

UNAUDITED

ANNUAL FINANCIAL REPORT

of

Texas A&M Research Foundation

For the Year Ended August 31, 2015

With Comparative Totals for the Year Ended August 31, 2014



Dr. Glen A. Laine, President
Dana R. Thomas, Chief Financial Officer

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TEXAS A&M RESEARCH FOUNDATION

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EXHIBIT III
TEXAS A&M RESEARCH FOUNDATION
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Assets and Deferred Outflows		
Current Assets		
Cash & Cash Equivalents [Schedule Three]	\$ 4,069,606.57	\$ 2,700,498.84
Investments		
Derivative Instruments		
Restricted		
Cash & Cash Equivalents [Schedule Three]		
Investments		
Legislative Appropriations		
Receivables, Net [Note 24]		
Federal	4,343,613.15	6,194,918.45
Other Intergovernmental		
Interest and Dividends	407,764.03	154,687.29
Gifts		
Self-Insured Health and Dental		
Student		
Investment Trades		
Accounts	1,625,194.67	1,356,237.11
Other	13,637.61	596,307.18
Due From Other Agencies		
Due From Other Members	10,286.06	43,278.63
Due From Other Funds	1,684,287.07	2,457,093.98
Consumable Inventories		
Merchandise Inventories		
Loans and Contracts		
Interfund Receivable [Note 12]		
Other Current Assets	10,069.92	11,288.90
Total Current Assets	<u>\$ 12,164,459.08</u>	<u>\$ 13,514,310.38</u>
Non-Current Assets		
Restricted		
Cash & Cash Equivalents [Schedule Three]	\$	\$
Assets Held By System Office		
Investments [Note 3]	301,515.11	319,814.84
Loans, Contracts and Other		
Gifts Receivable		
Loans and Contracts		
Assets Held By System Office	5,269,688.34	9,317,406.34
Investments [Note 3]		
Interfund Receivable [Note 12]		
Capital Assets, Non-Depreciable [Note 2]		
Land and Land Improvements	305,303.34	305,303.34
Construction In Progress	1,475,094.47	1,436,093.12
Other Tangible Capital Assets		
Land Use Rights		
Other Intangible Capital Assets		
Capital Assets, Depreciable [Note 2]		
Buildings and Building Improvements	1,850,208.59	1,830,391.50
Infrastructure		
Facilities and Other Improvements		
Furniture and Equipment	43,331,111.99	43,682,837.73
Vehicles, Boats, and Aircraft	76,696.64	76,579.48
Other Capital Assets		
Intangible Capital Assets, Amortized [Note 2]		
Land Use Rights		
Computer Software	113,887.93	177,232.05
Other Intangible Capital Assets		
Accumulated Depreciation/Amortization	(36,392,110.11)	(36,981,961.01)
Assets Held In Trust		
Other Non-Current Assets		
Total Non-Current Assets	<u>\$ 16,331,396.30</u>	<u>\$ 20,163,697.39</u>
Deferred Outflows of Resources [Note 28]		
Unamortized Loss On Refunding Debt	\$	\$
Government Acquisition		
Pensions		
Total Deferred Outflows of Resources	<u>\$</u>	<u>\$</u>
Total Assets and Deferred Outflows	<u>\$ 28,495,855.38</u>	<u>\$ 33,678,007.77</u>

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EXHIBIT III
 TEXAS A&M RESEARCH FOUNDATION
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Liabilities and Deferred Inflows		
Current Liabilities		
Payables		
Accounts	\$ 1,375,274.93	\$ 1,875,157.76
Payroll		
Investment Trades		
Self-Insured Health and Dental		
Student		
Other		
Interfund Payable [Note 12]		
Due to Other Agencies		
Due to Other Funds	1,684,287.07	2,457,093.98
Due to Other Members	6,466,720.42	9,224,778.00
Funds Held for Investment		
Unearned Revenue	2,459,587.19	2,927,982.61
Employees' Compensable Leave	88,747.90	35,972.23
Claims and Judgments		
Notes and Loans Payable [Note 5]		
Bonds Payable [Note 6]		
Capital Lease Obligations		
Liabilities Payable From Restricted Assets		
Funds Held for Others		
Other Current Liabilities		
Total Current Liabilities	<u>\$ 12,074,617.51</u>	<u>\$ 16,520,984.58</u>
Non-Current Liabilities		
Interfund Payable [Note 12]	\$	\$
Employees' Compensable Leave		77,385.13
Other Post Employment Benefits [Note 11]		
Pension Liability [Note 9]		
Claims and Judgments		
Notes and Loans Payable [Note 5]		
Bonds Payable [Note 6]		
Assets Held In Trust		
Liabilities Payable From Restricted Assets		
Funds Held for Others		
Capital Lease Obligations		
Other Non-Current Liabilities		
Total Non-Current Liabilities	<u>\$</u>	<u>\$ 77,385.13</u>
Deferred Inflows of Resources [Note 28]		
Pension	\$	\$
Total Deferred Inflows of Resources	<u>\$</u>	<u>\$</u>
Total Liabilities and Deferred Inflows	<u>\$ 12,074,617.51</u>	<u>\$ 16,598,369.71</u>
Net Position		
Net Investment In Capital Assets	\$ 10,760,192.85	\$ 10,526,476.21
Restricted for		
Debt Service		
Capital Projects		
Education	(57,049.25)	240,461.81
Endowment and Permanent Funds		
Nonexpendable	58,863.01	66,933.66
Expendable	4,380.10	3,473.18
Unrestricted	5,654,851.16	6,242,293.20
Total Net Position [Exhibit IV]	<u>\$ 16,421,237.87</u>	<u>\$ 17,079,638.06</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 28,495,855.38</u>	<u>\$ 33,678,007.77</u>

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EXHIBIT IV
 TEXAS A&M RESEARCH FOUNDATION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Operating Revenues		
Tuition and Fees	\$	\$
Discounts and Allowances		
Hospitals and Clinics		
Discounts and Allowances		
Professional Fees	129,088.93	8,252.97
Auxiliary Enterprises		
Discounts and Allowances		
Other Sales of Goods and Services	225,035.99	426,019.30
Discounts and Allowances		
Interest Revenue		
Federal Revenue - Operating	89,056,616.60	105,254,567.94
Federal Pass Through Revenue		
State Grant Revenue	81,501.28	75,906.57
State Pass Through Revenue		
Other Grants and Contracts - Operating	1,826,117.43	(2,048,280.14)
Other Operating Revenue	371,041.86	1,079,026.69
Total Operating Revenues	<u>\$ 91,689,402.09</u>	<u>\$ 104,795,493.33</u>
Operating Expenses		
Instruction	\$	\$
Research	87,551,080.59	102,932,623.88
Public Service	82,802.17	48,699.37
Hospitals and Clinics		
Academic Support	20,759.45	44,142.57
Student Services	1,165,708.68	1,416,658.19
Institutional Support	1,611,981.08	2,101,458.77
Operation & Maintenance of Plant		
Scholarships & Fellowships		
Auxiliary		
Depreciation/Amortization	2,381,762.47	2,580,999.68
Total Operating Expenses [Schedule IV-1]	<u>\$ 92,814,094.44</u>	<u>\$ 109,124,582.46</u>
Total Operating Income [Loss]	<u>\$ (1,124,692.35)</u>	<u>\$ (4,329,089.13)</u>
Nonoperating Revenues [Expenses]		
Legislative Revenue	\$	\$
Federal Revenue Non-Operating		
Federal Pass Through Non-Operating		
State Pass Through Non-Operating		
Gifts		
Land Income		
Investment Income	67,286.14	1,448,288.15
Investing Activities Expense	(21,696.73)	(27,479.53)
Interest Expense		
Borrower Rebates and Agent Fees		
Gain [Loss] On Sale or Disposal of Capital Assets		
Settlement of Claims		
Other Nonoperating Revenues	710,492.75	(304,976.48)
Other Nonoperating [Expenses]	(289,790.00)	(284,361.43)
Total Nonoperating Revenues [Expenses]	<u>\$ 466,292.16</u>	<u>\$ 831,470.71</u>
Income [Loss] Before Other Revenues and Transfers	<u>\$ (658,400.19)</u>	<u>\$ (3,497,618.42)</u>

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EXHIBIT IV
 TEXAS A&M RESEARCH FOUNDATION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
	<u> </u>	<u> </u>
Other Revenues and Transfers		
Capital Contributions	\$	\$
Capital Appropriations [Higher Education Fund]		
Additions to Permanent and Term Endowments		
Special Items		
Extraordinary Items		
Transfers In		
Transfers From Other State Agencies		
Mandatory Transfers From Other Members		
Nonmandatory Transfers From Other Members		
Nonmandatory Transfers From Members/Agencies-Cap Assets		
Transfers Out		
Transfers to Other State Agencies		
Mandatory Transfers to Other Members		
Nonmandatory Transfers to Other Members		
Nonmandatory Transfers to Members/Agencies - Cap Assets		
Legislative Transfers - In		
Legislative Transfers - Out		
Legislative Appropriations Lapsed		
	<u> </u>	<u> </u>
Total Other Revenues and Transfers	\$	\$
Change In Net Position	\$ (658,400.19)	\$ (3,497,618.42)
Net Position, Beginning of Year	\$ 17,079,638.06	\$ 20,577,256.48
Restatement		
	<u> </u>	<u> </u>
Net Position, Beginning of Year, Restated	\$ 17,079,638.06	\$ 20,577,256.48
Net Position, End of Year	\$ <u>16,421,237.87</u>	\$ <u>17,079,638.06</u>

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SCHEDULE IV-1
 TEXAS A&M RESEARCH FOUNDATION
 NACUBO FUNCTION TO NATURAL CLASSIFICATION MATRIX
 FOR THE YEAR ENDED AUGUST 31, 2015

	<u>INSTRUCTION</u>	<u>RESEARCH</u>	<u>PUBLIC SERVICE</u>	<u>HOSPITALS & CLINICS</u>	<u>ACADEMIC SUPPORT</u>
Natural Classification					
Cost of Goods Sold	\$	\$	\$	\$	\$
Salaries & Wages		17,300,585.15	76,667.55		6,449.64
Payroll Related Costs		3,535,356.01	3,920.62		1,662.18
Payroll Related Costs-TRS Pension					
Professional Fees & Services		35,616,502.87			8,106.50
Travel		2,869,076.62			
Materials & Supplies		9,403,861.02			
Communication & Utilities		309,490.52			
Repairs & Maintenance		574,112.44			
Rentals & Leases		354,511.69			
Printing & Reproduction		48,412.87			
Federal Pass-Through					
State Pass-Through					
Depreciation & Amortization					
Bad Debt Expense					
Interest					
Scholarships		878,159.12			
Claims & Losses					
Net Change In OPEB Obligation					
Other Operating Expenses		16,661,012.28	2,214.00		4,541.13
Total Operating Expenses	\$	\$ 87,551,080.59	\$ 82,802.17	\$	\$ 20,759.45

<u>STUDENT SERVICES</u>	<u>INSTITUTIONAL SUPPORT</u>	<u>OPERATION & MAINTENANCE OF PLANT</u>	<u>SCHOLARSHIPS & FELLOWSHIPS</u>	<u>AUXILIARY</u>	<u>DEPRECIATION & AMORTIZATION</u>	<u>TOTAL</u>	<u>PRIOR YEAR</u>
\$ (3,827.29)	\$ 658,826.16	\$	\$	\$	\$	\$ 18,038,701.21	\$ 25,976,074.40
(562.62)	180,683.22					3,721,059.41	5,223,163.04
1,002,331.36	233,185.59					36,860,126.32	42,135,145.85
	32,846.47					2,901,923.09	3,550,571.65
	615.65					9,404,476.67	13,462,826.79
15,718.27	278,633.64					603,842.43	548,020.37
	59,122.30					633,234.74	602,175.13
	8,231.40					362,743.09	400,442.22
	2,482.60					50,895.47	75,742.75
					2,381,762.47	2,381,762.47	2,580,999.68
	465.82					465.82	437.21
						878,159.12	1,526,392.59
<u>152,048.96</u>	<u>156,888.23</u>					<u>16,976,704.60</u>	<u>13,042,590.78</u>
<u>\$ 1,165,708.68</u>	<u>\$ 1,611,981.08</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,381,762.47</u>	<u>\$ 92,814,094.44</u>	<u>\$ 109,124,582.46</u>

[Exhibit IV]

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EXHIBIT V
TEXAS A&M RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Cash Flows From Operating Activities		
Proceeds Received From Tuition and Fees	\$	\$
Proceeds Received From Customers	354,124.92	434,272.27
Proceeds From Grants and Contracts	93,064,891.63	112,162,838.43
Proceeds From Auxiliary Enterprises		
Proceeds From Loan Programs		
Proceeds From Other Operating Revenues		
Payments to Suppliers for Goods and Services	(92,874,153.48)	(115,176,639.60)
Payments to Employees	(839,509.38)	(1,110,780.53)
Payments for Loans Provided		
Payments for Other Operating Expenses		
Net Cash Provided [Used] By Operating Activities	\$ (294,646.31)	\$ (3,690,309.43)
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$	\$
Proceeds From Gifts		
Proceeds From Endowments		
Proceeds From Transfers From Other Funds		
Proceeds From Other Grant Receipts		
Proceeds From Other Noncapital Financing Activities		
Payments of Interest		
Payments for Transfers to Other Funds		
Payments for Grant Disbursements		
Payments for Other Noncapital Financing Uses		
Other Noncapital Transfers From/To System		
Transfers Between Fund Groups		
Net Cash Provided [Used] By Noncapital Financing Activities	\$	\$
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$	\$
Proceeds From Debt Issuance		
Proceeds From State Grants and Contracts		
Proceeds From Federal Grants and Contracts		
Proceeds From Gifts		
Proceeds From Interfund Payables		
Proceeds From Other Financing Activities		
Proceeds From Capital Contributions		
Payments for Additions to Capital Assets	(2,210,901.00)	(1,164,293.52)
Payments of Principal On Debt		
Payments for Capital Leases		
Payments of Interest On Debt Issuance		
Payments for Interfund Receivables		
Payments of Other Costs On Debt Issuance		
Transfer of Capital Debt Proceeds From System [Nonmandatory]		
Intrasystem Transfers for Capital Debt [Mandatory]		
Intrasystem Transfers for Construction Proceeds [Non-Mand]		
Net Cash Provided [Used] By Capital and Related Financing Act.	\$ (2,210,901.00)	\$ (1,164,293.52)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	\$	\$
Sales and Purchases of Investments Held By System	3,976,968.41	2,696,349.88
Proceeds From Interest and Investment Income	135,545.65	172,115.37
Payments to Acquire Investments	(237,859.02)	(134,056.14)
Net Cash Provided [Used] By Investing Activities	\$ 3,874,655.04	\$ 2,734,409.11
Net Increase [Decrease] In Cash and Cash Equivalents	\$ 1,369,107.73	\$ (2,120,193.84)
Cash and Cash Equivalents, Beginning of Year	\$ 2,700,498.84	\$ 4,820,692.68
Restatement		
Cash and Cash Equivalents, Beginning of Year, As Restated	\$ 2,700,498.84	\$ 4,820,692.68
Cash and Cash Equivalents, End of Year [Sch Three]	\$ 4,069,606.57	\$ 2,700,498.84

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EXHIBIT V
TEXAS A&M RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Reconciliation of Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities	\$	\$
Operating Income [Loss]	(1,124,692.35)	(4,329,089.13)
Adjustments to Reconcile Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities		
Amortization and Depreciation	2,381,762.47	2,580,999.68
Bad Debt Expense		
Operating Income [Loss] and Cash Flow Categories Classification Differences		
Changes In Assets and Liabilities		
[Increase] Decrease In Receivables	2,165,017.31	7,463,815.91
[Increase] Decrease In Due From Other Funds		
[Increase] Decrease In Due From System Members	32,992.57	(353.61)
[Increase] Decrease In Inventories		
[Increase] Decrease In Prepaid Expenses	1,218.98	11,836.10
[Increase] Decrease In Loans and Contracts		
[Increase] Decrease In Other Assets		
[Increase] Decrease In Payables	(499,882.83)	(4,215,285.00)
[Increase] Decrease In Due to Other Agencies/Funds		
[Increase] Decrease In Due to System Members	(2,758,057.58)	(5,515,904.88)
[Increase] Decrease In Unearned Revenue	(468,395.42)	338,155.07
[Increase] Decrease In Deposits		
[Increase] Decrease In Employees' Compensable Leave	(24,609.46)	(24,483.57)
[Increase] Decrease In OPEB Liability		
[Increase] Decrease In Pension Liability		
[Increase] Decrease In Self Insured Accrued Liability		
[Increase] Decrease In Other Liabilities		
Total Adjustments	\$ 830,046.04	\$ 638,779.70
Net Cash Provided [Used] By Operating Activities	\$ (294,646.31)	\$ (3,690,309.43)
Non-Cash Transactions		
Donation of Capital Assets	\$	\$
Net Change In Fair Value of Investments	(868,806.79)	641,734.96
Refunding of Long Term Debt		
Amortization of Bond Premiums and Discounts		
Borrowing Under Capital Lease Purchase		
Other		

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SCHEDULE N-2
 TEXAS A&M RESEARCH FOUNDATION
 NOTE 2 - CAPITAL ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE 9-1-14	ADJUSTMENTS	COMPLETED CIP
Non-Depreciable/Non-Amortizable Assets			
Land and Land Improvements	\$ 305,303.34	\$	\$
Construction In Progress	1,436,093.12		
Total Non-Depreciable/Non-Amortizable Assets	\$ 1,741,396.46	\$	\$
Depreciable Assets			
Buildings	\$ 1,830,391.50	\$	\$
Furniture and Equipment	43,682,837.73		
Vehicles, Boats and Aircraft	76,579.48		
Total Depreciable Assets at Historical Cost	\$ 45,589,808.71	\$	\$
Less Accumulated Depreciation for			
Buildings	\$ (1,403,362.00)	\$	\$
Furniture and Equipment	(35,389,669.27)		
Vehicles, Boats and Aircraft	(11,697.69)		
Total Accumulated Depreciation	\$ (36,804,728.96)	\$	\$
Depreciable Assets, Net	\$ 8,785,079.75	\$	\$
Amortizable Assets - Intangible			
Computer Software	\$ 177,232.05	\$	\$
Total Intangible Assets at Historical Cost	\$ 177,232.05	\$	\$
Less Accumulated Amortization for			
Computer Software	\$ (177,232.05)	\$	\$
Total Accumulated Amortization	\$ (177,232.05)	\$	\$
Amortizable Assets, Net	\$	\$	\$
Capital Assets, Net	\$ 10,526,476.21	\$	\$

INC-INTERAGENCY TRANSACTIONS	DEC-INTERAGENCY TRANSACTIONS	ADDITIONS	DELETIONS	BALANCE 8-31-15
\$	\$	\$ 39,001.35	\$	\$ 305,303.34
				1,475,094.47
\$	\$	\$ 39,001.35	\$	\$ 1,780,397.81
\$	\$	\$ 19,817.09	\$	\$ 1,850,208.59
		2,841,060.11	(3,192,785.85)	43,331,111.99
		5,390.56	(5,273.40)	76,696.64
\$	\$	\$ 2,866,267.76	\$ (3,198,059.25)	\$ 45,258,017.22
\$	\$	\$ (45,156.04)	\$	\$ (1,448,518.04)
		(2,329,299.99)	2,907,610.00	(34,811,359.26)
		(7,306.44)	659.25	(18,344.88)
\$	\$	\$ (2,381,762.47)	\$ 2,908,269.25	\$ (36,278,222.18)
\$	\$	\$ 484,505.29	\$ (289,790.00)	\$ 8,979,795.04
\$	\$	\$	\$ (63,344.12)	\$ 113,887.93
\$	\$	\$	\$ (63,344.12)	\$ 113,887.93
\$	\$	\$	\$ 63,344.12	\$ (113,887.93)
\$	\$	\$	\$ 63,344.12	\$ (113,887.93)
\$	\$	\$	\$	\$
\$	\$	\$ 523,506.64	\$ (289,790.00)	\$ 10,760,192.85