349,129
Operations	<u>33,914,944</u>
	<u>\$ 140,391,800</u>

Net assets released from restriction for purpose were \$6,958,271 for the year ended December 31, 2023.

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Endowments

The composition of net assets by type of endowment fund at December 31, 2023 was:

Type of Endowment Fund	Without Donor Restriction	With Donor Restriction	Total
Donor restricted funds			
Perpetual endowment	\$ -	\$ 135,541,830	\$ 135,541,830
Board designated endowments			
Welhausen - Dick & Mary Lewis Kleberg College of Agriculture, Natural Resources, and Human Sciences	608,710	-	608,710
Welhausen - College of Agriculture	49,590	-	49,590
Welhausen - College of Arts and Sciences	628,019	-	628,019
Welhausen - Department of Intercollegiate Athletics	608,684	-	608,684
Welhausen - College of Business Administration	587,557	-	587,557
Welhausen - College of Education and Human Performance	609,965	-	609,965
Frank H. Dotterweich Chair in Natural Gas Engineering	1,595,087	-	1,595,087
Stevens and June Herbst Dotterweich Chair Research Support	134,272	-	134,272
Welhausen - Frank H. Dotterweich College of Engineering	602,600	-	602,600
Reese Franke Endowment Fund	1,071,994	-	1,071,994
Walter Sells and Helen B. Sells Presidential Endowment	1,295,057	-	1,295,057
Welhausen - President's Scholarship	655,793	-	655,793
Welhausen Match Program	29,500	-	29,500
Welhausen Ranch Proceeds	3,051,950	-	3,051,950
	\$ 11,528,777	\$ 135,541,830	\$ 147,070,608

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

TAMUK H.R. Smith Ranch, LLC

In 2023, the Foundation acquired the H.R. Smith Ranch (Ranch) through a contribution from an estate. The TAMUK H.R. Smith Ranch, LLC holds the assets of the Ranch and is fully owned by the Foundation. By the terms of the contribution, the Ranch will be operated as a working ranch and utilized for educational purposes by TAMUK for at least 20 years, after which the Foundation may elect to liquidate or continue operations. A summary of the financial position and activities of the Ranch for the year ended December 31, 2023 are as follows:

Assets	
Current assets	\$ 600,246
Livestock	268,540
Land	26,116,950
Capital assets	1,714,662
Artwork	450,000
	<hr/>
Total Assets	\$ 29,150,398
	<hr/>
Liabilities	
Current liabilities	\$ 19,010
Equity	
Total equity	29,131,388
	<hr/>
Total Liabilities and Equity	\$ 29,150,398
	<hr/>
Ranch Revenue	\$ 538,832
Ranch Expense	456,919
	<hr/>
Net Income	\$ 81,913
	<hr/>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Changes in endowment net assets for the year ended December 31, 2023 were:

	Without Donor Restriction	With Donor Restriction	Total
Endowment			
Net assets, January 1, 2023	\$ 9,954,094	\$ 86,940,026	\$ 96,894,120
Contributions	-	35,372,401	35,372,401
Royalties	-	15	15
Endowment activity			
Welhausen matching program	(88,258)	88,258	-
Other reclassifications	-	(5,300)	(5,300)
TAMUK H.R. Smith Ranch Activity	-	(99,329)	(99,329)
Investment return, as restricted			
Income	198,316	1,765,950	1,964,266
Realized gains (losses)	87,679	1,070,736	1,158,415
Unrealized gains (losses)	1,685,796	15,845,212	17,531,008
Investment management fees	-	(261,739)	(261,739)
Distributions payable activity			
Paid	(308,850)	(4,101,962)	(4,410,812)
Annual operating fee	-	(1,072,447)	(1,072,447)
Other	-	9	9
Net assets December 31, 2023	<u>\$ 11,528,777</u>	<u>\$ 135,541,830</u>	<u>\$ 147,070,607</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, 2023, comprise the following:

Financial Assets	
Cash and cash equivalents	\$ 4,271,513
Prepaid expenses/bronze statues inventory	61,282
Pooled investment funds, at fair value	122,797,816
Unconditional promises to receive, net	1,610,028
TAMUK H.R. Smith Ranch, LLC	<u>29,131,388</u>
Total Financial Assets	157,872,027
Less financial assets held to meet donor-imposed restrictions	
Donor restricted endowment funds	(135,541,830)
Less financial assets not available within one year	
Unconditional promises to receive	(950,862)
Less Board-designated endowments	<u>(11,528,778)</u>
Amount available for general expenditures within one year	<u>\$ 9,850,557</u>

Texas A&M University - Kingsville
A Component Unit of Texas A&M System
Notes to Financial Statements
August 31, 2024

Disclosures About Fair Value of Assets

The following table presents the fair value measurements of assets recognized in the accompanying statement 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,113,086	\$ -	\$ -	\$ 1,113,086
Mutual funds	96,630,782	-	-	96,630,782
Corporate stocks				
Manufacturing/industrials	3,726,883	-	-	3,726,883
Financials	2,691,230	-	-	2,691,230
Consumer discretionary	2,238,678	-	-	2,238,678
Energy	1,864,467	-	-	1,864,467
Technology	2,233,249	-	-	2,233,249
Consumer staples	1,146,249	-	-	1,146,249
Healthcare	2,864,556	-	-	2,864,556
Other	2,147,203	-	-	2,147,203
Government securities	2,893,115	-	-	2,893,115
Corporate bonds				
Financial institutions	-	986,557	-	986,557
Other	-	712,416	-	712,416
Mortgage securities	-	910,252	-	910,252
Publicly traded limited partnerships	639,093	-	-	639,093
	<u>\$ 120,188,591</u>	<u>\$ 2,609,225</u>	<u>\$ -</u>	<u>\$ 122,797,816</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, 2024, and the related notes, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 16, 2025.

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 financial statements of 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 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
January 16, 2025**