



The Legacy Continues...

ANNUAL FINANCIAL REPORT 2020-2021



PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

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

December 31, 2021 and 2020

PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Prairie View A&M Foundation

Opinion

We have audited the accompanying financial statements of the Prairie View A&M Foundation (the "Foundation"), a Texas nonprofit corporation, as of December 31, 2021 and 2020, 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 Prairie View A&M Foundation (the "Foundation"), a Texas nonprofit organization, as of December 31, 2021, and the change 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Foundation discovered errors in their previously issued financial statements as of and for the year ended December 31, 2020. As a result of the errors management has restated their prior year financial statements. Our opinion is not modified with respect to this matter.

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



McConnell Jones

Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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.

McConnell & Jones LLP

Houston, Texas
November 15, 2022

PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash	\$ 508,479	\$ 1,165,865
Investments	492,800	438,222
Promises to give	890,500	391,170
Related party receivable	549,963	305,190
Other receivables	625	650
Total current assets	2,442,367	2,301,097
Noncurrent Assets:		
Promises to give, net of unamortized discount	347,442	727,098
Property and equipment, net	14,557	6,621
Total noncurrent assets	361,999	733,719
TOTAL ASSETS	\$ 2,804,366	\$ 3,034,816
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 37,618	\$ 15,727
Loan payable	-	17,500
Related party payable	251,982	753,470
Total current liabilities	289,600	786,697
Total liabilities	289,600	786,697
Net Assets:		
Net assets without donor restrictions	1,388,467	750,998
Net assets with donor restrictions	1,126,299	1,497,121
Total net assets	2,514,766	2,248,119
TOTAL LIABILITIES AND NET ASSETS	\$ 2,804,366	\$ 3,034,816

The accompanying notes are an integral part of these financial statements.

PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 153,676	\$ 1,404,508	\$ 1,558,184
Development fees	390,546	-	390,546
In-kind revenue	536,630	-	536,630
Investment income	71,501	-	71,501
Net assets released from restrictions	1,775,330	(1,775,330)	-
TOTAL REVENUES AND SUPPORT	<u>2,927,683</u>	<u>(370,822)</u>	<u>2,556,861</u>
EXPENSES			
Program services	2,015,601	-	2,015,601
Total program services	<u>2,015,601</u>	<u>-</u>	<u>2,015,601</u>
Support Services:			
Management and general	78,127	-	78,127
Fund raising	196,486	-	196,486
Total support services	<u>274,613</u>	<u>-</u>	<u>274,613</u>
TOTAL EXPENSES	<u>2,290,214</u>	<u>-</u>	<u>2,290,214</u>
CHANGE IN NET ASSETS	637,469	(370,822)	266,647
NET ASSETS, BEGINNING OF YEAR	<u>750,998</u>	<u>1,497,121</u>	<u>2,248,119</u>
NET ASSETS, END OF YEAR	<u>\$ 1,388,467</u>	<u>\$ 1,126,299</u>	<u>\$ 2,514,766</u>

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PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 241,693	\$ 2,836,429	\$ 3,078,122
Development fees	302,705		302,705
In-kind revenue	32,472	-	32,472
Investment income	40,305	-	40,305
Net assets released from restrictions	<u>2,075,202</u>	<u>(2,075,202)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>2,692,377</u>	<u>761,227</u>	<u>3,453,604</u>
EXPENSES			
Program Services	<u>2,298,512</u>	<u>-</u>	<u>2,298,512</u>
Total program services	<u>2,298,512</u>	<u>-</u>	<u>2,298,512</u>
Support Services:			
Management and general	176,027	-	176,027
Fund raising	101,895	-	101,895
Total support services	<u>277,923</u>	<u>-</u>	<u>277,923</u>
TOTAL EXPENSES	<u>2,576,435</u>	<u>-</u>	<u>2,576,435</u>
CHANGE IN NET ASSETS	115,942	761,227	877,169
NET ASSETS, BEGINNING OF YEAR	<u>635,056</u>	<u>735,894</u>	<u>1,370,950</u>
NET ASSETS, END OF YEAR	<u><u>\$ 750,998</u></u>	<u><u>\$ 1,497,121</u></u>	<u><u>\$ 2,248,119</u></u>

The accompanying notes are an integral part of these financial statements.

PRAIRIE VIEW A&M FOUNDATION
(A Texas Nonprofit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021			
	Program services	Management and general	Fundraising	TOTAL
Distributions to University	\$ 1,775,330	\$ -	\$ -	\$ 1,775,330
Accounting and audit services	60,982	19,488	36,228	116,698
Fundraising fees and expenses	-	-	53,563	53,563
Outside contract services	-	-	-	-
Bank charges and fees	-	1,081	-	1,081
Facilities and Equipment	-	-	-	-
Printing, postage and office supplies	12,068	3,859	7,171	23,098
Telephone and telecommunications	-	-	-	-
Payroll and related expenses	136,441	43,603	81,058	261,102
Insurance	365	364	365	1,094
Web development	1,235	394	733	2,362
Marketing and advertising	2,532	808	1,502	4,842
In-Kind rent	16,969	5,423	10,081	32,473
Conference, convention and meetings	1,813	579	1,077	3,469
Travel, meals and entertainment	1,752	555	1,040	3,347
Depreciation	726	232	431	1,389
Bad debt write off	-	-	-	-
Others	5,388	1,741	3,237	10,366
Total expenses	\$ 2,015,601	\$ 78,127	\$ 196,486	\$ 2,290,214

The accompanying notes are an integral part of these financial statements.

PRAIRIE VIEW A&M FOUNDATION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020			
	Program services	Management and general	Fundraising	TOTAL
Distributions to University	\$ 2,075,203	\$ -	\$ -	\$ 2,075,203
Accounting and audit services	36,079	30,446	8,725	75,250
Fundraising fees and expenses	-	-	53,464	53,464
Outside contract services	35,996	30,375	8,705	75,076
Bank charges and fees	-	8,803	260	9,063
Facilities and Equipment	-	-	-	-
Printing, postage and office supplies	5,591	4,718	1,352	11,661
Telephone and telecommunications	2,350	1,983	568	4,901
Payroll and related expenses	87,476	73,817	21,154	182,448
Insurance	349	348	349	1,046
Web development	1,105	933	267	2,305
Marketing and advertising	11,033	9,310	2,668	23,011
In-Kind rent	15,569	13,138	3,765	32,472
Conference, convention and meetings	-	-	-	-
Travel, meals and entertainment	374	316	91	781
Depreciation	794	670	192	1,656
Bad debt write off	25,206	-	-	25,206
Others	1,387	1,170	335	2,892
Total expenses	\$ 2,298,512	\$ 176,027	\$ 101,895	\$ 2,576,435

The accompanying notes are an integral part of these financial statements.

PRAIRIE VIEW A&M FOUNDATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 266,647	\$ 877,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,389	1,656
Bad Debts	-	25,206
Unrealized gain on investments	(55,336)	-
Forgiveness of loans	(17,500)	-
Change in assets and liabilities:		
Accretion of discount on promises to give	3,125	10,402
Increase in related party receivable	(244,773)	(314,436)
Increase in promises to give	(122,799)	(1,011,879)
Decrease / (increase) in other receivables	25	(18,010)
Increase in accounts payable and accrued liabilities	21,891	12,290
(Decrease) / increase in related party payable	(501,488)	580,314
Total adjustments	(915,466)	(714,457)
Net cash (used in) / provided by operating activities	(648,819)	162,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	175,676	124,271
Purchases of investments	(174,918)	(158,055)
Purchases of fixed assets	(9,325)	(1,725)
Net cash used in investment activities	(8,567)	(35,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on loan	-	17,500
Net cash provided by financing activities	-	17,500
NET CHANGE IN CASH	(657,386)	144,703
CASH, BEGINNING OF YEAR	1,165,865	1,021,162
CASH, END OF YEAR	\$ 508,479	\$ 1,165,865

The accompanying notes are an integral part of these financial statements.

PRAIRIE VIEW A&M FOUNDATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Prairie View A&M Foundation (the “Foundation”) is a Texas nonprofit corporation established in February 2009. The Foundation was formed to solicit, receive, invest, administer and recognize gifts which support the educational, research and service missions of Prairie View A&M University (the “University”). The Foundation operates for the exclusive benefit of the University. The Foundation is primarily supported by private gifts, bequests and donations from individuals and private organizations.

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The Foundation’s financial statements are presented in accordance with the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-For-Profit Entities, Presentation of Financial Statements*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Foundation.

Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time.

In addition, the Foundation is required by FASB ASC Topic 958-205 to present statements of activities, functional expenses and cash flows.

Revenue Recognition

Revenues from contributions, donations and other sources are recognized as unrestricted or restricted revenues when received or unconditionally promised by a third party. Conditional promises to give cash or other assets are not recognized until received. Development fees are recognized as unrestricted revenues when related contributions are received. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Contributions and Promises to Give

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

The Foundation uses the allowance method to estimate uncollectible receivables from unconditional promises to give. The allowance is based on management's experience, third-party contracts, analysis of specific promises made and other circumstances, which may affect the ability of third parties to meet their obligations. Promises to give are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible promises to give against allowances when management determines the promise to give will not be collected. All promises to give as of December 31, 2021 and 2020, were unconditional and considered fully collectible.

In-Kind Contributions and Contributed Services

In accordance with FASB ASC 958-605, *Not-For-Profit Entities, Revenue Recognition*, the Foundation recognizes donated services as contributions in the financial statements if such services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Foundation. Donated services are recorded at their estimated values at the date of the donation.

Certain individuals volunteer their time and perform a variety of tasks that assist the Foundation in its operations. The Foundation records the value of contributed services when there is an objective basis available to measure the value. During the years ended December 31, 2021 and 2020, the Foundation did not have any contributed services meeting the criteria for recognition in the financial statements, and accordingly, no value was recorded.

Receipts of in-kind goods and services are presented as both revenue and expense in the accompanying financial statements and are recorded as non-cash contributions at their estimated fair value at the date of performance of service or receipt of donation. The Foundation has not received any non-cash contributions of significant value during the years ended December 31, 2021 and 2020.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Development Fees

Development fees consists of revenues earned, whereby it was mutually agreed between the Texas A&M University System, the University and the Foundation to apply a one-time six percent (6%) development fee (the “fee”) on all gifts to the University and/or the Foundation with certain exceptions. The fee is taken from the first available income from endowed gifts and from the principal of non-endowed gifts. Eighty-five percent (85%) of the fee is used to support the Foundation’s operations and fifteen percent (15%) is used to support the University’s development activities. The Foundation recognizes development fees revenue as soon as the income becomes available from the endowed gifts as performance obligations are met.

Cash and Cash Equivalents

The Foundation considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments. The Foundation had no cash equivalents for the years ended December 31, 2021 and 2020.

Liquidity and Availability of Financial Assets

The following table reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Cash	\$ 508,479	\$ 1,165,865
Investments	492,800	438,222
Receivables	1,441,088	1,118,918
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Cash restricted for program operations	(508,479)	(1,165,865)
Receivables to be collected after one year	<u>(347,442)</u>	<u>(727,098)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 1,586,446</u>	<u>\$ 830,042</u>

As part of the Foundation’s liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Any remainder excess cash is invested.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in equity securities at their fair values based on quoted prices in active markets in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions until the restrictions are met either by passage of time or by use.

Property and Equipment

Property and equipment are generally recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are reported as restricted contributions. There were no donated assets received by the Foundation during the years ended December 31, 2021 and 2020. The Foundation does not presently have any assets which have donor-imposed restrictions. The Foundation follows the policy of capitalizing all expenditures for property, improvements, furniture and fixtures, and office and computer equipment in excess of \$1,000. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Income Taxes

The Foundation is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law. Accordingly, contributions to the Foundation are tax deductible within the limitations prescribed by the Code. The Foundation has also been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements.

The Foundation applies the provisions of FASB ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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Functional Allocation of Expenses

The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited by various reasonable bases. Fundraising expenses are expenses that do not support programs and are paid to raise funds for the Foundation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The expenses that are allocated are, accounting and audit services which are allocated based on estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

Not-for-Profit Entities (Topic 842) – In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02 – (Topic 842): Leases, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and recognize expenses on their income statements in a manner similar to current accounting. This update will be effective for Foundation for fiscal year beginning January 1, 2021. Management is in the process of evaluating the impact that the provisions of ASU 2016-02 may have on the financial statements.

Not-for-Profit Entities (Topic 606) – In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Foundation has adopted this ASU as of and for the year ended December 31, 2020.

Not-for-Profit Entities (Topic 958) – In 2016, ASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

Not-for-Profit Entities (Topic 958) – In 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made to address difficulty and diversity in practice among not for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Foundation has adopted this ASU as of and for the year ended December 31, 2020.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Foundation recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

Risks and Uncertainty

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in US markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on donors, employees and vendors, all of which are uncertain and cannot be determined at this time. Management assessed the effect of COVID-19 and has determined the effect to be not significant on the Foundation and the management does not believe there is substantial doubt about the Foundation's ability to continue as a going concern. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

2. CONCENTRATIONS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover its deposits. Although the Foundation does not have a formal deposit policy for custodial credit risk, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. Balances in accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The total cash maintained by the Foundation in all banks as of December 31, 2021 and 2020 was \$429,686 and \$1,150,431, respectively, of which \$179,686 and \$900,431 was uninsured by the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FDIC as of December 31, 2021 and 2020, respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institution in which the deposits are held.

Pledges receivable from two donors were 95% of total pledges receivable.

3. PROMISES TO GIVE

The following table sets forth the components of promises to give as of December 31, 2021 and 2020:

	Due within one year	Due in one to five years	Total
2021			
Promises to give	\$ 890,500	\$ 360,969	\$ 1,251,469
Less: unamortized discounts	-	(13,527)	(13,527)
Promises to give, net	<u>\$ 890,500</u>	<u>\$ 347,442</u>	<u>\$ 1,237,942</u>
	Due within one year	Due in one to five years	Total
2020			
Promises to give	\$ 391,170	\$ 737,500	\$ 1,128,670
Less: unamortized discounts	-	(10,402)	(10,402)
Promises to give, net	<u>\$ 391,170</u>	<u>\$ 727,098</u>	<u>\$ 1,118,268</u>

Promises to give with due dates extending beyond one year are discounted using a prime rate prevailing at the date of donation. The effective prime rate as of and during the years ended December 31, 2021 and 2020 was 2.05% and 1.46%.

4. FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. 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 reporting date.

Certain financial assets of the Foundation are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for

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the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Stocks and mutual funds are classified as level one investments.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Financial instruments measured at fair value on a recurring basis at December 31, 2021, were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 284,420	\$ -	\$ -	\$ 284,420
Mutual Funds	190,640	-	-	190,640
Total	<u>\$ 475,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,060</u>

Financial instruments measured at fair value on a recurring basis at December 31, 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 256,833	\$ -	\$ -	\$ 256,833
Mutual Funds	169,948	-	-	169,948
Total	<u>\$ 426,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,781</u>

Investments are exposed to various risks such as interest rate risks, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and the statement of activities.

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5. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 32,625	\$ 23,300
Accumulated depreciation	(18,068)	(16,679)
Property and equipment, net	<u>\$ 14,557</u>	<u>\$ 6,621</u>

Depreciation amounted to \$1,389 and \$1,656, respectively for the years ended December 31, 2021 and 2020.

6. PAYCHECK PROTECTION PROGRAM

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak of COVID-19 as a pandemic. As a result of the CARES Act, The Paycheck Protection Program (PPP) was established. On May 2, 2020, the Foundation received PPP loan in the amount of \$17,500. The Foundation recorded the amount as a loan payable as of December 31, 2020. The loan was forgiven in 2021 as the Foundation demonstrated proper use of the proceeds from such loan and remained in compliance with the terms of this assistance from the federal government.

Management adopted the guidance in FASB ASC 405-20-40-1 and recognized the entire amount of the loan received as unrestricted contribution revenue as of the year ended December 31, 2021.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Building of Sports Complex	\$ 411,140	\$ 403,340
Scholarships	686,750	1,080,873
Athletics	28,409	12,907
	<u>\$ 1,126,299</u>	<u>\$ 1,497,120</u>

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8. RELATED PARTY TRANSACTIONS

The University in cooperation with the Foundation has desired to significantly expand its development efforts, thus, expanding private support and increase discretionary funds for the University. To accomplish these objectives, it was mutually agreed between the Texas A&M University System, the University and the Foundation to apply a one-time six percent (6%) development fee (the “fee”) on all gifts to the University and/or the Foundation with certain exceptions. The fee is taken from the first available income from endowed gifts and from the principal of non-endowed gifts. Eighty-five percent (85%) of the fee is used to support the Foundation’s operations and fifteen percent (15%) is used to support the University’s development activities. The University maintains a “Development Account” for this purpose. The portion of the fees due to the Foundation for contributions collected by the University on behalf of the Foundation is deposited in the Development Account. The portion of the fees due to the University for contributions collected by the Foundation is directly withdrawn by the University from the Development Account. Any remaining balance in the Development Account belongs to the Foundation and can be used by the Foundation to support its operations. The total development fee paid to the Foundation amounted to \$390,546 and \$302,705 for the years ended December 31, 2021 and 2020, respectively. The Foundation utilizes a portion of the fee amount for its operations. The Foundation has a payable outstanding of \$251,982 and \$753,470 to remit donations to the University as of December 31, 2021 and 2020. In addition, as of December 31, 2021 and 2020, the Foundation had related party receivable from the University in the amount of \$549,963 and \$305,190, respectively.

In February 2012, the Foundation entered into an agreement with the Board of Regents of the University to lease office space and utilities (excluding telephone and internet) in the University’s College of Nursing building located in Houston, Texas. The initial lease agreement expired on August 31, 2012, but was extended for four additional one-year periods until August 31, 2016. In September 2016, the Foundation entered into a new lease agreement with the Board of Regents of the University with similar terms like the prior agreement. The new lease agreement expired August 31, 2017, and was renewed by the University through August 31, 2021. In consideration for the Foundation’s support of the educational undertakings of the University, all rent has been waived.

The Board of Trustees of the Foundation has mutually agreed to support the Foundation by making cash and in-kind contributions. Pursuant to this commitment, the Foundation has received \$40,510 and \$42,518 in cash contributions from certain members of the Board of Trustees for the years ended December 31, 2021 and 2020, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

9. DISTRIBUTIONS

The distributions to the University comprises of the following categories for December 31, 2021 and 2020.

	December 31,	
	2021	2020
Class Gifts	\$ 17,914	\$ 58,883
College of Arts & Sciences	46,710	1,431
College of Business	147,934	265,050
College of Nursing	3,600	379,667
College of Engineering	772,395	44,520
Center for Race and Justice	100,034	157,810
Career Services	253,000	255,000
Athletics and Sports Complex	14,528	29,456
Music Travel Fund	-	110,000
Scholarship	51,821	709,415
Endowments	155,603	34,200
Other Activities	211,791	29,771
	<u>\$ 1,775,330</u>	<u>\$ 2,075,203</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2022, the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

11. CORRECTION OF ERRORS

During 2021, the Foundation discovered the following errors in the 2020 financial statements:

- The cash was overstated in the prior year as funds held by the related party were included as cash instead of a related party receivable.
- The investments were understated in the prior year as sweep balances were included as cash instead of an investment.
- Accounts payable and accrued liabilities were understated due to an error of not including an amount as a payable and was included as an investment. The errors have been corrected by restating each of the financial statement line items for the prior periods. The following table summarizes the impacts on the financial statements.

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- Contributions were overstated and development fees were understated due to an error of not including the development fees as a contribution line item.
- Program services and fund-raising expenses were understated. due to error in non-allocation of indirect expenses to the correct functional categories.
- Management and general expenses were understated due to an error in non-allocation of indirect expenses to the correct functional categories.
- Related party receivable were understated in the statement of cash flow for \$314,436 since related part receivable was wrongly included as cash instead of a receivable.

None of the above items had an impact on changes in the net assets for the 2020 financial statements. The following table summarizes the impact on the 2020 financial statements:

	Impact of correction of error		
	As previously reported	Adjustments	As restated
<i>Statement of Financial Position</i>			
Assets:			
Cash	\$ 1,480,300	\$ (314,435)	\$ 1,165,865
Investments	426,781	11,441	438,222
Total assets	\$ 1,907,081	\$ (302,994)	\$ 1,604,087
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 13,531	\$ 2,196	\$ 15,727
Total liabilities	\$ 13,531	\$ 2,196	\$ 15,727

	Impact of correction of error		
	As previously reported	Adjustments	As restated
<i>Statement of activities</i>			
Revenues:			
Contributions	\$ 3,380,827	\$ (1,902,643)	\$ 1,478,184
Development fees	-	390,546	390,546
Total revenues	\$ 3,380,827	\$ (1,512,097)	\$ 1,868,730
Expenses:			
Program services	\$ 2,075,203	\$ 223,309	\$ 2,298,512
Management and general	329,167	(218,567)	110,600
Fund raising	172,065	24,421	196,486
Total expenses	\$ 2,404,370	\$ 4,742	\$ 2,409,112

2021 Performance Metrics

ADMINISTRATIVE EXPENSE RATIO

(Administrative Expenses/ Total Expenses)

Administration Expenses: \$78,127.00

Total Expenses: \$514,884.00

Ratio: 15.2%

FUNDINGRAISING EFFICIENCY RATIO

**measures how much revenue is being generated for every dollar that is spent on fundraising*

*** a lower ratio is considered better - under \$0.10 - \$0.15 for every dollar is the goal*

(Fundraising Expenses / Total Revenue & Support)

Fundraising Expenses: \$196,486.00

Total Revenue & Support: \$2,556,861.00

Ratio: \$0.08 (to raise \$1.00)

** includes contributions, in-kind, investment income, development fees*

Fundraising Expenses: \$196,486.00

Total Revenue & Support: \$2,094,814.00

Ratio: \$0.09 (to raise \$1.00)

** includes contributions and gifts in kind*

SUPPORT RATIO

(Funds back to the University/Total Expenses)

Total Contributions:

Total Expenses: \$2,094,814.00

Ratio: 514,884.00

4.07%

IRS e-file Signature Authorization for a Tax Exempt Entity

For calendar year 2021, or fiscal year beginning _____, 2021, and ending _____, 20__

2021

Department of the Treasury Internal Revenue Service

Do not send to the IRS. Keep for your records. Go to www.irs.gov/Form8879TE for the latest information.

Name of filer PRAIRIE VIEW A&M FOUNDATION EIN or SSN 38-3798900

Name and title of officer or person subject to tax JOHN OSBY INTERIM BOARD CHAIR

Part I Type of Return and Return Information

Check the box for the return for which you are using this Form 8879-TE and enter the applicable amount, if any, from the return. Form 8038-CP and Form 5330 filers may enter dollars and cents. For all other forms, enter whole dollars only.

Table with 3 columns: Line number (1a-10a), Description (Form type and check box), and Amount. Line 1a is checked with amount 2,459,692.

Part II Declaration and Signature Authorization of Officer or Person Subject to Tax

Under penalties of perjury, I declare that I am an officer of the above entity or I am a person subject to tax with respect to (name of entity) MCCONNELL & JONES LLP, (EIN) 98000 and that I have examined a copy of the 2021 electronic return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete.

PIN: check one box only

I authorize MCCONNELL & JONES LLP to enter my PIN 98000. Enter five numbers, but do not enter all zeros.

as my signature on the tax year 2021 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer or person subject to tax with respect to the entity, I will enter my PIN as my signature on the tax year 2021 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Signature of officer or person subject to tax Date

Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

76299791555

Do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2021 electronically filed return indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature Date 11/10/22

ERO Must Retain This Form - See Instructions Do Not Submit This Form to the IRS Unless Requested To Do So