TEXAS A&M RESEARCH FOUNDATION

EIN: 74-1238434
DUNS: 07-859-2789

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

AND

COMPLIANCE REPORTS

AUGUST 31, 2016 AND 2015

TEXAS A&M RESEARCH FOUNDATION
TABLE OF CONTENTS
AUGUST 31, 2016

	Page
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-17
Supplemental Information	18
Supplemental Schedule of Combined Statement of Activities	19
Supplemental Schedule of Supporting Services Unrestricted - Administration	20
Supplemental Schedule of Supporting Services Unrestricted - Service Facilities	21
Endowment Statement of Activity	22
Schedule of Changes in Property, Plant and Equipment	23
Compliance Reports	24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	25-26
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	27-28
Schedule of Expenditures of Federal Awards	29-33
Notes to the Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs for the Year Ended August 31, 2016	35-37
Schedule of Findings and Questioned Costs for the Year Ended August 31, 2016 - Status of Prior Year Findings and Questioned Costs	38

Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Texas A&M Research Foundation
College Station, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas A&M Research Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

T. 979.776.2600 F. 979.774.7759 E. iwc@ingram-wallis.com 2100 East Villa Maria, Suite 100 • Bryan, Texas 77802

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 19-23 is presented for purposes of additional analysis and is not a required part of the financial statements of the Foundation. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Bryan, Texas
November 30, 2016

Ingram, Wallis & Company

TEXAS A&M RESEARCH FOUNDATION
Statements of Financial Position
August 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 9,918,096.02	$ 9,339,294.91
Accounts and interest receivable, net	1,044,314.11	2,207,351.74
Due from A&M University, et. al.		
Accounts Receivable	220,588.51	564,418.76
Unbilled receivable on research contracts in progress	1,956,167.06	3,535,541.02
Inventories and prepaid expenses	61,953.88	103,253.92
Work in progress - equipment	461,070.00	1,628,784.47
Office and technical equipment	29,714,019.31	43,369,561.72
Software	5,000.00	113,887.93
Buildings and land	2,185,286.20	2,155,511.93
Less accumulated amortization and depreciation	(24,347,596.77)	(36,616,745.02)
Investment in mutual funds	69,295.37	63,243.11
Investment in corporate stock	299,904.00	238,272.00
Total assets	$ 21,588,097.69	$ 26,702,376.49
Liabilities and Net Assets		
Accounts payable	$ 1,205,925.26	$ 1,211,700.10
Accrued liabilities	328.90	-
Deferred revenues	2,921,041.20	2,459,587.19
Due to A&M University, et.al.		
Accounts payable	57,807.60	170,974.32
Salary and wages	2,394,049.93	3,512,419.48
Indirect costs	1,964,561.86	2,946,901.45
Accrued vacation payable	-	88,747.90
Total liabilities	8,543,714.75	10,390,330.44
Net Assets		
Unrestricted	12,675,183.57	16,010,530.94
Temporarily restricted	3,984.78	4,380.10
Permanently restricted	365,214.59	297,135.01
Total net assets	13,044,382.94	16,312,046.05
Total liabilities and net assets	$ 21,588,097.69	$ 26,702,376.49

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

TEXAS A&M RESEARCH FOUNDATION
Statements of Activities
For the Years Ended August 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Revenues and Gains		
Revenue for sponsored research	$ 84,254,480.92	$ 102,997,750.01
Other acquisitions	-	2,421,498.09
Investment income	180,092.08	935,186.01
Unrealized gain (loss) on investment	167,579.08	(849,600.14)
Assets released from restrictions	3,837.00	3,144.00
Total Revenues and Gains	84,605,989.08	105,507,977.97
Supporting services	1,483,973.60	1,633,677.81
Sponsored research expense	82,816,815.53	101,724,261.06
Contributions	3,837.00	3,144.00
Disposition of equipment	437,184.06	289,790.00
Depreciation and amortization expense	3,199,526.26	2,606,397.38
Total Expenses	87,941,336.45	106,257,270.25
Change in unrestricted net assets	(3,335,347.37)	(749,292.28)
Temporarily Restricted Net Assets		
Investment income	3,441.68	4,050.92
Assets released from restrictions	(3,837.00)	(3,144.00)
Change in temporarily restricted net assets	(395.32)	906.92
Permanently Restricted Net Assets		
Donation	5,956.00	-
Unrealized gain (loss) on investments	62,123.58	(19,206.65)
Change in permanently restricted net assets	68,079.58	(19,206.65)
Change in net assets	(3,267,663.11)	(767,592.01)
Net assets at beginning of year	16,312,046.05	17,079,638.06
Net assets at end of year	$ 13,044,382.94	$ 16,312,046.05

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

TEXAS A&M RESEARCH FOUNDATION
Statements of Cash Flows
For the Years Ended August 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (3,267,663.11)	$ (767,592.01)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Other acquisitions	-	(2,421,498.09)
Disposition of equipment	437,184.06	289,790.00
Unrealized (gain) loss on mutual funds	(491.58)	8,070.65
Unrealized (gain) loss on investment in corporate stock	(61,632.00)	11,136.00
Depreciation	3,199,526.26	2,606,397.38
Net change in accounts and interest receivable	1,506,867.88	1,473,500.64
Net change in unbilled receivable on research accounts	1,579,373.96	492,786.01
Net change in inventories and prepaid expenses	41,300.04	(20,134.53)
Net change in deferred revenue	461,454.01	(468,395.42)
Net change in accounts payable	(5,774.84)	(251,564.20)
Net change in accrued liabilities	328.90	(24.70)
Net change in due to TAMUS	(2,213,875.86)	(3,006,351.51)
Net change in accrued vacation	(88,747.90)	(24,609.46)
Net cash provided (used) by operating activities	1,587,849.82	(2,078,489.24)
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(1,003,488.03)	(599,214.11)
Purchase of mutual funds	(9,397.68)	(4,050.92)
Proceeds from sale of mutual funds	3,837.00	3,144.00
Net cash used by investing activities	(1,009,048.71)	(600,121.03)
Net increase (decrease) in cash and cash equivalents	578,801.11	(2,678,610.27)
Cash and cash equivalents at beginning of year	9,339,294.91	12,017,905.18
Cash and cash equivalents at end of year	$ 9,918,096.02	$ 9,339,294.91

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Texas A&M Research Foundation (Foundation) is a non-profit scientific research corporation organized under the laws of the State of Texas and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code). In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Code.

Financial Statements

The financial statements of the Foundation have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Contributions

The Foundation reports gifts of cash and other assets as restricted if they are received with donor restrictions that limit the use of the donated assets. The Foundation has a restricted endowment that can be used for the benefit of the Foundation.

The Tina and Paul Gardner Reveille VII Research Fund, established to support the Texas A&M Department of Small Animal Clinical Sciences (the Department) in the College of Veterinary Medicine and Biomedical Sciences, currently exceeds $50,000. Therefore, the income earnings will be distributed to the Department to be used exclusively for supporting proposed or on-going research projects by interns and Medicine Section residents. Income earnings are reported as temporarily restricted investments and transfer to unrestricted investments as funds become available for distribution to the Department. The donor requires the corpus to stay intact and unrealized capital gains to be added to the corpus which is carried as a restricted investment.

Concentration of Credit Risk

A significant amount of the Foundation's receivables are due from the Federal government and agencies thereof. Credit risk is based on the good standing of the Federal government.

Property, Plant and Equipment

The Foundation follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of $5,000. The basis of valuation of purchased items is cost and of contributed items is fair value. Depreciation or amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Furniture and equipment	5-10	years
Vehicles	5	years
Buildings and improvements	20-31.5	years
Software	5-6	years

NOTE 2 – CASH AND INVESTMENTS:

Substantially all cash, except for working cash accounts, is deposited with the Foundation's depository bank in interest bearing accounts or is invested. The Foundation's investment policy is established by management and is designed to maximize the generation of current investment income while maintaining a liquid position through short-term investments. The policy states that funds may currently be invested in:

Certificates of Deposit, with maturities not to exceed 24 months, issued by a State or National bank and insured by the FDIC, or its successor, or secured (collateralized) by surety bond, or pledged securities. Collateral held by a third party will have a market value of not less than the principal amounts of the certificates.

Repurchase Agreements, with maturities not to exceed 7 days, secured by U.S. Treasury Securities or other government agency securities. Collateral must be held by a third party. All agreements will be in compliance with Federal Reserve Bank guidelines.

Money Market Funds must be registered with the Securities and Exchange Commission and be no-load funds. Funds may be invested or withdrawn daily. In addition, any money market fund utilized by the Foundation must meet the investment objectives listed above and may not contain in its portfolio investments in high risk investment instruments such as derivative products, venture capital, or futures contracts, etc.

Cash Concentration Pool offered by The Texas A&M University System. Investments in the Cash Concentration Pool will be limited to such investments as are eligible under The Texas A&M University System Investment Policy as adopted and amended from time to time by the Board of Regents of The Texas A&M University System.

Interest bearing bank accounts in federally insured savings and loan associations, and State and National banks. If the deposits exceed the amount insured by the Federal Savings and Loan Insurance Corporation, the Federal Deposit Insurance Corporation or their successors, pledged securities or a surety bond must be obtained. The pledged collateral must be held by a third party, and at all times will have a market value of not less than the principal amounts deposited.

NOTE 2 – CASH AND INVESTMENTS – CONTINUED:

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation has placed its cash and cash equivalents with high credit quality financial institutions and with The Texas A&M University System Treasury Office.

The Foundation's cash and cash equivalents do not represent a significant concentration of credit risk as the bank provides a surety bond for amounts in excess of FDIC coverage. Other cash and cash equivalents and investments do not represent a significant concentration of credit risk due to the diversification of the investments made by The Texas A&M University System Treasury Office and other financial institutions on behalf of the Foundation. The fair values of cash and cash equivalents approximate cost because of the immediate short term maturity of these financial instruments. Investments are stated at fair value.

The Foundation had the following cash equivalents and investments as of August 31, 2016:

	Carrying Amount	Unrestricted Investment Return	Temporarily Restricted Investment Return	Permanently Restricted Investment Return
Unrestricted:				
Cash Concentration Pool	$8,206,626.13			
Investment income		$168,590.97		
Unrealized gain (loss)		167,579.08		
Wells Fargo InvestAccount	1,613,385.63			
Merrill Lynch Governmental Fund	192,913.31	2,669.11		
Producers Cooperative		20.00		
Temporarily Restricted:				
Tina and Paul Gardner Reveille VII Research Fund	3,984.78			
Investment income			$3,441.68	
Permanently Restricted:				
9600 Shares of General Electric Common Stock	299,904.00	8,832.00		
Unrealized gain (loss)				$61,632.00
Tina and Paul Gardner Reveille VII Research Fund	65,310.59			
Unrealized gain (loss)				491.58

NOTE 2 – CASH AND INVESTMENTS – CONTINUED:

The Foundation had the following cash equivalents and investments as of August 31, 2015:

	Carrying Amount	Unrestricted Investment Return	Temporarily Restricted Investment Return	Permanently Restricted Investment Return
Unrestricted:				
Cash Concentration Pool	$7,887,425.45			
Investment income		$924,813.10		
Unrealized gain (loss)		(849,600.14)		
Wells Fargo InvestAccount	856,917.39			
Merrill Lynch Governmental Fund	990,244.80	1,613.05		
Producers Cooperative		23.86		
Temporarily Restricted:				
Tina and Paul Gardner Reveille VII Research Fund	4,380.10			
Investment income			$4,050.92	
Permanently Restricted:				
9600 Shares of General Electric Common Stock	238,272.00	8,736.00		
Unrealized gain (loss)				($11,136.00)
Tina and Paul Gardner Reveille VII Research Fund	58,863.01			
Unrealized gain (loss)				(8,070.65)

NOTE 3 – FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

NOTE 3 – FAIR VALUE MEASUREMENTS -CONTINUED:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2016 and 2015.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 – FAIR VALUE MEASUREMENTS -CONTINUED:

The Foundation had the following assets at fair value as of August 31, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income funds	$ 20,662.59	$ -	$ -	$ 20,662.59
Equities	42,426.89	-	-	42,426.89
Other funds	6,205.89	-	-	6,205.89
Total mutual funds	69,295.37	-	-	69,295.37
Common stocks:				
General Electric	299,904.00	-	-	299,904.00
Total assets at fair value	$ 369,199.37	$ -	$ -	$ 369,199.37

The Foundation had the following assets at fair value as of August 31, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income funds	$ 21,266.95	$ -	$ -	$ 21,266.95
Equities	41,574.30	-	-	41,574.30
Other funds	401.86	-	-	401.86
Total mutual funds	63,243.11	-	-	63,243.11
Common stocks:				
General Electric	238,272.00	-	-	238,272.00
Total assets at fair value	$ 301,515.11	$ -	$ -	$ 301,515.11

NOTE 4 – RELATED PARTY TRANSACTIONS:

In September 2011 the Foundation began transitioning its research activity to Sponsored Research Services (SRS), a newly created office under The Texas A&M University System (System) and an officially acknowledged System member. While the System continues to designate the Foundation as one of the central entities through which System sponsored research grants/contracts are administered, the majority of work, with sponsor approval, will eventually transfer to SRS.

The Foundation also operates as The Texas A&M University System Health Science Center Research Foundation and as Prairie View A&M University Research Foundation. These entities are unincorporated subsidiaries of the Foundation.

NOTE 4 – RELATED PARTY TRANSACTIONS - CONTINUED:

In the following tables receipts constitute reimbursed expenses. Disbursements are comprised of salaries, direct costs and indirect cost reimbursements.

The following is a summary of transactions with the System and other related parties for the year ended August 31, 2016:

	Accounts Receivable	Accounts Payable	Receipts	Disbursements
Texas A&M System Administrative and General Offices	$ 3,990.24	$ 3,990.24	$ 340,083.79	$ 161,826.14
Texas A&M University	216,238.53	3,415,263.69	571,938.98	18,032,308.06
Tarleton State University	-	-	-	4,213.32
Prairie View A&M University	-	36,919.88	-	188,163.38
Texas AgriLife Research	-	547,518.57	245.68	4,747,237.25
Texas AgriLife Extension Service	-	-	-	16,302.82
Texas A&M Engineering Experiment Station	359.74	4,233.36	18,620.03	173,730.72
Texas A&M Engineering Extension Service	-	-	-	20,500.00
Texas A&M University at Galveston	-	50,940.36	-	130,460.30
Texas Forest Service	-	-	-	-
Texas Transportation Institute	-	239,961.83	531.50	1,651,081.36
Texas A&M University at Corpus Christi	-	4,242.33	-	179,590.18
Texas A&M International University	-	-	-	-
Texas A&M University at Kingsville	-	-	-	-
West Texas A&M University	-	-	-	-
Texas Veterinary Medical Diagnostic Laboratory	-	-	-	-
Texas A&M University at Commerce	-	-	-	-
Texas A&M University at Texarkana	-	-	-	-
Texas A&M University Health Science Center		113,349.13	-	1,406,416.57
Texas A&M University System Sponsored Research Services	-	-	-	-
Electric Power Research Institute	-	-	-	-
	$ 220,588.51	$ 4,416,419.39	$ 931,419.98	$26,711,830.10

NOTE 4 – RELATED PARTY TRANSACTIONS - CONTINUED:

The following is a summary of transactions with the System and other related parties for the year ended August 31, 2015:

	Accounts Receivable	Accounts Payable	Receipts	Disbursements
Texas A&M System Administrative and General Offices	$ -	$ 36,653.81	$ 603,578.18	$ 265,492.43
Texas A&M University	208,939.22	4,246,459.12	347,209.75	23,183,057.02
Tarleton State University	-	8,426.64	-	134,045.67
Prairie View A&M University	-	73,939.72	-	561,453.26
Texas AgriLife Research	245.68	1,403,801.46	1,480.59	7,441,163.34
Texas AgriLife Extension Service	-	9,586.78	-	61,090.32
Texas A&M Engineering Experiment Station	4,734.15	84,773.31	36,218.37	405,022.97
Texas A&M Engineering Extension Service	-	10,000.00	-	6,825.00
Texas A&M University at Galveston	-	67,420.66	-	445,728.76
Texas Forest Service	-	-	-	-
Texas Transportation Institute	531.50	362,491.69	3,656.90	2,517,357.77
Texas A&M University at Corpus Christi	9,907.29	38,429.85	-	210,048.94
Texas A&M International University	-	-	-	10,008.50
Texas A&M University at Kingsville	-	-	-	1,092.54
West Texas A&M University	-	-	-	-
Texas Veterinary Medical Diagnostic Laboratory	-	-	-	-
Texas A&M University at Commerce	-	-	-	14,682.80
Texas A&M University at Texarkana	378.77	-	-	21,180.25
Texas A&M University Health Science Center		259,425.51	1,081.08	2,899,742.44
Texas A&M University System Sponsored Research Services	339,682.15	24,048.20	-	386,155.05
Electric Power Research Institute	-	4,838.50	-	-
	$ 564,418.76	$ 6,630,295.25	$ 993,224.87	$38,564,147.06

NOTE 5 – BUILDINGS AND FACILITIES:

The Foundation owns a building and facilities located in College Station, Texas, which are used in the Geochemical and Environmental Research Group operations. Research projects are charged an off-campus indirect cost rate in addition to a direct charge for the use of this facility that is returned to building operations in the facilities account.

NOTE 6 – COMMITMENTS AND CONTINGENCIES:

Certain costs billed to the U.S. Government are subject to audit and determination of allowance or disallowance in accordance with sponsor contract provisions. In management's opinion there would be an immaterial adverse effect as a result of any such audits.

At August 31, 2016, the Foundation had $1,090,626.66 ($1,563,068.21 in 2015) in sponsor owned fixed assets on its fixed asset detail records. Title to these assets remains with the sponsors and therefore the assets are not included in the Foundation's financial statements.

The Foundation is responsible for maintaining accountability for these assets during the project's contract period. At the project's conclusion, the assets may be transferred to another active project that needs to utilize the equipment or, in some cases, title may be transferred to the Research Foundation.

NOTE 7 – INTEGRATED OCEAN DRILLING PROGRAM (IODP)

Expenditures for IODP for the period ending August 31, 2016 were $58.8 million. On October 1, 2014, the Research Foundation began a five year cooperative agreement with NSF as the *JOIDES Resolution Science Operator* for the International Ocean Discovery Program. The cooperative agreement budget is $66 million per year.

NOTE 8 – DISPOSITION OF EQUIPMENT:

As a result of assets discarded, donated to Members of The Texas A&M University System, or transferred to other institutions, the Foundation's disposition of equipment for fiscal year 2016 was $437,184.06 compared to $289,790 for fiscal year 2015.

	FY16	FY15
Discarded	$ 59,669.11	$ 75,585.19
Donated/transferred	377,514.95	214,204.81
Disposition of equipment	$ 437,184.06	$ 289,790.00

NOTE 9 – FEDERAL INCOME TAXES:

On September 1, 2009, the Foundation adopted the provisions of ASC 740, *Income Taxes*, as amended by FASB in September 2009. The Foundation evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax provision or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Interest and penalties associated with uncertain tax positions are recognized as components of federal income tax expense. As noted above, the Foundation is a tax-exempt non-profit organization; therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Foundation believes that its tax position regarding its status as a tax-exempt organization will remain significantly unchanged within the next twelve months.

While the Foundation is not aware of any tax examinations being conducted, tax years 2013 – 2015 remain subject to examination by the United States Internal Revenue Service.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through November 30, 2016, the date which the financial statements were available to be issued. Since the period ending August 31, 2016, the Foundation has been contacted about the results of an audit which covered ten (10) years of activity on federally sponsored projects. It is likely there will be disallowed costs; however, at this time the amount is unknown.

NOTE 11 – TRANSITION OF THE FOUNDATION:

In the spring of 2011 The Texas A&M University System Board of Regents (The System) adopted a new structure for managing research administration within The System. The Board of Regents consolidated research administration services and established Texas A&M University System Sponsored Research Services (SRS) for this purpose. The consolidation of research administration services has had a significant impact on the role of the Texas A&M Research Foundation (Foundation), although it continues to operate as an independent 501(c)(3) organization. The focus of the change was to combine the operations of the Foundation into the overall operations of SRS. The Foundation's bylaws were revised to reflect the impact of this organizational change.

Staff from System member offices and the Foundation merged into a single office located at 400 Harvey Mitchell Parkway South, College Station, Texas. All but 16 current Foundation

NOTE 11 - TRANSITION OF THE FOUNDATION - CONTINUED:

employees transitioned from Foundation employment to System employment. The remaining 16 employees were designated as "near retirement" and remained Foundation employees. As of August 31, 2016, the remaining employees retired.

While most proposals are currently submitted in the name of the System member, researchers will be able to use the Foundation to submit proposals in the name of the Foundation when a nonprofit organization is needed. The Foundation will function more as a financial tool within SRS. The Foundation continues to work with sponsors to transfer active awards to the System members. It is estimated that it could take as long as six years to transition all of the research accounts currently administered by the Foundation to SRS. Research expenditures on the Foundation books have continued to decrease as new awards are set up on the System member books. In fiscal year 2016 approximately 167 research accounts were either transferred to SRS or terminated based on the research account's end date.

The System expects the establishment of SRS and the consolidation of research administration will enhance sponsored research services by applying best practices under a common management and training function housed at a central location. The full implementation is expected to reduce research administration cost at the System and position all System members for the growth of their research enterprises.

SUPPLEMENTAL INFORMATION

TEXAS A&M RESEARCH FOUNDATION
Supplemental Schedule of Combined Statement of Activities
For the Year Ended August 31, 2016

	Administrative	Service Facilities	Subtotal	Sponsored Research	Texas A&M University et al	Subtotal	Endowment	Property, Plant, and Equipment	Total
Support and revenue:									
Net revenue for sponsored research	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Indirect costs:									
Charges on research projects	26,970.34	-	26,970.34	74,803,023.95	8,656,282.35	83,459,306.30	-	-	83,486,276.64
Charges for services and facilities provided	-	364,055.84	364,055.84	-	-	-	-	-	364,055.84
Administrative cost allowance	122,305.78	-	122,305.78	-	-	-	-	-	122,305.78
Donation	-	-	-	-	-	-	5,956.00	-	5,956.00
Investment income	180,092.08	-	180,092.08	-	-	-	3,441.68	-	183,533.76
Unrealized gain (loss) on investments	167,579.08	-	167,579.08	-	-	-	62,123.58	-	229,702.66
Other	281,842.66	-	281,842.66		-	-	-	-	281,842.66
Assets released from restrictions	3,837.00	-	3,837.00	-	-	-	(3,837.00)	-	-
Total support and revenue	782,626.94	364,055.84	1,146,682.78	74,803,023.95	8,656,282.35	83,459,306.30	67,684.26	-	84,673,673.34
Expenses:									
Research	-	-	-	66,458,399.76	-	66,458,399.76	-	-	66,458,399.76
Indirect	-	-	-	7,706,971.94	-	7,706,971.94	-	-	7,706,971.94
Contributions	3,837.00	-	3,837.00	-	-	-	-	-	3,837.00
Supporting services	1,169,814.53	314,159.07	1,483,973.60	-	8,651,443.83	8,651,443.83	-	-	10,135,417.43
Depreciation and amortization	-	-	-	-	-	-	-	3,199,526.26	3,199,526.26
Total expenses and losses	1,173,651.53	314,159.07	1,487,810.60	74,165,371.70	8,651,443.83	82,816,815.53	-	3,199,526.26	87,504,152.39
Excess (deficiency) of support and revenue over (under) expenses	(391,024.59)	49,896.77	(341,127.82)	637,652.25	4,838.52	642,490.77	67,684.26	(3,199,526.26)	(2,830,479.05)
Net assets at beginning of year	5,295,941.73	120,637.43	5,416,579.16	(57,049.25)	-	(57,049.25)	301,515.11	10,651,001.03	16,312,046.05
Transfers:									
Cash	(151,997.50)	(6,376.58)	(158,374.08)	163,212.60	(4,838.52)	158,374.08	-	-	-
Equipment acquisition from current funds	-	(29,774.27)	(29,774.27)	(973,713.76)	-	(973,713.76)	-	1,003,488.03	-
Disposition of equipment	-	-	-	-	-	-	-	(437,184.06)	(437,184.06)
Net assets at end of year	$ 4,752,919.64	$ 134,383.35	$ 4,887,302.99	$ (229,898.16)	$ (0.00)	$ (229,898.16)	$ 369,199.37	$ 8,017,778.74	$ 13,044,382.94

TEXAS A&M RESEARCH FOUNDATION
Supplemental Schedule of Supporting Services
Unrestricted - Administration
For the Year Ended August 31, 2016

	General	Backlog	Reserve	Other	Total
Revenue and Gains:					
Indirect costs charged on research projects	$ 28,439.40	$ -	$ -	$ (1,469.06)	$ 26,970.34
Administrative cost allowance	122,305.78	-	-		122,305.78
Investment income	-	20,495.80	-	159,596.28	180,092.08
Reimbursements	-	-	-	264,370.75	264,370.75
Other revenue	15,078.08	-	-	2,393.83	17,471.91
Unrealized gain (loss) on investments	-	-	-	167,579.08	167,579.08
Assets released from restriction	-	-	-	3,837.00	3,837.00
Total revenue	165,823.26	20,495.80	-	596,307.88	782,626.94
Expenses:					
Salaries	545,331.44	-	-	(88,747.90)	456,583.54
Payroll taxes and insurance	118,188.56	-	-	-	118,188.56
Printing and reproduction	1,800.00	-	-	-	1,800.00
Rent	8,492.60	-	-	-	8,492.60
Travel-administrative	2,392.38	-	-	-	2,392.38
Professional fees	63,403.76	-	-	3,149.03	66,552.79
Other services	199,760.28	-	-	(509.47)	199,250.81
Maintenance and repairs	545.00	-	-	-	545.00
Insurance - general	1,666.00	-	-	-	1,666.00
Project losses		-	222.03	-	222.03
Dues, subscriptions & training	3,336.50	-	-	-	3,336.50
Other	26,563.27	3,740.88	-	38,003.90	68,308.05
Interest expense	-	-	-	253.90	253.90
Contributions	-	-	-	3,837.00	3,837.00
Other research support	-	-	-	242,222.37	242,222.37
Total expenses	971,479.79	3,740.88	222.03	198,208.83	1,173,651.53
Change in net assets	(805,656.53)	16,754.92	(222.03)	398,099.05	(391,024.59)
Net assets at beginning of year	(567,358.05)	990,691.04	907,915.38	3,964,693.36	5,295,941.73
Transfers:					
Cash transfers	630,245.03	294.15	(832,693.35)	50,156.67	(151,997.50)
Net assets at end of year	$ (742,769.55)	$ 1,007,740.11	$ 75,000.00	$ 4,412,949.08	$ 4,752,919.64

TEXAS A&M RESEARCH FOUNDATION
Supplemental Schedule of Supporting Services
Unrestricted - Service Facilities
For the Year Ended August 31, 2016

	GERG Operations
Revenue:	
Charges for services and facilities provided	$ 364,055.84
Total revenue	364,055.84
Expenses:	
Salaries and wages	77,529.26
Payroll taxes and insurance	29,074.74
Retirement contributions	2,662.13
Fuel	49.38
Repairs and replacements	36,041.79
Insurance	19,905.00
Communications	20,244.22
Other	4,625.85
Indirect costs	27,311.28
Utilities	96,715.42
Total expenses	314,159.07
Change in net assets	49,896.77
Net assets at beginning of year	120,637.43
Transfers:	
Cash transfers	(6,376.58)
Equipment acquisitions transferred to property, plant and equipment	(29,774.27)
Net assets at end of year	$ 134,383.35

TEXAS A&M RESEARCH FOUNDATION
Endowment
Statement of Activity
For the Year Ended August 31, 2016

	William B. Clayton Memorial	Temporarily Restricted Tina and Paul Gardner Reveille VII Research Fund	Permanently Restricted Tina and Paul Gardner Reveille VII Research Fund	Total
Donations	$ -	$ -	$ 5,956.00	$ 5,956.00
Investment income	-	3,441.68	-	3,441.68
Unrealized gain on investments	61,632.00	-	491.58	62,123.58
Assets released from restriction	-	(3,837.00)	-	(3,837.00)
Total revenue	61,632.00	(395.32)	6,447.58	67,684.26
Net assets at beginning of year	238,272.00	4,380.10	58,863.01	301,515.11
Net assets at end of year	$ 299,904.00	$ 3,984.78	$ 65,310.59	$ 369,199.37

TEXAS A&M RESEARCH FOUNDATION
Schedule of Changes in Property, Plant and Equipment
For the Year Ended August 31, 2016

Property, Plant and Equipment

	August 31, 2015	Additions/ Purchases	Deletions	Reclassifications	August 31, 2016
Equipment	$ 40,956,789.81	$ 661,333.76	$ 15,791,970.64	$ 3,887,866.38	$ 29,714,019.31
Work in Progress	1,628,784.47	307,380.00	-	(1,475,094.47)	461,070.00
Software	113,887.93	5,000.00	113,887.93	-	5,000.00
Buildings and land	2,146,785.75	29,774.27	-	8,726.18	2,185,286.20
Total	44,846,247.96	1,003,488.03	15,905,858.57	2,421,498.09	32,365,375.51
Other acquisitions	2,421,498.09	-	-	(2,421,498.09)	-
	$ 47,267,746.05	$ 1,003,488.03	$ 15,905,858.57	$ -	$ 32,365,375.51

Accumulated Amortization and Depreciation

	August 31, 2015	Additions	Deletions	Reclassifications	August 31, 2016
Equipment	$ 35,054,339.05	$ 3,149,213.52	$ 15,354,786.58	$ -	$ 22,848,765.99
Software	113,887.93	5,000.00	113,887.93	-	5,000.00
Buildings and land	1,448,518.04	45,312.74	-	-	1,493,830.78
	$ 36,616,745.02	$ 3,199,526.26	$ 15,468,674.51	$ -	$ 24,347,596.77

COMPLIANCE REPORTS

Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Texas A&M Research Foundation
College Station, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Texas A&M Research Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

T. 979.776.2600 F. 979.774.7759 E. iwc@ingram-wallis.com 2100 East Villa Maria, Suite 100 • Bryan, Texas 77802

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-001.

Foundation's Response to Finding

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bryan, Texas
November 30, 2016

Ingram, Wallis & Company

Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Texas A&M Research Foundation
College Station, Texas

Report on Compliance for Each Major Federal Program

We have audited the Texas A&M Research Foundation's (the "Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended August 31, 2016. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2016.

T. 979.776.2600 F. 979.774.7759 E. iwc@ingram-wallis.com 2100 East Villa Maria, Suite 100 • Bryan, Texas 77802

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The Foundation's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bryan, Texas
November 30, 2016

Ingram, Wallis & Company

Texas A&M Research Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
Highway and Planning Construction Cluster			
Department of Transportation			
Pass Thru From:			
Arizona Department of Transportation			
Highway Planning and Construction	20.205	TASK MPD0025-15\ ADOT11-003006:3	14,335.43
Leidos, Inc.			
Highway Planning and Construction	20.205	P010052675-R21	2,930.85
Total, Department of Transportation			17,266.28
Total, Highway and Planning Construction Cluster			17,266.28
Research and Development Cluster			
Department of Agriculture			
Direct Program:			
Higher Education - Graduate Fellowships Grant Program	10.210		188.60
Consumer Data and Nutrition Research	10.253		0.63
Organic Agriculture Research and Extension Initiative	10.307		10,135.16
Agriculture and Food Research Initiative (AFRI)	10.310		1,633,870.03
Pass Thru From:			
Oklahoma State University			
Integrated Programs	10.303	AB-5-67490-TAMU-RF	2,284.79
Center for Research on the Changing Earth System			
Agriculture and Food Research Initiative (AFRI)	10.310	TAMRF-30213 (2011-657003-30213)	7,678.59
University of California-Davis			
Agriculture and Food Research Initiative (AFRI)	10.310	201015739-02	3,081.66
University of Delaware			
Agriculture and Food Research Initiative (AFRI)	10.310	25606 (PRIME 2011-67003-30342)	28,299.44
University of Florida-Gainesville			
Agriculture and Food Research Initiative (AFRI)	10.310	UF11099 (USDA PRIME# 2011-68002-30185)	351,998.10
University of Georgia			
Agriculture and Food Research Initiative (AFRI)	10.310	RD317100/4784286 (2011-68003-30012)	80,439.75
Total, Department of Agriculture			2,117,976.75
Department of Commerce			
Direct Program:			
Integrated Ocean Observing System (IOOS)	11.012		1,591,642.86
Applied Meteorological Research	11.468		28,268.40
Total, Department of Commerce			1,619,911.26
Department of Defense			
Direct Program:			
Basic and Applied Scientific Research	12.300	N00014-12-1-0785	20,271.32
Military Medical Research and Development	12.420	W81XWH1120166	471,427.25
Pass Thru From:			
University of Texas-HSC-San Antonio			
Military Medical Research and Development	12.420	127561 126994	229,152.27
Total, Department of Defense			720,850.84
Department of Interior			
Direct Program:			
Technical Science-Analytical Service	15.000	F12PC00007/F15PC00122	12,655.85
Pass Thru From:			
CSA International, Inc.			
Exploration and Research of Mid-Atlantic Deepwater Hard Bottom Habitats and Shipwrecks with Emphasis on Canyons and Coral	15.000	CSA JOB #2314 AMENDMENT #2	1,819.55
Total, Department of the Interior			14,475.40

Texas A&M Research Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
Department of State			
Direct Program:			
General Department of State Assistance	19.700		469,614.54
Total, Department of State			469,614.54
Department of Transportation			
Pass Thru From:			
Battelle Memorial Institute			
UPA Evaluation	20.000	600112-15	13,550.24
Evaluation of Pedestrians Safety Engineering Countermeasures at Urban and Suburban Midblock Crossing Locations	20.000	601119-1	(18.85)
Evaluation of Safety Treatments for Pedestrian Crossing: Pedestrian Hybrid Beacon, Rectangular Rapid Flashing Beacon	20.000	US001-601119-3	181,454.09
Leidos, Inc.			
Highway Safety Visibility Program (HSVP) Outreach, Technical Assistance, and Rulemaking	20.000	P010052675 R6 T-11-002	26,443.76
Deployment of Detection-Control System (D-CS) Algorithm into Different Signal Controller Platforms for Independent Third	20.000	P010052675-R10	38,783.91
Roadway Data Extraction Technical Assistance Program (RDETAP) (under SAIC BA 99-652)	20.000	P010052675-R14	74,146.38
Scale and Scope of Highway Safety Manual Implementation in the Project Development Process	20.000	P010052675-R18	50,604.92
Railway-Highway Crossing Action Plan and Project Prioritization Noteworthy-Practices	20.000	P010052675-R19	17,298.38
Traffic Signal Controller Logic Enhancements to Support Vehicle to Infrastructure (V2I) Safety	20.000	P010052675-R20	97,653.80
Guidance on Traffic Control Devices	20.000	TASK 5012/P010052675-R22	28,632.16
NAS-National Cooperative Highway Research Program			
Quantifying the Influence of Geosynthetics on Pavement Performance Basic Agreement 99-558	20.000	HR 01-50, TO 5, NAS 128	45,494.26
Placement of Traffic Barriers on Roadside and Median Slopes	20.000	NAS 128, NO 7 / HR22-22(002)	12,056.03
Guidelines for Slope Traversability	20.000	NAS 138 TO 19 / HR 17-55	25,169.58
Traffic Control Device Guidelines for Curves	20.000	NAS 138 TO22 HR 03 106 SUB0000078	(26.97)
Effective Project Scoping Practices to Improve On-Time and On-Budget Delivery of Highway Projects	20.000	NAS 138 TO23 HR 08-88	8,095.36
Work Zone Crash Characteristics and Countermeasure Guidance	20.000	NAS 138 TP24 HR 17-61	228,275.26
Institute of Transportation Engineers			
Highway Research and Development Program	20.200	ITE-00-21.14 TASK 6	78,842.44
Leidos, Inc.			
Highway Research and Development Program	20.200	P010052675 - R17 / T-14-005	28,490.94
Total, Department of Transportation			954,945.69
National Aeronautics and Space Administration			
Direct Program:			
Science	43.001		64,327.93
Pass Thru From:			
California Institute of Technology			
Investigation of the Properties of Martian Atmospheric Dust and its Effect on the Illumination of the Martian Surface	43.000	1242728	2,606.01
Lockheed Martin Space Operations			
Lockheed Martin Space Operations	43.000	4101005763/BBM004CH9	1,040,956.24
Malin Space Science Systems			
Atmospheric Imaging Investigation for the Mars Science Laboratory Imaging Science Team	43.000	11-0156 (NMO710846)	118,135.39

Texas A&M Research Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
Space Telescope Science Institute			
Cosmic Assembly Near-IR Deep Extragalactic Survey (CANDELS) - I	43.000	HST-GO-12060.047-A	43,706.64
Super-Group 1120-1202: A Unique Laboratory for Tracing Galaxy Evolution in an Assembling Cluster at Z=0.37	43.000	HST-GO-12470.01-A	3,811.82
Total, National Aeronautics and Space Administration			1,273,544.03
National Science Foundation			
Direct Program:			
Engineering Grants	47.041		(34.29)
Mathematical and Physical Sciences	47.049		459,373.80
Geosciences	47.050		59,123,805.25
Computer and Information Science and Engineering	47.070		12,417.22
Biological Sciences	47.074		378,406.68
Social, Behavioral, and Economic Sciences	47.075		12,718.31
Education and Human Resources	47.076		686,816.84
Office of Cyberinfrastructure	47.080		342,800.02
Pass Thru From:			
Princeton University			
Engineering Grants	47.041	00001214	8,404.80
William Marsh Rice University			
Mathematical and Physical Sciences	47.049	R3C75E	11,118.25
Consortium for Ocean Leadership			
Geosciences	47.050	T339A13	6,011.36
Geosciences	47.050	T341A13	3,398.99
Geosciences	47.050	T347A13	2,182.50
Geosciences	47.050	T349A13	976.26
Geosciences	47.050	T350A13	5,051.76
Geosciences	47.050	T351A13	9,060.00
Geosciences	47.050	T352A13	4,555.04
University of California, Regents of			
Geosciences	47.050	20091128101	39,297.76
University of California, Regents of			
Biological Sciences	47.074	S-000500 (PRIME EF-1115144)	19,801.68
Colorado State University			
Social, Behavioral, and Economic Sciences	47.075	G-3003-1	15,213.92
Total, National Science Foundation			61,141,376.15
Department of Energy			
Direct Program:			
Office of Science Financial Assistance Program	81.049		410,599.65
Pass Thru From:			
Louisiana State University			
Office of Science Financial Assistance Program	81.049	41922	9,786.20
Total, Department of Energy			420,385.85
Department of Education			
Direct Program:			
School Leader Recruitment and Support (formerly School Leadership)	84.363		5,547.54
Total, Department of Education			5,547.54
Department of Health and Human Services			
Direct Program:			
Combination Drug Testing for New TB Regimens	93.000	HHSN2722010000241/HHSN272001 A73	66,191.65
Public Health Emergency Preparedness	93.069		93,195.51
Environmental Health	93.113		724.73
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		48,312.53

Texas A&M Research Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
Drug Abuse and Addiction Research Programs	93.279		21,593.42
Minority Health and Health Disparities Research	93.307		18,650.38
National Center for Research Resources	93.389		254,245.18
Cancer Cause and Prevention Research	93.393		333,674.32
Cancer Treatment Research	93.395		171,261.01
Cancer Biology Research	93.396		181,773.80
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		245,360.67
Allergy and Infectious Diseases Research	93.855		2,208,366.76
Biomedical Research and Research Training	93.859		849,967.61
Child Health and Human Development Extramural Research	93.865		3,933.82
Aging Research	93.866		116.80
Grants for Primary Care Training and Enhancement	93.884		261,842.90
Pass Thru From:			
University of Utah			
RDSAFE: A Multi-Institutional Study of HSC Donor Safety and Quality of Life	93.000	10007823-04	0.02
Washington University in St. Louis			
Cardiovascular Diseases Research	93.837	PO NO.2911033P,SUBCONTRACT NO.WU-11-71	20,849.93
Total, Department of Health and Human Services			4,780,061.04
Total, Research and Development Cluster			73,518,689.09
Total, Federal Awards Expended			$ 73,535,955.37

Texas A&M Research Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Subrecipients

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Total Pass-Through and Expenditure
U.S. Department of Agriculture		
Agriculture and Food Research Initiative (AFRI)	10.310	811,769.60
Totals - U.S. Department of Agriculture		811,769.60
U.S. Department of Commerce		
Integrated Ocean Observing System (IOOS)	11.012	516,427.51
Totals - U.S. Department of Commerce		516,427.51
U.S. Department of Defense		
Basic and Applied Scientific Research	12.300	12,488.83
Military Medical Research and Development	12.420	90,547.34
Totals - U.S. Department of Defense		103,036.17
U.S. Department of Transportation		
Quantifying the Influence of Geosynthetics On Pavement Performance	20.000	474.58
Effective Project Scoping Practices To Improve ON-Time and ON-Budget Delivery of Highway Projects	20.000	5,651.94
Work Zone Crash Characteristics and Countermeasure Guidance	20.000	52,159.46
Totals - U.S. Department of Transportation		58,285.98
National Aeronautics and Space Administration		
Lockheed Martin Space Operations	43.000	889,585.39
Science	43.001	24,635.04
Totals - National Aeronautics and Space Administration		914,220.43
National Science Foundation		
Biological Sciences	47.074	12,517.70
Totals - National Science Foundation		12,517.70
U.S. Department of Energy		
Office of Science Financial Assistance Program	81.049	572.00
Totals - U.S. Department of Energy		572.00
U.S. Department of Education		
Education Research, Development and Dissemination	84.305	
School Leader Recruitment and Support (formerly School Leadership)	84.363	(6,059.49)
Totals - U.S. Department of Education		(6,059.49)
U.S. Department of Health and Human Services		
Public Health Emergency Preparedness	93.069	10,685.24
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	27,839.54
Minority Health and Health Disparities Research	93.307	7,597.18
Allergy and Infectious Diseases Research	93.855	1,034,762.83
Grants for Primary Care Training and Enhancement	93.884	96,625.99
Totals - U.S. Department of Health and Human Services		1,177,510.78
Total Amount Provided to Subrecipients		$ 3,588,280.68

TEXAS A&M RESEARCH FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Texas A&M Research Foundation (the "Foundation").

Basis of Accounting – The expenditures on the accompanying schedule of expenditures of federal awards are presented using the cash basis of accounting. Under the cash basis method of accounting, revenue and expense are recorded in the books of account when received and paid, respectively, without regard to the period to which they apply.

Relationship to Financial Statements – Expenditures of federal awards are reported in the Foundation's financial statements on the accrual basis. Following is a reconciliation between the financial statements and the Schedule of Expenditures of Federal Awards as of August 31, 2016.

Sponsored research expense in Statement of Activities, August 31, 2016	$82,816,815.53
Non-federal expenditures	(9,874,269.38)
Research equipment purchased and capitalized during the year	666,333.76
Work in progress additions	307,380.00
Other	(380,304.54)
Total Expenditures per Schedule of Expenditures of Federal Awards, August 31, 2016	$73,535,955.37

Relationship to Federal Financial Reports – Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

Indirect Cost Rate – The Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

TEXAS A&M RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified? ___yes _X_none reported

Noncompliance material to financial statements noted? ___yes _X_no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified? _X_yes ___none reported

Type of auditors' report issued on compliance for major federal program: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance? _X_yes ____no

Identification of major federal program:

N/A	Research and Development Cluster
CFDA Number(s)	*Name of Federal Program or Cluster*

Dollar threshold used to distinguish between Federal type A and Federal type B programs: $2,206,079

Auditee qualified as low-risk auditee? _X_yes ___no

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 Noncompliance with Subrecipient Monitoring Requirements

CFDA No: 20.000
Program Title: Work Zone Crash Characteristics and Countermeasure Guidance
Agency: Department of Transportation - Federal Highway Administration
Passthrough Entity: National Academy of Sciences
Federal Award No: NAS 138 TP24 HR 17-61
Federal Award Year: 9/1/12–1/31/17
Subaward: S131206 – University of Utah
S131207 – Virginia Department of Transportation

CFDA No: 47.074
Program Title: Biodiversity in the Parasitic Fluke Genus Alloglossidium: Evolutionary Origins of Changes in Life Cycle Complexity
Agency: National Science Foundation
Federal Award No: 1145508
Federal Award Year: 2/1/12-1/31/17
Subaward: S120047 – Southeastern Louisiana University

Criteria: The OMB Compliance Supplement requires that pass-through entities are responsible for subrecipient audits and ensuring that the required subrecipient audits were completed and appropriate and timely corrective action was taken an all audit findings, when applicable.

Condition: The subrecipient audits must be reviewed for audit findings and corrective action must be taken.

Questioned Costs: This finding did not result in any questioned costs.

Context: It was noted that fiscal year 2015 audits for subrecipients under subaward agreements S131206, S131207, and S120047 were not reviewed for findings. We inquired of staff regarding these audits and they confirmed that the audit reports were not requested from the subrecipients until after we made our inquiry.

Effect: The overall effect is that these subrecipient audits were not reviewed for findings in accordance with OMB Compliance Supplement requirements.

Cause: The subrecipients were not adequately tracked to ensure that all subrecipient audits had been reviewed.

Recommendation: We recommend that an employee be designated to review the subrecipient audits and keep a log of all audits reviewed to ensure that all subrecipient audits are completed and appropriate and timely corrective action is taken.

Response & Planned Corrective Action: The Texas A&M Research Foundation acknowledges and agrees with the finding. An employee will be designated to obtain and review subrecipient audit reports to ensure the audits have been performed, if required, and that corrective action plans exist for any audit findings related to subawards issued by the Texas A&M Research Foundation.

TEXAS A&M RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards.*

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings and questioned costs which are required to be reported in accordance with Section 510(a) of Circular A-133.