




# **Texas A&M University**

## **12th Man Foundation**

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

June 30, 2024 and 2023



**Texas A&M University 12th Man Foundation**  
**Contents**  
**June 30, 2024 and 2023**

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<b>Independent Auditor’s Report</b> .....	<b>1</b>
<b>Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## Independent Auditor's Report

Board of Trustees  
Texas A&M University 12th Man Foundation  
College Station, Texas

### ***Opinion***

We have audited the accompanying financial statements of Texas A&M University 12th Man Foundation (Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 Foundation's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***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 opinion. 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 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, 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 Foundation'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 Foundation'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.

**Forvis Mazars, LLP**

**Houston, Texas  
December 4, 2024**

**Texas A&M University 12th Man Foundation**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,081,968	\$ 22,238,144
Contributions receivable, net	14,933,333	15,344,921
Contracts receivable	334,522	393,403
Investments	56,831,126	39,732,087
Prepays and other	786,390	795,876
<b>Total Current Assets</b>	<u>87,967,339</u>	<u>78,504,431</u>
<b>Other Assets</b>		
Property and equipment, net	2,883,838	3,146,822
Contributions receivable, net	56,571,671	63,593,194
Memberships	32,000	32,000
Investments	122,520,874	140,884,805
<b>Total Other Assets</b>	<u>182,008,383</u>	<u>207,656,821</u>
<b>Total Assets</b>	<u>\$ 269,975,722</u>	<u>\$ 286,161,252</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 1,143,834	\$ 1,528,941
Deferred revenue	52,730,333	53,316,799
<b>Total Current Liabilities</b>	<u>53,874,167</u>	<u>54,845,740</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	(17,115,037)	(6,027,199)
With donor restrictions	233,216,592	237,342,711
<b>Total Net Assets</b>	<u>216,101,555</u>	<u>231,315,512</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 269,975,722</u>	<u>\$ 286,161,252</u>

**Texas A&M University 12th Man Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Contributions of cash and other financial assets	\$ 10,771,510	\$ 24,573,897	\$ 35,345,407
Contract revenue	49,928,643	-	49,928,643
Investment income	1,981,143	8,748,227	10,729,370
Other revenue	847	68,763	69,610
Net assets released from restrictions	38,025,650	(38,025,650)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>100,707,793</b>	<b>(4,634,763)</b>	<b>96,073,030</b>
<b>Expenses and Losses</b>			
Distributions to or for Texas A&M University			
Facilities	31,374,888	-	31,374,888
Annual	62,866,655	-	62,866,655
Contributor costs	1,938,828	-	1,938,828
Total program services	96,180,371	-	96,180,371
Fundraising	10,571,163	-	10,571,163
General and administrative	4,999,027	-	4,999,027
Total support services	15,570,190	-	15,570,190
Loss on uncollectible contributions receivable	45,070	(508,644)	(463,574)
<b>Total Expenses and Losses</b>	<b>111,795,631</b>	<b>(508,644)</b>	<b>111,286,987</b>
<b>Change in Net Assets</b>	<b>(11,087,838)</b>	<b>(4,126,119)</b>	<b>(15,213,957)</b>
<b>Net Assets, Beginning of Year</b>	<b>(6,027,199)</b>	<b>237,342,711</b>	<b>231,315,512</b>
<b>Net Assets, End of Year</b>	<b>\$ (17,115,037)</b>	<b>\$ 233,216,592</b>	<b>\$ 216,101,555</b>

**Texas A&M University 12th Man Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2023**

(Continued)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Contributions of cash and other financial assets	\$ 2,377,359	\$ 62,699,025	\$ 65,076,384
Contract revenue	48,068,401	-	48,068,401
Investment income	869,052	7,806,308	8,675,360
Other revenue	2,334	67,850	70,184
Net assets released from restrictions	79,009,913	(79,009,913)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>130,327,059</b>	<b>(8,436,730)</b>	<b>121,890,329</b>
<b>Expenses and Losses</b>			
Distributions to or for Texas A&M University			
Facilities	70,430,995	-	70,430,995
Annual	44,719,004	-	44,719,004
Contributor costs	1,825,798	-	1,825,798
<b>Total program services</b>	<b>116,975,797</b>	<b>-</b>	<b>116,975,797</b>
Fundraising	6,002,639	-	6,002,639
General and administrative	5,320,704	-	5,320,704
<b>Total support services</b>	<b>11,323,343</b>	<b>-</b>	<b>11,323,343</b>
Loss on uncollectible contributions receivable	47,868	1,720,424	1,768,292
<b>Total Expenses and Losses</b>	<b>128,347,008</b>	<b>1,720,424</b>	<b>130,067,432</b>
<b>Change in Net Assets</b>	<b>1,980,051</b>	<b>(10,157,154)</b>	<b>(8,177,103)</b>
<b>Net Assets, Beginning of Year</b>	<b>(8,007,250)</b>	<b>247,499,865</b>	<b>239,492,615</b>
<b>Net Assets, End of Year</b>	<b>\$ (6,027,199)</b>	<b>\$ 237,342,711</b>	<b>\$ 231,315,512</b>

**Texas A&M University 12th Man Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Program Services				Support Services			Total
	Distributions to or for Texas A&M University		Contributor Costs	Total Program Services	Fundraising	General and Administrative	Total Support Services	
	Facilities	Annual						
Salaries	\$ 217,786	\$ -	\$ 108,603	\$ 326,389	\$ 2,410,239	\$ 2,016,570	\$ 4,426,809	\$ 4,753,198
Employer payroll taxes	16,249	-	8,464	24,713	169,935	121,672	291,607	316,320
Employee benefits	41,876	-	-	41,876	477,518	344,098	821,616	863,492
Contract services	40,079	-	5,289	45,368	184,879	759,193	944,072	989,440
Office supplies	813	-	59	872	326	24,028	24,354	25,226
Printing, advertising, publications, and postage	79,585	-	49,847	129,432	4,277,520	108,322	4,385,842	4,515,274
Rentals	4,553	-	1,800	6,353	500	17,787	18,287	24,640
Utilities	-	-	-	-	-	2,881	2,881	2,881
Insurance	-	-	-	-	-	237,573	237,573	237,573
Repairs and maintenance	-	-	-	-	-	2,720	2,720	2,720
Credit card and ticketing processing fees	379,953	-	-	379,953	784,149	-	784,149	1,164,102
Dues and subscriptions	2,909	-	-	2,909	22,597	38,104	60,701	63,610
Meals, entertainment, and travel	36,577	-	54,960	91,537	207,688	117,855	325,543	417,080
Information technology	56,783	-	3,042	59,825	41,491	772,278	813,769	873,594
Catering and special events	11,756	-	710,246	722,002	482,635	33,936	516,571	1,238,573
Donor expenses	(568,209)	-	986,475	418,266	214,380	45,678	260,058	678,324
Transfers to athletics	30,988,071	62,866,655	-	93,854,726	-	-	-	93,854,726
Depreciation	66,107	-	-	66,107	66,638	232,208	298,846	364,953
Other	-	-	10,043	10,043	1,230,668	124,124	1,354,792	1,364,835
	<u>\$ 31,374,888</u>	<u>\$ 62,866,655</u>	<u>\$ 1,938,828</u>	<u>\$ 96,180,371</u>	<u>\$ 10,571,163</u>	<u>\$ 4,999,027</u>	<u>\$ 15,570,190</u>	<u>\$ 111,750,561</u>



**Texas A&M University 12th Man Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

(Continued)

	Program Services				Support Services			Total
	Distributions to or for Texas A&M University		Contributor Costs	Total Program Services	Fundraising	General and Administrative	Total Support Services	
	Facilities	Annual						
Salaries	\$ 280,417	\$ -	\$ 91,238	\$ 371,655	\$ 2,124,740	\$ 1,786,073	\$ 3,910,813	\$ 4,282,468
Employer payroll taxes	21,009	-	6,664	27,673	146,662	112,281	258,943	286,616
Employee benefits	59,589	-	-	59,589	413,401	292,873	706,274	765,863
Contract services	-	-	4,305	4,305	135,696	1,329,570	1,465,266	1,469,571
Office supplies	851	-	985	1,836	1,418	22,842	24,260	26,096
Printing, advertising, publications, and postage	110,922	-	26,851	137,773	278,119	63,227	341,346	479,119
Rentals	4,069	-	26,431	30,500	43	13,288	13,331	43,831
Insurance	-	-	36	36	350	266,750	267,100	267,136
Repairs and maintenance	-	-	-	-	-	4,284	4,284	4,284
Credit card and ticketing processing fees	236,312	-	-	236,312	746,298	-	746,298	982,610
Dues and subscriptions	2,045	-	-	2,045	21,942	56,084	78,026	80,071
Meals, entertainment, and travel	33,695	-	66,539	100,234	197,171	96,034	293,205	393,439
Information technology	35,802	-	4,398	40,200	26,255	767,897	794,152	834,352
Catering and special events	-	-	552,524	552,524	452,374	119,500	571,874	1,124,398
Donor expenses	(308,830)	-	1,031,521	722,691	246,126	32,692	278,818	1,001,509
Transfers to athletics	69,831,579	44,719,004	-	114,550,583	-	-	-	114,550,583
Depreciation	123,535	-	-	123,535	53,698	237,665	291,363	414,898
Other	-	-	14,306	14,306	1,158,346	119,644	1,277,990	1,292,296
	<u>\$ 70,430,995</u>	<u>\$ 44,719,004</u>	<u>\$ 1,825,798</u>	<u>\$ 116,975,797</u>	<u>\$ 6,002,639</u>	<u>\$ 5,320,704</u>	<u>\$ 11,323,343</u>	<u>\$ 128,299,140</u>

**Texas A&M University 12th Man Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ (15,213,957)	\$ (8,177,103)
Items not requiring (providing) operating activities cash flows		
Depreciation	364,953	414,898
Noncash contributions received	(7,003,793)	(9,228,163)
Net realized and unrealized gains on investments	(10,729,370)	(8,675,360)
Contributions received restricted for long-term investment	(2,718,089)	(1,845,400)
Loss on disposal of property and equipment	43,667	21,811
Changes in		
Contracts receivable	58,881	402,586
Contributions receivable	7,780,713	(5,122,333)
Prepays and other assets	9,486	(422,373)
Accounts payable	(385,107)	822,393
Deferred revenue	(586,466)	5,541,968
<b>Net Cash Used in Operating Activities</b>	<u>(28,379,082)</u>	<u>(26,267,076)</u>
<b>Investing Activities</b>		
Purchases of investments	(45,208,505)	(27,934,489)
Proceeds from disposition of investments	64,252,034	15,856,912
Purchase of property and equipment	(145,636)	(595,151)
Principal cash of pooled funds held by Texas A&M Foundation reinvested	(45,474)	(242,112)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>18,852,419</u>	<u>(12,914,840)</u>
<b>Financing Activity</b>		
Proceeds from contributions restricted for long-term investment	2,370,487	2,285,071
<b>Net Cash Provided by Financing Activity</b>	<u>2,370,487</u>	<u>2,258,071</u>
<b>Decrease in Cash and Cash Equivalents</b>	(7,156,176)	(36,896,845)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>22,238,144</u>	<u>59,134,989</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 15,081,968</u>	<u>\$ 22,238,144</u>

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

Texas A&M University 12th Man Foundation (Foundation) is a nonprofit organization that was formed to operate exclusively for charitable purposes and make expenditures to or for the support or benefit of Texas A&M University (University) and its intercollegiate athletic program. Funds donated to this organization are primarily used to provide athletic scholarships to student athletes who attend the University, help maintain and improve University athletic facilities, and support its 20 athletic programs.

### ***Basis of Presentation***

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

### ***Use of Estimates***

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

### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, money market accounts, and a certificate of deposit. The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024, the Foundation's cash accounts exceeded federally insured limits by approximately \$4,445,000.

### ***Classification of Gifts***

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor, and for which the restriction is met in the same time period, are recorded as net assets with donor restrictions and then released from restriction.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions.

### ***Contributions***

The Foundation periodically solicits gifts from its donors in support of University-sponsored athletics. Such gifts are used to fund facilities, scholarships, and programs to accomplish its mission.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows, including an allowance for uncollectible contributions estimated by management.

Conditional contributions and investment income having donor stipulations that are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Restricted contributions are recorded in the donor restrictions net asset class. If the restrictions are met during the year, the amounts are reflected in assets released from restriction on the accompanying statements of activities.

***Commitments***

The Foundation has made commitments over the years to the University in order to fund large athletic projects, particularly those for major building and infrastructure projects supporting University athletics. Funding for these projects is sourced from donor contributions. While these commitments do not represent legally binding obligations of the Foundation and are, therefore, not reported on the accompanying statements of financial position of the Foundation, the Foundation does plan to pay these commitments as they become due. Please refer to Note 9 for additional details on these commitments.

***Investments***

Investments in equity securities having a readily determinable fair value and, in all debt, securities are carried at fair value. Investments in Foundation pooled funds and money market fund are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

***Net Investment Return***

Investment income consists of dividends, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, net of investment fees.

Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the accompanying statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

All gains and losses arising from the sale, collection, or other disposition of investments are accounted for on a specific identification basis calculated as of the trade date in the fund that owned such assets.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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The Foundation maintains pooled funds for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled funds are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled funds, as adjusted for additions to or deductions from those accounts.

***Investments in Pooled Funds held by Texas A&M Foundation***

The Foundation has established an investment account at the Texas A&M Foundation through purchase into the Texas A&M Foundation investment pool. The account holds the assets of the Foundation placed in the investment pool, including any additions, proceeds, income and profits, and losses and withdrawals.

The Foundation may terminate the agreement by either full and immediate termination of the account or systematic withdrawal of the account over an extended period. Full and immediate termination is subject to a fee of 10% of the account's assets. The account may be terminated without penalty by annual withdrawals over a period of five years (20%, 25%, 33 1/3%, 50%, and 100%) of the remaining account balance in each consecutive year.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. It is the Foundation's policy to capitalize property and equipment over \$5,000. Furniture, fixtures, and equipment are being depreciated over estimated useful lives ranging from five to ten years using the straight-line method.

The cost of maintenance and repairs is charged to expense as incurred. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income in the accompanying statements of activities for the year.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	5-10 years
Leasehold improvements	39 years
Vehicles	5 years

***Long-Lived Asset Impairment***

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

***Endowments***

The Foundation records declines in fair values in these donor-restricted endowment funds by reducing net assets with donor restrictions to the extent there is net appreciation on related funds with donor-imposed restrictions. Any remaining decline in fair value in excess of amounts classified as net assets with donor restrictions is recorded as a reduction in net assets without donor restrictions.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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***Net Assets***

The two net asset categories incorporated in the Foundation's financial statements are described as follows:

- Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for athletic reserves.
- Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Unrealized and realized gains and losses and dividends and interest income from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions.

***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The accompanying statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on the various statistical or allocation methods.

The costs incurred to perform the ticket operations on behalf of the University, as reflected in Distributions to or for Texas A&M University – Facilities, are shown net of the ticket processing and handling fees totaling \$3,832,232 and \$2,360,070, for the years ended June 30, 2024 and 2023, respectively. These offsetting fees have been allocated among the following expense categories, based on the weighted average of those gross expenses:

- Salaries
- Employer payroll taxes
- Employee benefits
- Printing, advertising, publications and postage
- Credit card and ticketing processing fees

***Revenue from Contracts with Members***

Contract revenue is recognized over a period of time in the year that the athletic events associated with the ticket occurs, which is when the performance obligation is satisfied. Payments for seating option rights are due when the contract is initiated with the option to pay for rights in full or enroll in a three- or five-month payment plan. The Foundation has determined that a significant financing component does not exist. Additionally, the Foundation has elected the practical expedient that permits an entity to not recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. Contracts receivable are stated at the amount of consideration from its members, of which the Foundation has an unconditional right to receive cash under contracts with its members in exchange for the member's right to purchase tickets for future University athletic events, primarily the right to purchase certain "premium seating" football tickets in Kyle Field. Contract receivables for future events is \$334,522 and \$393,403 as of June 30, 2024 and 2023, respectively. Revenue from fees for future athletic events is deferred and recognized over the periods to which the fees relate. At June 30, 2024 and 2023, total deferred revenue related to future athletic events is \$50,338,659 and \$46,968,960, respectively. In

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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addition, the Foundation collects pre-payments for future years' game day parking, road game programs, and special events, which are deferred and recognized over the periods to which fees relate.

At June 30, 2024 and 2023, the total deferred revenue related to game day parking, road game programs, and special events is \$2,391,674 and \$2,445,763, respectively. Contract assets primarily relate to the Foundation's rights to consideration for performance obligations satisfied but not billed at the reporting date. The Foundation had no contract assets as of June 30, 2024 and 2023.

***Other Deferred Revenue***

At June 30, 2023, the Foundation had \$3,902,076 in contributions collected for a specific program related to Name, Image, and Likeness. Due to the release of an IRS Global Legal Advice Memorandum in June 2023, the Foundation had to terminate its efforts related to restricted contributions for this purpose. The organization adapted and allowed donors the opportunity to redirect their contribution to either the unrestricted Annual Fund, another restricted fund of their choice, or receive a refund. Nearly 99% of contributions were redirected and were recognized as contributions in the fiscal year ended June 30, 2024.

***Transaction Price and Recognition***

The Foundation determines the transaction price based on standard charges for rights to specific athletic event seating options provided.

From time to time, the Foundation will receive overpayments of member balances resulting in amounts owed back to either the members or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The Foundation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic conditions and the occurrence and attendance at University athletic events.

For the years ended June 30, 2024 and 2023, the Foundation recognized revenue of \$49,928,643 and \$48,068,401, respectively, from goods and services that transfer to the member over time.

***Revisions***

Certain immaterial revisions have been made to the 2023 financial statements to revise the recognition of ticket handling revenue net of the expenses incurred to perform the ticket operations on behalf of the University instead of gross amount received. These revisions did not have a significant impact on the financial statement line items impacted.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 2. Contributions Receivable, Net**

Contributions receivable at June 30 consists of the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>2024</b>			
Promised contributions	\$ 569,194	\$ 83,793,897	\$ 84,363,091
Less allowance for uncollectible contributions	(34,152)	(5,027,634)	(5,061,786)
	535,042	78,766,263	79,301,305
Less present value component	-	(7,796,301)	(7,796,301)
	<u>\$ 535,042</u>	<u>\$ 70,969,962</u>	<u>\$ 71,505,004</u>
Amount expected			
Due within one year	\$ 141,018	\$ 14,792,315	\$ 14,933,333
Due within one to five years	394,024	46,044,460	46,438,484
Due in more than five years	-	10,133,187	10,133,187
	<u>\$ 535,042</u>	<u>\$ 70,969,962</u>	<u>\$ 71,505,004</u>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>2023</b>			
Promised contributions	\$ 100,281	\$ 94,211,276	\$ 94,311,557
Less allowance for uncollectible contributions	(29,621)	(5,652,677)	(5,682,298)
	70,660	88,558,599	88,629,259
Less present value component	-	(9,691,144)	(9,691,144)
	<u>\$ 70,660</u>	<u>\$ 78,867,455</u>	<u>\$ 78,938,115</u>
Amount expected			
Due within one year	\$ 70,660	\$ 15,274,261	\$ 15,344,921
Due within one to five years	-	50,875,960	50,875,960
Due in more than five years	-	12,717,234	12,717,234
	<u>\$ 70,660</u>	<u>\$ 78,867,455</u>	<u>\$ 78,938,115</u>

The discount rate used to calculate the present value component of contributions receivable for each of the years ended June 30, 2024 and 2023 was 4.0%. The rate is based on a risk-free rate of return adjusted for variations and timing of cash flows, uncertainties in cash flows, and the length of time over which cash flows are to occur.



**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3. Investments**

The Foundation's investments at June 30 consist of:

	<u>2024</u>	<u>2023</u>
Money market fund	\$ 47,899,154	\$ 32,106,327
U.S. government-sponsored enterprises (GSE)	499,945	989,155
Corporate bonds	8,432,027	6,636,605
Investment in pooled funds held by Texas A&M Foundation	<u>122,520,874</u>	<u>140,884,805</u>
	<u>\$ 179,352,000</u>	<u>\$ 180,616,892</u>

	<u>2024</u>	<u>2023</u>
Investments		
Current	\$ 56,831,126	\$ 39,732,087
Long-term	<u>122,520,874</u>	<u>140,884,805</u>
	<u>\$ 179,352,000</u>	<u>\$ 180,616,892</u>

Total investment return is comprised of the following:

	<u>2024</u>	<u>2023</u>
Gain and investment earnings on investment in pooled funds held by Texas A&M Foundation	\$ 7,520,135	\$ 7,048,628
Interest and dividends	3,163,618	1,688,172
Gain (loss) on other investments	<u>45,617</u>	<u>(61,440)</u>
	<u>\$ 10,729,370</u>	<u>\$ 8,675,360</u>

Investment in pooled funds held by Texas A&M Foundation represent assets held and managed by the Texas A&M Foundation pursuant to an agency agreement dated July 1, 2003. Effective July 1, 2003, the Foundation's ownership interests were assigned through unitization to the various participants based on the market value of the securities or cash placed in the Pool by each participant. For the Foundation's transactions within the pool, the current market value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool. Investment income and realized gains and losses and any unrealized gains and losses are allocated equitably based on the number of units assigned to each participant.

For full and immediate redemption of the Foundation's investment in the pooled funds, the Foundation must provide a 90-day written notice to the Texas A&M Foundation upon which the Texas A&M Foundation will provide an accounting of the investment in the pooled funds and a breakdown between marketable and non-marketable assets back to the Foundation within 30 days after the 90-day notice period. No unfunded commitments existed at year-end.

Within 30 days of the accounting, the Texas A&M Foundation will redeem the Foundation's investment at NAV for marketable assets and at 90% to 100% of NAV for non-marketable assets, as determined by the Board of the Texas

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

A&M Foundation. The Foundation may redeem the investment without penalty if the funds are withdrawn over a period of five years.

At June 30, the Pool's major investment types include:

	<u>2024</u>	<u>2023</u>
Domestic equities	\$ 278,725,858	\$ 247,808,981
Global and international equities	590,363,477	572,936,489
Private equities	956,747,694	872,145,149
Private credit	292,922,344	249,221,644
Real assets, including natural resources and infrastructure	452,582,916	408,877,644
Fixed income	206,793,828	273,316,769
Opportunistic	41,660,128	30,451,765
Cash and cash equivalents	23,685,495	61,420,283
	<u>\$ 2,843,481,740</u>	<u>\$ 2,716,178,724</u>

The Pool's participants' market value is determined by the market value of the securities held and the number of units allocated to the Foundation.

The Foundation, through the Texas A&M Foundation, invests in various investment securities. 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 change could materially affect the amounts reported in the accompanying statements of financial position.

**Note 4. Property and Equipment, Net**

Property and equipment at June 30 consists of the following:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 2,457,312	\$ 2,442,788
Leasehold improvements	3,668,008	3,657,823
Vehicles	388,980	341,570
	6,514,300	6,442,181
Accumulated depreciation	<u>(3,630,462)</u>	<u>(3,295,359)</u>
	<u>\$ 2,883,838</u>	<u>\$ 3,146,822</u>

The Foundation's depreciation expense for the years ended June 30, 2024 and 2023 was \$364,953 and \$414,898, respectively.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5. Net Assets**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
12th Man Foundation funds	\$ 171,998	\$ 170,916
Athletic Department funds	10,601,051	8,611,491
Athletic Endowment funds	53,165	772,373
Athletic Facility funds	98,784,958	107,421,188
Support groups	<u>4,536,048</u>	<u>4,626,271</u>
	<u>114,147,220</u>	<u>121,602,239</u>
Subject to endowment spending policy or appropriation, accumulated gains, endowments, and investment in perpetuity		
12th Man Foundation funds	72,672,823	70,576,023
1922 Scholarship funds	26,269,981	24,105,622
Athletic Department funds	5,727,223	8,272,195
Athletic Endowment funds	12,742,457	11,215,507
Support groups	<u>1,656,888</u>	<u>1,571,125</u>
	<u>119,069,372</u>	<u>115,740,472</u>
	<u>\$ 233,216,592</u>	<u>\$ 237,342,711</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Athletic Department funds	\$ 6,679,961	\$ 379,797
Athletic Endowment funds	795,761	-
Athletic Facility funds	21,192,348	72,621,439
Support groups	1,796,278	2,051,072
Restricted purpose spending-rate distribution and appropriations		
12th Man Foundation funds	3,208,673	3,109,078
1922 Scholarship funds	874,823	678,615
Athletic Department funds	2,962,185	-
Athletic Endowment funds	464,661	169,912
Support groups	<u>50,960</u>	<u>-</u>
	<u>\$ 38,025,650</u>	<u>\$ 79,009,913</u>

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 6. Endowment**

The Foundation's endowment consists of approximately 69 individual funds established for a variety of purposes. The endowment includes donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including any funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Foundation's Board has interpreted the *State of Texas Prudent Management of Institutional Funds Act* (TPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Changes in endowment net assets for the years ended June 30 were as follows:

	<b>With Donor Restrictions</b>	
	<b>2024</b>	<b>2023</b>
Beginning of year	\$ 115,740,472	\$ 112,173,296
Investment return		
Net appreciation (realized and unrealized)	8,202,023	5,722,632
Contributions	2,718,521	1,842,781
Bad debt expense	(30,342)	(40,632)
Appropriation of endowment assets for expenditures	(7,561,302)	(3,957,605)
End of year	<u>\$ 119,069,372</u>	<u>\$ 115,740,472</u>

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

Amounts of donor-restricted endowment funds at June 30, 2024 and 2023, consisted of:

	<b>With Donor Restrictions</b>	
	<b>2024</b>	<b>2023</b>
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or TPMIFA	\$ 64,326,079	\$ 61,638,332
Portion of perpetual endowment funds subject to a restriction under TPMIFA	<u>54,743,293</u>	<u>54,102,140</u>
	<u>\$ 119,069,372</u>	<u>\$ 115,740,472</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or TPMIFA. In accordance with GAAP, deficiencies of this nature are reported in assets with donor restrictions and aggregated \$39,090 and \$0 as of June 30, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new donor-restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation, through an agreement with the Texas A&M Foundation, has elected to invest its endowment completely in the Long-Term Investment Pool (Pool) of the Texas A&M Foundation. Accordingly, the return objectives and risk parameters and strategies employed for achieving objectives of the Texas A&M Foundation have been adopted by the Foundation.

The Texas A&M Foundation has adopted investment and spending policies, as approved by the Board, for the Pool that attempt to provide a predictable stream of funding to programs supported by the Pool while seeking to maintain the purchasing power of the Pool. The long-term investment objective of the Pool is to earn an average annual real (inflation-adjusted) return at least equal to the payout rate, net of all investment fees while assuming a moderate amount of risk. The payout rate will vary with the market environment but will generally be between 4.0% and 5.0%.

This should be achieved over rolling five- to 10-year periods on a total return basis. The Pool includes endowed assets, non-endowed assets, and agency funds. Actual returns in any given year may vary considerably from this amount.

For the fiscal years 2024 and 2023, the Texas A&M Foundation appropriated 5.25 percent for distribution from the Pool's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. This includes a 4 percent distribution for endowment purpose spending and a 1.25 percent management fee. Over the long-term, the Texas A&M Foundation expects the current spending policy to allow its endowment to grow at an annual rate that is at least equal to the rate of inflation. This is consistent with the Texas A&M Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**Note 7. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Unrestricted cash and cash equivalents	\$ 47,304,786	\$ 40,448,869
Accounts receivable	152,754	25,076
Net contributions receivable for general operations due in one year or less	513,690	464,063
Budgeted annual collections from seat renewals due in one year or less	52,194,100	50,162,519
Athletic commitments due in one year or less	<u>(37,729,597)</u>	<u>(36,575,063)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 62,435,733</u>	<u>\$ 54,525,464</u>

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments in compliance with the Foundation's investment policy. The Foundation provides its cash management group with a funding schedule in order to maximize earning potential around the Foundation's cash needs.

The table above reflects the Foundation's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In addition, the Foundation has made commitments over the years to the University to fund large athletic projects. Although these commitments are not legally binding obligations, the Foundation does plan to pay these commitments as they become due. The Foundation has shown budgeted cash and cash equivalent collections for annual seat renewals for the following fiscal year to demonstrate how it plans to meet its commitment for these athletic projects due within one year of financial position date.

**Note 8. Office Space**

The Foundation occupies office space in the University's buildings. The Foundation entered into a new Affiliation Agreement with the University with an effective date of September 1, 2023, which includes a monthly rent payment for the space which is part of the Foundation's annual commitment to the University. The Foundation considered the effect of the required lease payments in relation to Accounting Standards Update (ASU) 2016 02, *Leases* (Topic 842) and concluded its effect to be immaterial to the financial statements, therefore no lease assets or liabilities are reported. Prior to the new Affiliation Agreement, the Foundation was not required to pay for the use of the University's buildings and the value of the University office space and services was not included in the financial statements as this space is state property and restricted as to its use; therefore, there was no rental value to record.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**Note 9. Commitments**

The Foundation has outstanding commitments to the University for facilities and ongoing program needs of the athletic department. While these commitments do not represent legally binding obligations of the Foundation, it does plan to pay the commitments as they become due. A summary of the outstanding commitments, including interest, as of June 30, 2024 is as follows.

Annual Transfers (through year ending June 30, 2032)	\$ 123,060,602
Bright Complex	890,213
Blue Bell Park at Olsen Field	5,527,250
Kyle Field Redevelopment	307,760,947
Swimming and Diving Upgrades	440,000
Cox McFerrin Center for Aggie Basketball	452,424
Additional Athletics Commitments	3,051,313
Bright Area Redevelopment	58,421,461
	<u>\$ 499,604,210</u>

Funding for the Foundation's commitments will be sourced from cash, investments, investment returns, contributions receivable, and donor contributions. As of June 30, 2024 and 2023, the Foundation held approximately \$216,100,000 and \$231,300,000, respectively, of net assets and all that are not specifically restricted to other uses are available to fund these future commitments. The following provides additional information for each of the commitments summarized above.

***Annual Transfers***

During the year ended June 30, 2015, the annual transfer was set at \$10,600,000 with a plan of increasing it at a rate of 2% per year. Additionally, with the last payment for the Zone Club being in 2020, the annual transfer increased by \$3,000,000 in 2021. An updated Affiliation Agreement with the University was executed in August 2023, in which the annual transfer commitment has been set at \$15,000,000 for the five-year term. The annual transfer commitment in the chart above is for the eight-year period of 2025 through 2032. The 2% increase in year six is an estimate, but not confirmed.

***Kyle Field South End Zone Athletic Complex (Bright Complex)***

In the February 1, 2002 Athletic Complex Funding Agreement (an addendum to the 1998 agreement) between the Foundation and the University, the Foundation agreed to provide financial support for the construction of the Kyle Field South End Zone Athletic Complex (Bright Complex) by contributing funds to cover debt service of the University, debt issued for construction costs up to \$25,000,000 plus related interest, and actual debt issuance costs less any funds transferred to the University prior to the issuance of any indebtedness.

On June 1, 2005, the Board of Regents of the University System issued Revenue Financing System Bonds in the total amount of \$434,650,000, of which the Foundation committed to pay \$11,443,309 of the total debt service related to construction costs of the Bright Complex, to be paid in annual installments of \$890,000 annually for the period of 2005–2025. The Foundation also agreed to maintain a debt service reserve account equal to total debt service due within the next year in its cash or cash equivalents. The Foundation's capital campaign gifts restricted to the Bright Complex and unrestricted capital campaign gifts received by the Foundation, not exceeding the maximum obligation, are pledged as collateral under the agreement.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The remaining future debt service amounts to be funded by the annual commitments above are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 847,822	\$ 42,391	\$ 890,213
	<u>\$ 847,822</u>	<u>\$ 42,391</u>	<u>\$ 890,213</u>

***Blue Bell Park at Olsen Field***

The Foundation agreed to assist the University by contributing funds to cover debt service on University debt issued for construction costs associated with the renovation of Olsen Field. The Foundation has committed to annual contributions of \$288,284 for the period of 2014-2043.

The remaining future debt service amounts to be funded by the annual commitments above are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 125,000	\$ 167,750	\$ 292,750
2026	125,000	162,750	287,750
2027	135,000	156,500	291,500
2028	140,000	149,750	289,750
2029	145,000	142,750	287,750
2030–2034	860,000	595,750	1,455,750
2035–2039	1,100,000	359,800	1,459,800
2040–2043	1,055,000	107,200	1,162,200
	<u>\$ 3,685,000</u>	<u>\$ 1,842,250</u>	<u>\$ 5,527,250</u>

***Redevelopment of Kyle Field***

Although no formal agreements have been signed, the Foundation agreed to cover any shortfalls in the license and sales revenue required to fund the debt service and debt coverage ratio of the seat license bonds totaling up to \$231,850,000. The Foundation has committed to annual contributions of approximately \$16,200,000 for the period 2016–2043 to cover the amount of the bonds plus accrued interest.



**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The related remaining future debt service amounts funded by the annual commitments above are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 6,460,000	\$ 9,698,048	\$ 16,158,048
2026	6,785,000	9,375,048	16,160,048
2027	7,125,000	9,035,797	16,160,797
2028	7,480,000	8,679,547	16,159,547
2029	7,905,000	8,305,547	16,210,547
2030–2034	45,540,000	35,497,361	81,037,361
2035–2039	57,840,000	23,202,832	81,042,832
2040–2043	57,510,000	7,321,767	64,831,767
	<u>\$ 196,645,000</u>	<u>\$ 111,115,947</u>	<u>\$ 307,760,947</u>

The Foundation also agreed to cover any shortfalls in the gift revenue required to fund the debt service and debt service coverage up to \$170,000,000 for the redevelopment of Kyle Field. This commitment was fulfilled in 2019.

***Swimming and Diving Upgrades***

The Foundation has committed to pay \$6,200,000 toward the \$8,200,000 Swimming and Diving Project. The Athletic Department has agreed to fund \$2,000,000. As of June 30, 2024, \$5,790,141 has been sent to the University, leaving a balance of \$409,859. The Foundation has cash on hand of \$656,213 and \$13,667 in pledges receivable to collect against this project. The Foundation is obligated to pay its final commercial paper payment on the project in August 2024 in the amount of \$440,000.

***Cox McFerrin Center for Aggie Basketball***

The Foundation has committed to pay \$3,750,000 toward the \$4,000,000 Cox McFerrin Center for Aggie Basketball Project. The Athletic Department has agreed to fund \$250,000. Based on projected costs, the Foundation agreed to raise an additional \$750,000 to fully fund the project. As of June 30, 2024, \$3,297,576 has been sent to the University, leaving a balance of \$452,424. The Foundation has cash on hand of \$550,955 to meet its outstanding commitments. Payments will be made upon request of Texas A&M Athletics.

***Additional Athletics Commitment***

The Foundation Board of Trustees approved the financial support of the Athletic Department's projected deficits through the end of fiscal year 2024. The projected deficit is estimated to be \$28,596,002 and consists of operating budget deficits and basketball transition costs. The Foundation agreed to use a variety of sources of funding to cover the deficit, which include the Excellence Fund, Kyle Field and other capital excess funds, and 12th Man unrestricted cash reserves. As of June 30, 2024, \$25,544,689 has been sent to the University, leaving a balance due of \$3,051,313 to be paid as follows:

	<u>Total</u>
2025	<u>\$ 3,051,313</u>

***Bright Area Redevelopment***

In the May 2022 Bright Area Redevelopment Funding Agreement between the Foundation and the University, the Foundation committed to support the University and the Texas A&M Athletics Department by providing funding for

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

a substantial portion of the Bright Area Redevelopment project by contributing funds to cover debt service of the University debt issued for construction costs, less any funds transferred to the University prior to the issuance of any indebtedness.

As of the date of these issued financial statements, the Board of Regents of the University System had not issued Revenue Financing System Bonds. The parties agreed to amend the existing Agreement to incorporate the debt service repayment schedule once debt service is issued. The Foundation's indebtedness shall be limited to a maximum obligation of \$180,000,000 plus related interest and a pro rata share of actual debt issuance costs less funds that have been transferred by the Foundation to the University prior to this agreement and less funds transferred by the Foundation to the University at the time of, or prior to the issue of debt. The University agreed to cover the remaining \$55,000,000 for the project from a combination of cash reserves in the stadium revenue funds and other university reserves. The Foundation's maximum obligation was adjusted down to \$177,900,000 per an agreement with the University as it related to \$2,100,000 in South End Zone Suite Capital being funded directly by the University.

This obligation is comprised of the following items:

Debt service*	\$ 35,000,000
South End Zone Suite capital	22,900,000
Centennial capital gifts	<u>120,000,000</u>
	<u>\$ 177,900,000</u>

\*Debt service is to be based upon actual borrowing, market rates or interest at issuance, issuance costs, interim financing capitalized up to two years and a 30-year debt repayment.

The Foundation has committed to pay \$142,900,000 in capital gifts raised toward the Bright Area Redevelopment project. As of June 30, 2024, \$84,478,539 has been sent to the University, leaving a balance of \$58,421,461. The Foundation has cash on hand of \$1,743,359 and \$60,385,385 in pledges receivable to collect against this project.

**Automobile Leases**

The Foundation leases certain automobiles on behalf of the University. Lease payments on behalf of the University are treated as contributions in the year of payment and are accounted for within the Foundation's Annual Transfers. Minimum payments required under these lease agreements are as follows:

	<u><b>Total</b></u>
2025	<u>\$ 96,652</u>

**Note 10. Disclosures About Fair Value of Assets and Liabilities**

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.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities 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 June 30:

	Fair Value Measurements Using				Investments Measured at NAV (A)
	Total	Level 1	Level 2	Level 3	
<b>2024</b>					
Recurring basis					
Assets					
Cash equivalents	\$ 15,081,968	\$ 15,081,968	\$ -	\$ -	\$ -
Money market fund	\$ 47,899,154	\$ -	\$ -	\$ -	\$ 47,899,154
U.S. government-sponsored enterprises (GSE)	\$ 499,945	\$ -	\$ 499,945	\$ -	\$ -
Corporate bonds	\$ 8,432,027	\$ -	\$ 8,432,027	\$ -	\$ -
Long-term investment pool					
Investment in pooled funds held by Texas A&M Foundation	\$ 122,520,874	\$ -	\$ -	\$ -	\$ 122,520,874
<b>2023</b>					
Recurring basis					
Assets					
Cash equivalents	\$ 22,238,144	\$ 22,238,144	\$ -	\$ -	\$ -
Money market fund	\$ 32,106,327	\$ -	\$ -	\$ -	\$ 32,106,327
U.S. government-sponsored enterprises (GSE)	\$ 989,155	\$ -	\$ 989,155	\$ -	\$ -
Corporate bonds	\$ 6,636,605	\$ -	\$ 6,636,605	\$ -	\$ -
Long-term investment pool					
Investment in pooled funds held by Texas A&M Foundation	\$ 140,884,805	\$ -	\$ -	\$ -	\$ 140,884,805

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2024 and 2023.

**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.

There were no assets or liabilities measured at fair value on a nonrecurring basis.

**Alternative Investments**

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
<b>2024</b>				
Investment in pooled funds held				
by Texas A&M Foundation (A)	\$ 122,520,874	\$ -	Annually	90 days
Money market fund (B)	\$ 47,899,154	\$ -	Daily	Daily
<b>2023</b>				
Investment in pooled funds held				
by Texas A&M Foundation (A)	\$ 140,884,805	\$ -	Annually	90 days
Money market fund (B)	\$ 32,106,327	\$ -	Daily	Daily

(A) Investment in Pooled Funds Held by Texas A&M Foundation: To satisfy its long-term rate-of-return objectives, Texas A&M Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(B) Includes investment in a money market fund measured at NAV that seeks to maintain a stable NAV of \$1.00 per share through investing in a diversified portfolio of high quality, U.S. government money market instruments and in related repurchase agreements.

**Note 11. Employee Benefit Plan**

The Foundation has a qualified defined contribution pension plan (Plan) covering substantially all its employees. The Board of Directors annually determines the amount, if any, of the Foundation's contributions to the Plan. Pension expense was \$714,155 and \$610,369 for the years ended June 30, 2024 and 2023, respectively.

**Texas A&M University 12th Man Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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The Foundation provides a retirement annuity program covering substantially all its employees. Contributions to the plan are funded by voluntary salary reductions of participating employees.

**Note 12. Related-Party Transactions**

The Foundation leases office space from the University for its administrative offices. The University provides utilities and janitorial services to the Foundation. The Foundation is responsible for any leasehold improvements to the offices.

**Note 13. Significant Estimates and Concentrations**

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Contributions Receivable***

One donor was responsible for approximately 22% of all contribution's receivable as of June 30, 2024. One donor was responsible for approximately 21% of all contribution's receivable as of June 30, 2023.

***General Litigation***

The Foundation is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. 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 financial position, change in net assets, and cash flows of the Foundation. Events could occur that would change this estimate materially in the near term.

***Investments***

The Foundation invests in various investment securities. 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 change could materially affect the amounts reported in the accompanying statements of financial position.

As of June 30, 2024 and 2023, the Foundation had 68% and 78%, respectively, of its investments in the pooled funds held by Texas A&M Foundation.

**Note 14. Subsequent Events**

Subsequent events have been evaluated through December 4, 2024, which is the date the financial statements were available to be issued.