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# **Texas A&M University – Commerce Foundation**

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

August 31, 2022

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# Texas A&M University – Commerce Foundation

August 31, 2022

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## **Independent Auditor's Report**

Board of Directors  
Texas A&M University – Commerce Foundation  
Commerce, Texas

### ***Opinion***

We have audited the financial statements of Texas A&M University – Commerce Foundation (Foundation), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year 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 August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit 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 audit. 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.

**Fort Worth, Texas**  
**August 18, 2023**

**Texas A&M University – Commerce Foundation**  
**Statement of Financial Position**  
**August 31, 2022**

**Assets**

Position in Texas A&M University		
Cash Concentration Pool	\$	254,578
Pledges receivable, net of allowance of \$139,159		788,570
Investments in		
Texas A&M University System Endowment Fund		32,183,024
Mineral holdings		<u>43,234</u>
Total assets	\$	<u><u>33,269,406</u></u>

**Liabilities and Net Assets**

**Net Assets**

With donor restrictions		
Purpose restrictions		6,121,488
Perpetual in nature		<u>27,147,918</u>
Total net assets		<u><u>33,269,406</u></u>
Total liabilities and net assets	\$	<u><u>33,269,406</u></u>

**Texas A&M University – Commerce Foundation**  
**Statement of Activities**  
**Year Ended August 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions	\$ 52,424	\$ 2,117,643	\$ 2,170,067
Noncash contributions	-	12,049	12,049
Management fee	152,705	-	152,705
Investment return, net	2,370	(4,557,948)	(4,555,578)
Net assets released from restrictions	2,547,466	(2,547,466)	-
	<u>2,754,965</u>	<u>(4,975,722)</u>	<u>(2,220,757)</u>
<b>Program and Supporting Services</b>			
Program Services			
Student scholarship awards	1,629,256	-	1,629,256
Faculty and academic support	338,479	-	338,479
Institutional support	755,351	-	755,351
	<u>2,723,086</u>	<u>-</u>	<u>2,723,086</u>
Supporting services			
Management and general	31,879	-	31,879
	<u>2,754,965</u>	<u>-</u>	<u>2,754,965</u>
<b>Change in Net Assets</b>	-	(4,975,722)	(4,975,722)
<b>Net Assets, Beginning of Year</b>	<u>-</u>	<u>38,245,128</u>	<u>38,245,128</u>
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ 33,269,406</u>	<u>\$ 33,269,406</u>

**Texas A&M University – Commerce Foundation**  
**Statement of Cash Flows**  
**Year Ended August 31, 2022**

<b>Operating Activities</b>	
Change in net assets	\$ (4,975,722)
Items not requiring (providing) cash	
Net realized and unrealized gain on investments	5,946,794
Contributions and investment income received restricted for long-term investment	(1,116,187)
Changes in	
Pledges receivable	<u>153,157</u>
Net cash provided by operating activities	<u>8,042</u>
<b>Investing Activities</b>	
Purchases of investments, net	(1,176,259)
Proceeds from sales of investments	<u>3,132</u>
Net cash used in investing activities	<u>(1,173,127)</u>
<b>Financing Activities</b>	
Proceeds from contributions and investment income restricted for long-term investment	<u>1,209,892</u>
Net cash provided by financing activities	<u>1,209,892</u>
<b>Net Increase in Cash Concentration Pool</b>	44,807
<b>Cash Concentration Pool, Beginning of Year</b>	<u>209,771</u>
<b>Cash Concentration Pool, End of Year</b>	<u>\$ 254,578</u>

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The Texas A&M University – Commerce Foundation (Foundation) is affiliated with Texas A&M University – Commerce (A&M – Commerce) in Commerce, Texas. The Foundation provides a means by which alumni, faculty, students and other benefactors of A&M – Commerce can make donations to support the University’s scholarships, endowments and other programs. The Foundation’s revenues and other support are derived principally from contributions and investment return.

***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***

The Foundation considers its cash in banks and investments in proprietary money market funds held in the Texas A&M University System Cash Concentration Pool (Pool) to be cash.

***Investments and Net Investment Return***

The Foundation’s interests in the Pool and the Texas A&M University System Endowment Fund (SEF) investment pools (investment pools) are valued based on estimates of the net asset value of the investment pools as provided by fund managers and based on other market-based data. Other investments, including mineral holdings, are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the accompanying statement of activities with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains, and losses from securities in the pooled investment accounts are allocated quarterly 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 investments accounts, as adjusted for additions to or deductions from those accounts.



**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

***Derivative Instruments***

Texas A&M University System uses forward currency contracts for the purpose of hedging international currency risk on its non-U. S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

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 that resources be maintained in perpetuity.

***Contributions***

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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i. e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Nature of the Gift**

Collected in future years

**Value Recognized**

Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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 statement 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.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

***In-kind Contributions***

In addition to receiving cash contributions, the Foundation receives in-kind contributions including software, artwork, athletic gear, etc. from various donors. Generally, these gifts are utilized by the University. It is the policy of the Foundation to record the estimated fair value of these in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the year ended August 31, 2022, \$12,049 was received in in-kind contributions.

***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) 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.

***Revision to Beginning Endowment Balances***

The beginning endowment net asset balance, with donor restriction: purpose were revised for an error related to correct the endowment net assets. This revision did not have a significant impact on the 2022 financial statements.

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 2: Pledges Receivable**

Pledges receivable represents promises to give and consists of the following:

Receivable in less than one-year	\$	300,364
Receivable in one to five years		<u>627,553</u>
 Total unconditional promises to give		 927,917
 Less discounts and allowance for uncollectible promises		 <u>139,347</u>
 Net unconditional promises to give	 \$	 <u><u>788,570</u></u>

The Foundation discounts the pledges by 15 percent to calculate the net present value and estimate for uncollectible promises receivable.

**Note 3: Investment Pools**

Cash receipts are initially deposited into an interest-bearing bank account along with receipts of A&M – Commerce. The funds are then swept and invested with the Pool. Quarterly income from the investments is allocated between A&M – Commerce and the Foundation.

The Pool is an investment pool that provides members of the Texas A&M University System with a means to invest funds in excess of daily cash flow requirements. The Pool invests in direct obligations of the United States Treasury, obligations of United States Government agencies, mortgage-backed securities, obligations of foreign governments, corporate bonds, commercial paper, mutual funds, money market funds, common stocks and other equities.

The SEF is an investment pool that provides members of the Texas A&M University System with a means to combine endowment fund assets in order to allow for more effective fund management and related investment returns. The SEF invests in direct obligations of the United States Treasury, obligations of United States Government agencies, mortgage-backed securities, obligations of foreign governments, corporate bonds, commercial paper, mutual funds, money market mutual funds, common stocks, alternative investments including interest rate swaps and futures and foreign currency contracts, and other equities.

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 4: Net Investment Return**

The components of net investment return are as follows:

Net realized and unrealized gains (losses) on investments reported at fair value	\$ (5,946,794)
Interest, dividends and other income	<u>1,391,216</u>
	<u><u>\$ (4,555,578)</u></u>

**Note 5: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at August 31, 2022, are restricted for the following purposes or periods:

Subject to expenditure for specified purpose, upon passage of time or both	
Scholarships	\$ 5,303,816
Other programs	<u>817,672</u>
	<u><u>\$ 6,121,488</u></u>
Investment in perpetuity, the income of which is expendable as restricted by donors for scholarships, fellowships, professorships, and other institutional support	<u><u>\$ 27,147,918</u></u>

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Net Assets Released from Restrictions**

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

Purpose restriction accomplished	
Scholarship awards	\$ 1,499,886
Other program expenses (including athletics)	<u>1,047,580</u>
	<u>\$ 2,547,466</u>

**Note 6: Endowment**

The Foundation's endowment consists of approximately 500 individual funds established for a variety of scholarship, fellowships, professorships, and other institutional support purposes. The endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *State of Texas Prudent Management of Institutional Funds Act* (SPMIFA) 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 SPMIFA. In accordance with SPMIFA, 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

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

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

	<b>With Donor Restriction: Purpose</b>	<b>With Donor Restriction: Perpetual</b>	<b>Total</b>
Donor-restricted endowment funds	<u>\$ 5,141,609</u>	<u>\$ 27,147,918</u>	<u>\$ 32,289,527</u>

Changes in endowment net assets for the year ended August 31, 2022, was:

	<b>With Donor Restriction: Purpose</b>	<b>With Donor Restriction: Perpetual</b>	<b>Total</b>
Endowment net assets, beginning of year, as Revised	\$ 10,988,105	\$ 26,031,731	\$ 37,019,836
Investment return	(4,575,052)	10,790	(4,564,262)
Contributions	-	1,105,397	1,105,397
Appropriation of endowment assets for expenditure	<u>(1,271,444)</u>	<u>-</u>	<u>(1,271,444)</u>
Endowment net assets, end of year	<u>\$ 5,141,609</u>	<u>\$ 27,147,918</u>	<u>\$ 32,289,527</u>

The Foundation has invested its funds with the SEF, which is subject to the System investment policy, 22. 02 *System Investment*. The purpose of the SEF is to provide for the collective investment of all endowment and trust funds held by the System or by the board in a fiduciary capacity. The SEF is to provide funding for scholarships, fellowships, professorships and academic chairs and other uses as specified by donors. The endowment assets are invested to accomplish two primary goals: (1) provide a continuing and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation and (2) cause the total value of the fund to appreciate, over time, exclusive of growth derived from donations.

The cash payout requirement on the SEF is substantial and continuous. Income and capital appreciation must be sufficient to provide an adequate and consistent cash stream for the development of excellence and distinction in the academic programs of the system. In addition, the SEF needs to ensure preservation of the purchasing power of the SEF and also to satisfy the need for payout growth in the future. Management of the SEF attempts to meet these objectives by maximizing the return on the SEF's investments, consistent with an appropriate level of risk. Additionally, the SEF shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities or industry will not have an excessive impact on the SEF.

# Texas A&M University – Commerce Foundation

## Notes to Financial Statements

### August 31, 2022

The SEF's asset allocation policy will be consistent with the investment objectives and risk tolerances. These policies are designed to provide the highest probability of meeting or exceeding the SEF's return objectives at the lowest possible risk. The overall objective of the SEF is to invest the funds in such a manner as to achieve a reasonable balance of growth of corpus and consistent payout while maintaining the purchasing power of these endowments, as can reasonably be achieved within the framework of the policy consistent with the system's objective of the safety and preservation of capital.

Distribution of income will be made quarterly as soon as practicable after the last calendar day of November, February, May and August of each fiscal year to the endowment and trust funds participating in the SEF during the respective quarter. 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 appropriation of endowment assets noted above represents an accumulation of earnings over several years that were contributed to the University in fiscal year 2022 for scholarships, fellowships and other institutional support.

#### ***Underwater Endowments***

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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 UPMIFA. There were no such deficiencies as of August 31, 2022.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 7: Functional Allocation of Expenses**

Certain costs attributable to more than one function have been allocated among the program and supporting services based on the direct identification, square footage and other methods. The following schedule presents the natural classification of expenses by function as follows:

	Program Activities				Supporting Activities	Total Expenses
	Student Scholarship Awards	Faculty and Academic Support	Institutional Support	Programs Subtotal	Management and General	
Professional services	\$ -	\$ -	\$ -	\$ -	\$ 14,000	\$ 14,000
Insurance	-	-	-	-	1,122	1,122
Postage	-	-	-	-	2,023	2,023
Miscellaneous expense	-	-	-	-	11,397	11,397
Student labor & benefits	-	-	-	-	3,337	3,337
Grants to other organizations	1,629,256	338,479	755,351	2,723,086	-	2,723,086
	<u>\$ 1,629,256</u>	<u>\$ 338,479</u>	<u>\$ 755,351</u>	<u>\$ 2,723,086</u>	<u>\$ 31,879</u>	<u>\$ 2,754,965</u>

**Note 8: Liquidity and Availability**

At August 31, 2022, all financial assets are restricted for the purposes noted in *Note 5*. As noted in *Note 9*, the Foundation receives a management fee to pay for administration expenses. 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.

**Note 9: Affiliation Agreement**

The Foundation has an affiliation agreement with A&M – Commerce, effective for the Foundation’s 2021 through 2025 fiscal years. This agreement can be terminated by either party with 180 days written notice. As part of the agreement the Foundation’s unrestricted fund is authorized to assess a 10% management fee, as defined, against the earnings of endowment investments to cover the expenses of maintaining these funds. In addition, the Foundation is to provide to A&M – Commerce an annual unrestricted gift of 10% of prior year unrestricted gifts received by the Foundation. This gift is for the use of services, facilities and equipment of A&M – Commerce.

**Note 10: Contributed Services**

The Foundation utilizes the staff members, computer services and office space of A&M – Commerce in order to carry out its activities. The Foundation pays a management fee for these services.



**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 11: 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 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 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 August 31, 2022:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Position in Texas A&M University				
System Cash Concentration Pool (A)	\$ 254,578	\$ -	\$ -	\$ 254,578
Investments in Texas A&M University				
System Endowment Fund (A)	32,183,024	-	-	32,183,024

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes on the valuation techniques during the year ended August 31, 2022. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**Texas A&M University – Commerce Foundation**  
**Notes to Financial Statements**  
**August 31, 2022**

***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 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. Due to the unobservable inputs of the investments held in the Pool and SEF investment pools (investment pools), they are classified in Level 3 of the valuation hierarchy. The only changes in the pools were additional funds deposited into the pools, interest and dividends reinvested in the pools and distribution of accumulated earnings in accordance with the spending policy. .

**Note 12: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The Foundation invests in various investments securities of the System through the investment pools. 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 statement of financial position.

***Contributions***

Approximately 38 percent of all contributions were received from two donors in 2022 and approximately 57 percent of pledges receivable were due from 3 donors at August 31, 2022.

**Note 13: Subsequent Events**

Subsequent events have been evaluated through August 18, 2023, which is the date the financial statements were available to be issued.