

TEXAS A&M RESEARCH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

AND

COMPLIANCE REPORTS

AUGUST 31, 2014 AND 2013

TEXAS A&M RESEARCH FOUNDATION  
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AUGUST 31, 2014

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## 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, 2014 and 2013, 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.



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, 2014 and 2013, 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 20-24 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 and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 17, 2014, 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 17, 2014

*Dorgran, Wallis & Company*



TEXAS A&M RESEARCH FOUNDATION  
Statements of Financial Position  
August 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 12,017,905.18	\$ 15,618,678.79
Accounts and interest receivable, net	3,458,031.59	5,271,456.06
Due from A&M University, et. al.		
Accounts Receivable	787,239.55	1,378,479.53
Unbilled receivable on research contracts in progress	4,028,327.03	8,805,418.24
Inventories and prepaid expenses	83,119.39	231,199.18
Work in progress - equipment	1,436,093.12	1,168,456.91
Office and technical equipment	43,759,417.21	45,315,232.62
Software	177,232.05	1,179,737.63
Buildings and land	2,135,694.84	1,969,897.51
Less accumulated amortization and depreciation	(36,981,961.01)	(37,081,469.46)
Investment in mutual funds	70,406.84	56,819.58
Investment in corporate stock	249,408.00	222,144.00
Total assets	<u>\$ 31,220,913.79</u>	<u>\$ 44,136,050.59</u>
Liabilities and Net Assets		
Accounts payable	\$ 1,463,264.30	\$ 5,325,052.15
Accrued liabilities	24.70	-
Deferred revenues	2,927,982.61	2,589,827.54
Due to A&M University, et.al.		
Accounts payable	464,517.88	761,890.62
Salary and wages	5,820,923.24	8,216,394.88
Indirect costs	3,351,205.64	6,527,787.99
Accrued vacation payable	<u>113,357.36</u>	<u>137,840.93</u>
Total liabilities	<u>14,141,275.73</u>	<u>23,558,794.11</u>
Net Assets		
Unrestricted	16,759,823.22	20,298,292.90
Temporarily restricted	3,473.18	2,280.06
Permanently restricted	<u>316,341.66</u>	<u>276,683.52</u>
Total net assets	<u>17,079,638.06</u>	<u>20,577,256.48</u>
Total liabilities and net assets	<u>\$ 31,220,913.79</u>	<u>\$ 44,136,050.59</u>

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, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Revenues and Gains		
Revenue for sponsored research	\$ 119,427,436.40	\$ 172,757,911.33
Other acquisitions	22,126.73	1,118,626.70
Investment income	771,145.54	780,504.61
Unrealized gain on investment	608,811.82	2,505.09
Assets released from restrictions	2,093.00	2,371.00
Total Revenues and Gains	<u>120,831,613.49</u>	<u>174,661,918.73</u>
Expenses		
Supporting services	2,101,458.77	2,764,884.50
Sponsored research expense	119,401,170.29	167,987,380.70
Contributions	2,093.00	2,371.00
Disposition of equipment	284,361.43	479,652.26
Depreciation and amortization expense	2,580,999.68	3,013,585.84
Total Expenses	<u>124,370,083.17</u>	<u>174,247,874.30</u>
Change in unrestricted net assets	<u>(3,538,469.68)</u>	<u>414,044.43</u>
Temporarily Restricted Net Assets		
Investment income	3,286.12	2,133.34
Assets released from restrictions	(2,093.00)	(2,371.00)
Change in temporarily restricted net assets	<u>1,193.12</u>	<u>(237.66)</u>
Permanently Restricted Net Assets		
Donation	6,735.00	1,160.00
Unrealized gain on investments	32,923.14	26,037.80
Change in permanently restricted net assets	<u>39,658.14</u>	<u>27,197.80</u>
Change in net assets	<u>(3,497,618.42)</u>	<u>441,004.57</u>
Net assets at beginning of year	<u>20,577,256.48</u>	<u>20,136,251.91</u>
Net assets at end of year	<u>\$ 17,079,638.06</u>	<u>\$ 20,577,256.48</u>

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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (3,497,618.42)	\$ 441,004.57
Adjustments to reconcile change in net assets to cash used by operating activities:		
Other acquisitions	(22,126.73)	(1,118,626.66)
Disposition of equipment	284,361.43	479,652.26
Unrealized (gain) loss on mutual funds	(5,659.14)	(2,709.80)
Unrealized (gain) loss on investment in corporate stock	(27,264.00)	(23,328.00)
Depreciation	2,580,999.68	3,013,585.84
Net change in accounts and interest receivable	2,404,664.45	2,038,449.72
Net change in unbilled receivable on research accounts	4,777,091.21	(5,110,006.81)
Net change in inventories and prepaid expenses	148,079.79	29,377.15
Net change in other assets	-	13,017.58
Net change in deferred revenue	338,155.07	(6,105,397.02)
Net change in accounts payable	(3,861,787.85)	2,447,184.50
Net change in accrued liabilities	24.70	(83,281.28)
Net change in due to TAMUS	(5,869,426.73)	(5,328,107.78)
Net change in accrued vacation	(24,483.57)	(7,645.40)
Net cash used by operating activities	<u>(2,774,990.11)</u>	<u>(9,316,831.13)</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(817,855.38)	(1,754,176.78)
Purchase of mutual funds	(10,021.12)	(3,293.34)
Proceeds from sale of mutual funds	2,093.00	2,371.00
Net cash used by investing activities	<u>(825,783.50)</u>	<u>(1,755,099.12)</u>
Net decrease in cash and cash equivalents	(3,600,773.61)	(11,071,930.25)
Cash and cash equivalents at beginning of year	15,618,678.79	26,690,609.04
Cash and cash equivalents at end of year	<u>\$ 12,017,905.18</u>	<u>\$ 15,618,678.79</u>

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



TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2014 and 2013

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.

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Compensated Absences

The Foundation accrues a liability for vested vacation time which employees are entitled to receive upon request or termination of employment.

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

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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 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.



TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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, 2014:

	<u>Carrying Amount</u>	<u>Unrestricted Investment Return</u>	<u>Temporarily Restricted Investment Return</u>	<u>Restricted Investment Return</u>
<u>Unrestricted:</u>				
Cash Concentration Pool	\$10,179,221.93			
Investment income		\$762,053.37		
Unrealized gain		608,811.82		
Wells Fargo InvestAccount	987,755.23			
Merrill Lynch Governmental Fund	838,631.75	840.17		
Producers Cooperative		92.00		
<u>Temporarily Restricted:</u>				
Tina and Paul Gardner				
Reveille VII Research Fund	3,473.18			
Investment income			\$3,286.12	
<u>Permanently Restricted:</u>				
9600 Shares of General				
Electric Common Stock	249,408.00	8,160.00		
Unrealized gain				\$27,264.00
Tina and Paul Gardner				
Reveille VII Research Fund	66,933.66			
Unrealized gain				5,659.14

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

NOTE 2 – CASH AND INVESTMENTS – CONTINUED:

The Foundation had the following cash equivalents and investments as of August 31, 2013:

	<u>Carrying Amount</u>	<u>Unrestricted Investment Return</u>	<u>Temporarily Restricted Investment Return</u>	<u>Restricted Investment Return</u>
<u>Unrestricted:</u>				
Cash Concentration Pool	\$14,494,444.69			
Investment income		\$763,386.55		
Unrealized gain		\$2,505.09		
Wells Fargo InvestAccount	(29,745.37)			
Merrill Lynch Governmental Fund	1,137,791.58	9,986.92		
Producers Cooperative		27.14		
<u>Temporarily Restricted:</u>				
Tina and Paul Gardner				
Reveille VII Research Fund	2,279.58			
Investment income			\$2,133.34	
<u>Permanently Restricted:</u>				
9600 Shares of General				
Electric Common Stock	222,144.00	7,104.00		
Unrealized gain				\$23,328.00
Tina and Paul Gardner				
Reveille VII Research Fund	54,540.00			
Unrealized gain				2,709.80

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:

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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, 2014 and 2013.

*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.



TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

NOTE 3 – FAIR VALUE MEASUREMENTS -CONTINUED:

The Foundation had the following assets at fair value as of August 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 24,009.22	\$ -	\$ -	\$ 24,009.22
Equities	46,036.79	-	-	46,036.79
Other funds	360.83	-	-	360.83
Total mutual funds	<u>70,406.84</u>	<u>-</u>	<u>-</u>	<u>70,406.84</u>
Common stocks:				
Consumer	249,408.00	-	-	249,408.00
Total assets at fair value	<u>\$ 319,814.84</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,814.84</u>

The Foundation had the following assets at fair value as of August 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 18,026.92	\$ -	\$ -	\$ 18,026.92
Equities	37,636.78	-	-	37,636.78
Other funds	1,155.88	-	-	1,155.88
Total mutual funds	<u>56,819.58</u>	<u>-</u>	<u>-</u>	<u>56,819.58</u>
Common stocks:				
Consumer	222,144.00	-	-	222,144.00
Total assets at fair value	<u>\$ 278,963.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,963.58</u>

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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.

Texas Transportation Research Foundation, Texas A&M Research Foundation Services, Inc. and HSC Biz, Inc. are all wholly owned subsidiaries of the Foundation. In March 2012 the Research Foundation's Board approved the dissolution of the Texas Research Foundation Services, Inc. and the Texas Transportation Research Foundation. The purposes for which these subsidiaries were created were no longer needed by the Research Foundation. The process to dissolve each of these entities was completed by August 31, 2014.

(Continued on next page)

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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, 2014:

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Receipts</u>	<u>Disbursements</u>
Texas A&M System				
Administrative and General Offices	\$ 7,809.24	\$ 50,845.66	\$ 1,457,011.31	\$ 300,706.37
Texas A&M University	88,050.61	5,492,843.70	557,165.89	30,604,636.67
Tarleton State University	-	37,831.26	-	113,640.72
Prairie View A&M University	-	174,219.05	35,307.00	948,566.54
Texas AgriLife Research	35,703.88	2,070,010.45	-	9,974,196.82
Texas AgriLife Extension Service	-	7,974.89	3,593.46	82,517.25
Texas Engineering Experiment Station	5,338.50	49,067.60	218,387.57	732,116.96
Texas Engineering Extension Service	-	-	-	14,750.00
Texas A&M University at Galveston	-	127,189.43	-	797,402.04
Texas Forest Service	-	-	-	-
Texas Transportation Institute	3,683.66	503,296.12	9,296.03	4,194,770.57
Texas A&M University at Corpus Christi	42,899.86	23,424.64	-	264,740.10
Texas A&M International University	-	10,000.00	-	64,949.11
Texas A&M University at Kingsville	-	2,185.08	-	21,358.30
West Texas A&M University	-	-	-	46,572.53
Texas Veterinary Medical Diagnostic Laboratory	-	-	-	1,006.40
Texas A&M University at Commerce	-	10,427.71	-	29,685.53
Texas A&M University at Texarkana	378.77	41,173.89	-	46,875.18
Texas A&M University Health Science Center	147.98	864,505.00	392.21	6,273,215.30
Texas A&M University System Sponsored Research Services	603,227.05	166,813.78	-	1,050,492.84
Electric Power Research Institute	-	4,838.50	-	-
	<u>\$ 787,239.55</u>	<u>\$ 9,636,646.76</u>	<u>\$ 2,281,153.47</u>	<u>\$55,562,199.23</u>



TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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, 2013:

	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	<u>Receipts</u>	<u>Disbursements</u>
Texas A&M System				
Administrative and General Offices	\$ 35,145.16	\$ (28,100.59)	\$ 563,767.55	\$ 636,353.37
Texas A&M University	47,696.05	8,892,984.54	328,199.34	40,821,130.51
Tarleton State University	-	2,826.64	-	136,760.00
Prairie View A&M University	-	187,180.76	103,652.47	1,091,925.60
Texas AgriLife Research	75.00	2,964,576.52	3,262.10	13,686,306.35
Texas AgriLife Extension Service		4,319.40	-	76,230.50
Texas Engineering Experiment Station	64,574.38	148,395.85	573,782.41	279,344.83
Texas Engineering Extension Service	-	8,250.00	-	50,643.74
Texas A&M University at Galveston		200,990.18	-	1,091,646.79
Texas Forest Service		-		
Texas Transportation Institute	3,656.90	1,020,583.80	5,790.43	7,483,533.06
Texas A&M University at Corpus Christi	7,779.86	26,262.07	-	248,342.20
Texas A&M International University	-	1,659.27	-	49,299.30
Texas A&M University at Kingsville	-	1,504.82	-	49,897.77
West Texas A&M University	-	1,374.56	-	82,189.52
Texas Veterinary Medical Diagnostic Laboratory	-	-	-	1,617.00
Texas A&M University at Commerce	-	5,547.75	-	42,142.94
Texas A&M University at Texarkana	-	14,403.80	-	44,350.66
Texas A&M University Health Science Center	229.98	1,673,233.21	-	11,310,293.62
Texas A&M University System Sponsored Research Services	1,219,322.20	375,242.41	-	739,329.21
Electric Power Research Institute	-	4,838.50	-	-
	<u>\$1,378,479.53</u>	<u>\$ 15,506,073.49</u>	<u>\$ 1,578,454.30</u>	<u>\$77,921,336.97</u>

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

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 – LEASED FACILITIES:

The Foundation, on behalf of the Texas A&M University System Health Science Center, leased general office space in Bryan, Texas. The lease expired August 15, 2013.

All Foundation leases for various pieces of document reproduction equipment expired March 2013. Additionally, the Foundation currently has no future lease payments required under any leases.

Rent expense for the year ended August 31, 2013 amounted to \$45,068.00. There were no rent expenses for the year ended August 31, 2014.

NOTE 7 – 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, 2014, the Foundation had \$24,269,851.66 (\$24,577,295.60 in 2013) 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 8 – INTEGRATED OCEAN DRILLING PROGRAM (IODP)

Expenditures for IODP for the period ending August 31, 2014 were \$58.3 million. The National Science Foundation (NSF) has approved an extension of the existing program to September 30, 2014 and the Research Foundation will be closing out the contract through June 2015.

On October 1, 2014, the Research Foundation will begin 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.

TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

NOTE 9 – 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 2014 was \$284,361.43 compared to \$479,652.26 for fiscal year 2013.

	<u>FY14</u>	<u>FY13</u>
Discarded	\$ 166,875.77	\$ 25,430.20
Donated/transferred	<u>117,485.66</u>	<u>454,222.06</u>
Disposition of equipment	<u>\$ 284,361.43</u>	<u>\$ 479,652.26</u>

NOTE 10 – 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 2011 – 2013 remain subject to examination by the United States Internal Revenue Service.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through November 17, 2014, the date which the financial statements were available to be issued.



TEXAS A&M RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
AUGUST 31, 2014 and 2013

NOTE 12 – 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 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, 2014, there were 10 employees remaining. However, it is planned that the Foundation will not have any employees after August 31, 2016.

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 three years to transition all of the research accounts currently administered by the Foundation to SRS. Research expenditures on the Foundation books have begun to decrease as new awards are set up on the System member books. In fiscal year 2014 approximately 566 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.

NOTE 13 – LITIGATION:

All present legal proceedings have been resolved as of February 11, 2013 at which time the Court granted the Foundation a summary judgment. The Foundation has no liability to any party as a result of such resolution.

## SUPPLEMENTAL INFORMATION

TEXAS A&M RESEARCH FOUNDATION  
Supplemental Schedule of Combined Statement of Activities  
For the Year Ended August 31, 2014

Support and revenue:	Administrative	Service Facilities	Subtotal	Sponsored Research	Texas A&M University et al	Subtotal	Endowment	Property, Plant, and Equipment	Total
Net revenue for sponsored research	\$ -	\$ -	\$ -	\$ 102,912,154.92	\$ -	\$ 102,912,154.92	\$ -	\$ -	\$ 102,912,154.92
Indirect costs:									
Charges on research projects	29,274.65	-	29,274.65	-	14,612,608.14	14,612,608.14	-	-	14,641,882.79
Charges for services and facilities provided	364,410.07	852,774.72	1,217,184.79	-	-	-	-	-	1,217,184.79
Administrative cost allowance	433,213.50	-	433,213.50	-	-	-	-	-	433,213.50
Donation	-	-	-	-	-	-	6,735.00	-	6,735.00
Investment income	771,145.54	-	771,145.54	-	-	-	3,286.12	-	774,431.66
Unrealized gain on investments	608,811.82	-	608,811.82	-	-	-	32,923.14	-	641,734.96
Other	223,000.40	-	223,000.40	-	-	-	(2,093.00)	-	223,000.40
Assets released from restrictions	2,093.00	-	2,093.00	-	-	-	-	-	-
Total support and revenue	2,431,948.98	852,774.72	3,284,723.70	102,912,154.92	14,612,608.14	117,524,763.06	40,851.26	-	120,850,338.02
Expenses:									
Research	-	-	-	92,886,415.39	-	92,886,415.39	-	-	92,886,415.39
Indirect	-	-	-	11,902,146.76	-	11,902,146.76	-	-	11,902,146.76
Contributions	2,093.00	-	2,093.00	-	-	-	-	-	2,093.00
Supporting services	1,501,110.49	600,348.28	2,101,458.77	-	14,612,608.14	14,612,608.14	-	-	16,714,066.91
Depreciation and amortization	-	-	-	-	-	-	-	2,580,999.68	2,580,999.68
Total expenses and losses	1,503,203.49	600,348.28	2,103,551.77	104,788,562.15	14,612,608.14	119,401,170.29	-	2,580,999.68	124,083,721.74
Excess (deficiency) of support and revenue over (under) expenses	928,745.49	252,426.44	1,181,171.93	(1,876,407.23)	-	(1,876,407.23)	40,851.26	(2,580,999.68)	(3,235,383.72)
Net assets at beginning of year	4,890,335.24	123,308.04	5,013,643.28	2,732,794.41	-	2,732,794.41	278,963.58	12,551,855.21	20,577,256.48
Transfers:									
Equipment acquisition from current funds	-	(201,930.01)	(201,930.01)	(615,925.37)	-	(615,925.37)	-	817,855.38	-
Other acquisitions	-	-	-	-	-	-	-	22,126.73	22,126.73
Disposition of equipment	-	-	-	-	-	-	-	(284,361.43)	(284,361.43)
Net assets at end of year	\$ 5,819,080.73	\$ 173,804.47	\$ 5,992,885.20	\$ 240,461.81	\$ -	\$ 240,461.81	\$ 319,814.84	\$ 10,526,476.21	\$ 17,079,638.06



TEXAS A&M RESEARCH FOUNDATION  
Supplemental Schedule of Supporting Services  
Unrestricted - Administration  
For the Year Ended August 31, 2014

	General	Backlog	Reserve	Other	Total
Revenue and Gains:					
Indirect costs charged on research projects	\$ 29,274.65	\$ -	\$ -	\$ -	\$ 29,274.65
Charges for services and facilities provided	363,894.29	-	-	515.78	364,410.07
Administrative cost allowance	277,256.64	-	-	155,956.86	433,213.50
Investment income	-	63,872.61	-	707,272.93	771,145.54
Reimbursements	-	-	-	202,440.25	202,440.25
Other revenue	19,334.93	-	-	1,225.22	20,560.15
Unrealized gain on investments	-	-	-	608,811.82	608,811.82
Assets released from restriction	-	-	-	2,093.00	2,093.00
Total revenue	<u>689,760.51</u>	<u>63,872.61</u>	<u>-</u>	<u>1,678,315.86</u>	<u>2,431,948.98</u>
Expenses:					
Salaries	792,400.85	-	-	(24,483.57)	767,917.28
Payroll taxes and insurance	177,539.69	-	-	-	177,539.69
Printing and reproduction	3,704.96	-	-	-	3,704.96
Supplies	275.00	-	-	-	275.00
Rent	8,840.60	-	-	-	8,840.60
Travel-administrative	4,713.32	-	-	-	4,713.32
Professional fees	(136,735.37)	-	-	1,822.97	(134,912.40)
Other services	239,030.28	-	-	152,600.00	391,630.28
Maintenance and repairs	23,659.70	-	-	-	23,659.70
Insurance - general	7,534.44	-	28,051.00	-	35,585.44
Project losses	-	-	13,191.40	-	13,191.40
Dues, subscriptions & training	11,323.00	-	-	-	11,323.00
Other	894.64	5,417.00	-	27,885.22	34,196.86
Interest expense	-	-	-	437.21	437.21
Amortization	74,436.49	-	-	(74,436.49)	-
Contributions	-	-	-	2,093.00	2,093.00
Other research support	-	-	-	163,008.15	163,008.15
Total expenses	<u>1,207,617.60</u>	<u>5,417.00</u>	<u>41,242.40</u>	<u>248,926.49</u>	<u>1,503,203.49</u>
Change in net assets	(517,857.09)	58,455.61	(41,242.40)	1,429,389.37	928,745.49
Net assets at beginning of year	482,953.17	838,659.38	956,138.38	2,612,584.31	4,890,335.24
Transfers:					
Cash transfers	<u>(28,526.33)</u>	<u>-</u>	<u>13,191.40</u>	<u>15,334.93</u>	<u>-</u>
Net assets at end of year	<u>\$ (63,430.25)</u>	<u>\$ 897,114.99</u>	<u>\$ 928,087.38</u>	<u>\$ 4,057,308.61</u>	<u>\$ 5,819,080.73</u>

TEXAS A&M RESEARCH FOUNDATION  
Supplemental Schedule of Supporting Services  
Unrestricted - Service Facilities  
For the Year Ended August 31, 2014

	<u>GERG Operations</u>
Revenue:	
Charges for services and facilities provided	\$ <u>852,774.72</u>
Total revenue	<u>852,774.72</u>
Expenses:	
Salaries and wages	121,729.13
Payroll taxes and insurance	37,713.25
Retirement contributions	5,877.76
Fuel	926.20
Stores and supplies	54,504.06
Repairs and replacements	228,171.82
Insurance	17,349.01
Communications	1,083.75
Professional Fees	5,292.06
Other	2,076.73
Indirect costs	16,375.24
Utilities	<u>109,249.27</u>
Total expenses	<u>600,348.28</u>
Change in net assets	252,426.44
Net assets at beginning of year	123,308.04
Transfers:	
Equipment acquisitions transferred to property, plant and equipment	<u>(201,930.01)</u>
Net assets at end of year	\$ <u><u>173,804.47</u></u>

TEXAS A&M RESEARCH FOUNDATION  
Endowment  
Statement of Activity  
For the Year Ended August 31, 2014

	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	\$ -	\$ -	\$ 6,735.00	\$ 6,735.00
Investment income	-	3,286.12	-	3,286.12
Unrealized gain on investments	27,264.00	-	5,659.14	32,923.14
Assets released from restriction	<u>-</u>	<u>(2,093.00)</u>	<u>-</u>	<u>(2,093.00)</u>
Total revenue	<u>27,264.00</u>	<u>1,193.12</u>	<u>12,394.14</u>	<u>40,851.26</u>
Net assets at beginning of year	<u>222,144.00</u>	<u>2,280.06</u>	<u>54,539.52</u>	<u>278,963.58</u>
Net assets at end of year	<u>\$ 249,408.00</u>	<u>\$ 3,473.18</u>	<u>\$ 66,933.66</u>	<u>\$ 319,814.84</u>



TEXAS A&M RESEARCH FOUNDATION  
Schedule of Changes in Property, Plant and Equipment  
For the Year Ended August 31, 2014

Property, Plant and Equipment					
	<u>August 31, 2013</u>	<u>Additions/ Purchases</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>August 31, 2014</u>
Equipment	\$ 44,196,605.96	\$ 384,421.84	\$ 1,962,363.98	\$ 1,118,626.66	\$ 43,737,290.48
Work in Progress	1,168,456.91	267,636.21	-	-	1,436,093.12
Software	1,179,737.63	-	1,002,505.58	-	177,232.05
Buildings and land	<u>1,969,897.51</u>	<u>165,797.33</u>	<u>-</u>	<u>-</u>	<u>2,135,694.84</u>
Total	48,514,698.01	817,855.38	2,964,869.56	1,118,626.66	47,486,310.49
Other acquisitions	<u>1,118,626.66</u>	<u>22,126.73</u>	<u>-</u>	<u>(1,118,626.66)</u>	<u>22,126.73</u>
	<u>\$ 49,633,324.67</u>	<u>\$ 839,982.11</u>	<u>\$ 2,964,869.56</u>	<u>\$ -</u>	<u>\$ 47,508,437.22</u>

Accumulated Amortization and Depreciation					
	<u>August 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>August 31, 2014</u>
Equipment	\$ 34,571,712.62	\$ 2,528,367.33	\$ 1,698,712.99	\$ -	\$ 35,401,366.96
Software	1,148,596.72	10,430.47	981,795.14	-	177,232.05
Buildings and land	<u>1,361,160.12</u>	<u>42,201.88</u>	<u>-</u>	<u>-</u>	<u>1,403,362.00</u>
	<u>\$ 37,081,469.46</u>	<u>\$ 2,580,999.68</u>	<u>\$ 2,680,508.13</u>	<u>\$ -</u>	<u>\$ 36,981,961.01</u>

## 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, 2014, 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 17, 2014.

#### **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 and therefore, material weaknesses or significant deficiencies



may exist that were not identified. 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.

### **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 items 2014-001 and 2014-002.

### **Texas A&M Research Foundation's Response to Findings**

The Foundation's response to the findings 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 17, 2014

Ingram, Wallis : Capony



## 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 OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended August 31, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.



## 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 OMB Circular A-133, 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 items 2014-001 and 2014-002, that we consider to be significant deficiencies.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bryan, Texas  
November 17, 2014

*Ingrem, Wallis; Canyon*



Texas A&M Research Foundation  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2014

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
<u>Research and Development Cluster</u>			
<u>Department of Agriculture</u>			
Direct Program:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ (544.48)
Grants for Agricultural Research, Special Research Grants	10.200		99,524.42
Grants for Agricultural Research-Competitive Research	10.206		617.30
Higher Education - Graduate Fellowships Grant Program	10.210		63,604.55
Food Assistance and Nutrition Research Programs (FANRP)	10.253		16,148.74
Integrated Programs	10.303		317,148.44
Organic Agriculture Research and Extension Initiative	10.307		265,419.99
Specialty Crop Research Initiative	10.309		835,939.01
Agriculture and Food Research Initiative (AFRI)	10.310		2,833,561.83
Scientific Cooperation and Research	10.961		7,066.00
Pass Thru From:			
Michigan State University			
Rosbreed: Enabling Marker Assisted Breeding in Rosaceae	10.000	61-4296H	17,822.45
Kansas State University			
Grants for Agricultural Research, Special Research Grants	10.200	S11050.04	1,064.36
St. Edward's University			
Hispanic Serving Institutions Education Grants	10.223	1001151	25,653.30
Oklahoma State University			
Integrated Programs	10.303	AB-5-67490-TAMU-RF	31,677.37
Center for Research on the Changing Earth System			
Agriculture and Food Research Initiative (AFRI)	10.310	TAMRF-30213 (2011-657003-30213)	221,153.57
University of California-Davis			
Agriculture and Food Research Initiative (AFRI)	10.310	201015739-02	18,774.96
University of Delaware			
Agriculture and Food Research Initiative (AFRI)	10.310	25606 (2011-67003-30342)	122,140.36
University of Florida-Gainesville			
Agriculture and Food Research Initiative (AFRI)	10.310	UF11099 (USDA 2011-68002-30185)	349,590.18
University of Georgia			
Agriculture and Food Research Initiative (AFRI)	10.310	RD317100/4784286 (2011-68003-30012)	108,662.31
Virginia Polytechnic Institute and State University			
Agriculture and Food Research Initiative (AFRI)	10.310	422198-19819	92,775.47
Total, Department of Agriculture			<u>5,427,800.13</u>
<u>Department of Commerce</u>			
Direct Program:			
Integrated Ocean Observing System (IOOS)	11.012		1,613,097.36
Fisheries Development and Utilization Research and Development	11.427		79,454.30
Climate and Atmospheric Research	11.431		133,843.15
Unallied Management Projects	11.454		2,697.27
Applied Meteorological Research	11.468		44,213.62
Coastal Services Center	11.473		6,062.72
Center for Sponsored Coastal Ocean Research-Coastal Ocean Program	11.478		212,494.64
Total, Department of Commerce			<u>2,091,863.06</u>
<u>Department of Defense</u>			
Direct Program:			
University Affiliation for Principles of Military Preventative Medicine Program of Instruction - Option Year 3	12.000	W81K04-08-D0001 0004, 01	3,671.99
University Affiliation for Principles of Military Preventative Medicine Program Instruction - Option Year 4	12.000	W81K04-08-D0001 005, 02	27,719.37
REQ - Army Research Laboratory	12.000	W911QX-10-C-0003	3,434.97
Long-Term Monitoring of Human Impacts at McMurdo Station, Antarctica - Phase 8	12.000	W913E5-12-C-0006	2,284.03

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Human Impacts on the Environment at High Latitudes: Fate, Effect, and Transport of Contaminants Near an Antarctic Scientific Base	12.000	W913E5-13-C-0002	159,920.55
Basic and Applied Scientific Research	12.300	N00014-08-1-0467	3,202.19
Basic and Applied Scientific Research	12.300	N00014-10-1-0527	(74.10)
Basic and Applied Scientific Research	12.300	N00014-11-1-0154	6,308.07
Basic and Applied Scientific Research	12.300	N00014-11-1-0672	38,614.38
Basic and Applied Scientific Research	12.300	N00014-11-1-0712	172,395.74
Basic and Applied Scientific Research	12.300	N00014-12-1-0785	114,997.15
Military Medical Research and Development	12.420	W81XWH-07-1-0244	(18,690.81)
Military Medical Research and Development	12.420	W81XWH-09-1-0188	447.25
Military Medical Research and Development	12.420	W81XWH-10-1-0147	30,290.42
Military Medical Research and Development	12.420	W81XWH-10-1-0255	84,593.26
Military Medical Research and Development	12.420	W81XWH-11-1-0699	8,713.31
Military Medical Research and Development	12.420	W81XWH-11-2-0166	602,478.10
Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0223	43,281.29
Mathematical Sciences Grants Program	12.901	H98230-12-1-0258, P0001	4,081.72
Pass Thru From:			
Leidos, Inc.			
Science Applications International Corporation Mentor Protégé	12.000	P010111883	44,142.57
University of Texas-Austin			
Basic and Applied Scientific Research	12.300	UTA09-000726	55,156.00
Florida A&M University			
Military Medical Research and Development	12.420	003333 SUB C-3503	66,256.79
University of Texas-Health Science Center-San Antonio			
Military Medical Research and Development	12.420	127561 126994	657,361.54
Institute of International Education			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	2009-ROTC-U634007-1-TAMU	0.63
Intific, Inc.			
Research and Technology Development	12.910	N00014-11-C-0593	5,749.12
Total, Department of Defense			<u>2,116,335.53</u>
<u>Department of Interior</u>			
Direct Program:			
U.S. Fish and Wildlife Service Analysis of Environmental Materials for Organic Contaminants	15.000	982108D105/F12PC00080	7,984.75
Technical Science-Analytical Service	15.000	F12PC00007	21,916.64
Migratory Bird Monitoring, Assessment and Conservation	15.655		642.42
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	48,595.09
Texas Parks and Wildlife			
Geophysical, Archeological, and Biological Assessment of the Texas Parks and Wildlife Department George Vancouver Liberty Ship	15.000	411172	180.53
Total, Department of Interior			<u>79,319.43</u>
<u>Department of Justice</u>			
Direct Program:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541		(253.82)
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		69,147.29
Total, Department of Justice			<u>68,893.47</u>

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<u>Department of State</u>			
Direct Program:			
RDT&E of Vehicle Anti-Ram Barriers	19.000	S-DSASD-10-CA-201	321,308.43
General Department of State Assistance	19.700		519,208.82
Total, Department of State			840,517.25
<u>Department of Transportation</u>			
Direct Program:			
University Transportation Centers Program	20.701		15,882.07
Transportation Planning, Research and Education	20.931		124,916.94
Pass Thru From:			
Battelle Memorial Institute			
Measuring Border Delay and Crossing Times at the			
US/Mexico Border	20.000	60011214	(15.97)
UPA Evaluation	20.000	600112-15	129,197.58
Exploratory Research on Technology Options for Collection of			
Road User Fees	20.000	600112-43	3,427.93
Signal Phase and Timing and Related Messages for			
Intellidrive Applications	20.000	600112-44	125.08
Urban Congestion Report Program FY11	20.000	600112-47	492.11
Evaluation of International Applications of ATM Lane Control			
Signing for Use in the United States	20.000	600112-49	1,549.33
Evaluation of Pedestrians Safety Engineering Countermeasures			
at Urban and Suburban Midblock Crossing Locations	20.000	601119-1	70,095.90
International Border Crossing Electronic Screening System for			
Trucks and Buses	20.000	US001-0000276212	60,823.85
Design and Operations Elements of Dynamic Shoulder Use	20.000	US001-600112-50	11,657.63
Advanced Weather Responsive Traffic Management Strategies	20.000	US001-600112-53	10,677.96
Integration of Weigh-In Motion Technology into NIST's			
Handbook #44	20.000	US001-600112-54	5,593.32
Traffic Management Technical Support - Phase 1 ATM			
Capability Framework	20.000	US001-600112-55	9,047.79
Evaluation of Safety Treatments for Pedestrian Crossing:			
Pedestrian Hybrid Beacon, Rectangular Rapid Flashing	20.000	US001-601119-3	279,093.49
Cambridge Systematics			
Traffic Analysis Framework - Developing Traffic Data			
Collection Format and Procedures	20.000	7877 TO #131	(2.96)
Corridor and Gateway Concepts - FHWA Transportation			
Planning IDIQ- DTFH61-10-D-00005 FHWA TOPR PLO116	20.000	83050 TO #40	6,155.63
Data Nexus, Inc.			
An Investigation of Teen Driver Parental Involvement			
Programs in the U.S.	20.000	DTNH22-09-D-00134/TO0001	(102.20)
Hawaii Department of Transportation			
Crash Testing of Hawaii DOT Typical Cement Rubble			
Masonry Guardrail Walls at NCHRP Report 350 Test Levels			
One and Two	20.000	61251	1,852.54
Iteris			
NHI Traffic Signal Systems Courses (Developing Course			
133028A and Support Courses 133028B, 133028C, 133028D)	20.000	22-J-12-NH01 NH00F01	9,904.98
NHI Operations Courses (Iteris IDIQ)	20.000	22J09NHI (DOTFHWA6108D0036)	8,911.14
Kittelson and Associates			
Update of the Signal Timing Manual	20.000	11109	3,152.08
Leidos, Inc.			
Evaluation of Enhanced Treatments of Curve Signage on Rural			
Two-Lane Highways	20.000	P010052675 - R15	1.53
TOPR No. 74 Project Management	20.000	P010052675 - R16	405.63
Practical Design and Performance-Based Analysis	20.000	P010052675 - R17 / T-14-005	16,739.73
Highway Safety Visibility Program (HSVP) Outreach,			
Technical Assistance, and Rulemaking	20.000	P010052675 R6 T-11-002	26,731.73
Deployment of Detection-Control System (D-CS) Algorithm			
into Different Signal Controller Platforms	20.000	P010052675-R10	65,941.80



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Rumble Strip Implementation on Two-Lane Two-Way Roads, Technical Support Assistance	20.000	P010052675-R13;DTFH61-10-D-00024	2,036.43
Roadway Data Extraction Technical Assistance Program (RDETAP) (Under SAIC BA 99-652)	20.000	P010052675-R14	42,752.41
Roundabouts Peer-To-Peer Program	20.000	P010052675-R2, T-10-005	9,022.97
Evaluation of the TAPCO Sequential Dynamic Curve Warning System	20.000	P010052675-R5, T-11-005	39,770.79
Signalized Intersections Guide and Workshop Update	20.000	P010052675-R7, T-11-006	4,083.06
Study of the Best-Practices for Implementing Cost-Effective Roadway Safety Infrastructure Improvements on High Risk Rural Roads	20.000	P010052675-R8	5,913.05
Technical Services Support - Guidance on Traffic Control Devices	20.000	P010052675-R9	20,376.45
Metropolitan Transportation Authority-Long Island Tactics - Crew Resource MGT Safety Training Initiative	20.000	PON6583	(0.74)
NAS-National Cooperative Highway Research Program			
Development of Clear Recovery Area Guidelines	20.000	HR 17-11(002)	31,823.27
Testing of Cable Median Barrier in a Narrow Ditch	20.000	HR 22-14(004)	20,709.50
Properties of Foamed Asphalt for Warm Mix Asphalt Applications	20.000	HR9-53; NAS 138, TO 21	336,131.96
Placement of Traffic Barriers on Roadside and Median Slopes	20.000	NAS 128, NO 7 / HR22-22(002)	189,654.79
Improved Right-of-Way Procedures and Business Practices	20.000	NAS 128,HR-20-84, 4	37,287.53
Guidelines for Slope Traversability	20.000	NAS 138 TO 19 / HR 17-55	62,008.58
Guidelines for Cost Effective Safety Treatments of Roadside Ditches	20.000	NAS 138 TO 01, HR 16-05	64,915.35
Design Guidance for Intersection Auxiliary Lanes	20.000	NAS 138 TO#14, HR03-102	68,024.59
Improving the Quality of Motorcycle Travel Data Collection	20.000	NAS 138 TO13 HR08-81	3,284.48
Traffic Control Device Guidelines for Curves	20.000	NAS 138 TO22 HR 03 106 SUB0000078	221,139.30
Effective Project Scoping Practices to Improve On-Time and On-Budget Delivery of Highway Projects	20.000	NAS 138 TO23 HR 08-88	87,286.41
Work Zone Crash Characteristics and Countermeasure Guidance	20.000	NAS 138 TP24 HR 17-61	65,108.48
Developing a Long-Range Strategic Plan for the MUTDC	20.000	NAS 138, HR 20-07(323) TO#18	10,862.70
Performance of WMA Technologies: Stage I - Moisture Susceptibility	20.000	NAS 138, TO 06, HR 09-49	1,585.69
Long-Range Strategic Issues Affecting Preservation, Maintenance, and Renewal of Highway Infrastructure	20.000	NAS 138, TO 07, HR 20-83(003)	49,865.56
Guidelines for Nighttime Visibility of Overhead Guide Signs	20.000	NAS 138, TO#12, HR 05-20	997.69
Design Guidelines for TL-3 Through TL-5 Roadside Barrier Systems Placed on Mechanically Stabilized Earth (MSE)			
Retaining Walls	20.000	NCHRP 22-20(002)	34,910.66
Short-Term Laboratory Conditioning of Asphalt Mixtures	20.000	NCHRP 9-52	316,805.77
NAS-NRC			
Integrating MTS Commerce Data with Multimodal Freight Transportation Performance Measures to Support MTS Maintenance	20.000	SUB0000020; NAS 138, TO 17	75,217.10
NAS-NRC-TRB-SHRP			
Using Both Infrared and High-Speed Ground Penetrating Radar for Uniformity Measurements on New HMA Layers	20.000	SHRP R-06(C)	87,626.68
University of Wisconsin-Madison			
Development of an Areawide Estimate of Truck Freight Value in the Urban Mobility Report - National Center for Freight	20.000	258K635	1,574.13
Minnesota Department of Transportation			
Highway Research and Development Program	20.200	99007,1	21,279.78
Western Research Institute			
Highway Research and Development Program	20.200	TTI000	923,383.61
Oklahoma State University			
Biobased Transportation Research	20.761	AB-5-61770.2.TAMRF4YUAN	13,148.16
Biobased Transportation Research	20.761	AB-5-61770.2.TAMRF5 GANJEGUNTE	40,548.66
Total, Department of Transportation			<u>3,751,391.49</u>



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<u>National Aeronautics and Space Administration</u>			
Direct Program:			
Participation in GPM Intersatellite Calibration and Radar Enhanced Radiometer Algorithm Working Groups	43.000	NNX10AG79G	46,718.47
Investigation of Precipitating Marine Stratocumulus Clouds in the Southeastern Pacific Using Cloudsat	43.000	NNX10AM21G	23,269.71
Measurements of Cloud Radiative Impact on the Climate Using Calipso, Cloudsat, and Other A-Train Sensors	43.000	NNX10AM27G	153,267.02
Midlevel Cloud Characterization Using A-Train Observations and the GISS GCM	43.000	NNX10AP06G	47,708.08
Science	43.001		492,592.28
Pass Thru From:			
Baylor College of Medicine			
NSBRI Website and Special Public Outreach Project Support	43.000	NCC9-58-42, A000010	9,118.85
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	18,096.12
Understanding the Vertical Distribution of Water Vapor at the Phoenix Landing Site	43.000	1422184	1,248.84
Spitzer-Hetdex Exploratory Large Area (SHELA) Survey	43.000	RAS 1439010	111,420.88
SEDs: The Spitzer Extended Deep Survey	43.000	RSA NO. 1366981	35.06
The Great Observatories Origins Deep Survey: Far-Infrared Imaging with Herschel	43.000	RSA NO. 1374214	19,043.07
IRS Observations of a Strongly Lensed LIRG Behind the Bullet Cluster and the Spitzer Lyman Alpha Survey	43.000	RSA NO. 1379626	16.47
Spectroscopy of a Highly Magnified Galaxy Behind the Bullet Cluster	43.000	RSA NO. 1438585	522.24
Lockheed Martin Space Operations			
Lockheed Martin Space Operations	43.000	4101005763/BBM004CH9	1,416,658.19
Malin Space Science Systems			
Atmospheric Imaging Investigation for the Mars Science Laboratory Imaging Science Team	43.000	11-0156 (NMO710846)	99,317.82
Space Telescope Science Institute			
Star Cluster Dissolution in Various Environments	43.000	HST-AR-12148.01-A	(1,472.93)
Cosmic Assembly Near-IR Deep Extragalactic Survey (CANDELS) - I	43.000	HST-GO-12060.47	7,591.05
Super-Group 1120-1202: a Unique Laboratory for Tracing Galaxy Evolution in an Assembling Cluster	43.000	HST-GO-12470.01-A	25,691.96
Measuring the Hubble Flow Hubble Constant	43.000	HST-GO-12476.06-A	2,963.15
Galaxy Assembly at High Densities: HST Dissection of a Cluster	43.000	HST-GO-12590.01A	711.26
University of Wisconsin-Madison			
Science	43.001	301K630	32,794.66
Total, National Aeronautics and Space Administration			<u>2,507,312.25</u>
<u>National Science Foundation</u>			
Direct Program:			
Engineering Grants	47.041		374,063.32
Mathematical and Physical Sciences	47.049		3,431,055.16
Geosciences	47.050		1,627,586.18
Computer and Information Science and Engineering	47.070		106,751.45
Biological Sciences	47.074		1,646,072.89
Social, Behavioral, and Economic Sciences	47.075		244,842.59
Education and Human Resources	47.076		735,237.45
Polar Programs	47.078		19,960.73
Office of Cyberinfrastructure	47.080		201,813.39
Trans-NSF Recovery Act Research Support - RECOVERY	47.082		146,815.04

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Pass Thru From:			
Ohio State University Towards Spin-Preserving, Heterogeneous Spin Networks	47.000	60018555	0.01
Princeton University Engineering Grants	47.041	00001214	82,618.52
University of Colorado-Denver Engineering Grants	47.041	FY12.579.003 (CCMI-1143922 EXT)	(0.63)
California Institute of Technology Mathematical and Physical Sciences	47.049	44E-1088029 (PHY-0919599)	(120.86)
Case Western Reserve Mathematical and Physical Sciences	47.049	RES504475;114064 (PHY-0919261)	38,121.15
Rice University Mathematical and Physical Sciences	47.049	R3C75E	44,467.58
University of Dayton Research Institute Mathematical and Physical Sciences	47.049	PHY0747334	25,718.81
University of Delaware Mathematical and Physical Sciences	47.049	20653 (DMR-0906815)	(1,961.18)
Consortium for Ocean Leadership, Inc. Geosciences	47.050	JSC 4-02	58,345,330.30
Geosciences	47.050	T323A13	2,067.89
Geosciences	47.050	T329B13	3,940.74
Geosciences	47.050	T341A13	2,863.67
Geosciences	47.050	T342A13	951.92
Geosciences	47.050	T343A13	58,053.23
Geosciences	47.050	T344A13	709.56
Geosciences	47.050	T347A13	9,088.90
Regents of the University of California Geosciences	47.050	20091128101	138,605.24
UNAVCO: Plate Boundary Observatory Geosciences	47.050	EAR 0732947-05	26,630.27
Regents of the University of California Biological Sciences	47.074	S-000500 (EF-1115144)	35,699.42
University of Texas-Austin Biological Sciences	47.074	UTA10-000935 (NSF IOS-1025947)	7,325.42
Colorado State University Social, Behavioral, and Economic Sciences	47.075	G-3003-1	4,498.41
Northwestern University Education and Human Resources	47.076	PROJ0001653 (NSF DRL-0908130)	2,956.00
Total, National Science Foundation			<u>67,361,762.57</u>
<u>Environmental Protection Agency</u>			
Direct Program:			
Auxiliary Power Unit Testing for Smartway Idle Reduction Technology Verification	66.000	EP-11-H-000527	6,623.13
Gulf of Mexico Program	66.475		124,071.96
Science to Achieve Results (STAR) Research Program	66.509		98,499.13
P3 Award: National Student Design Competition for Sustainability	66.516		2,449.48
Pass Thru From:			
Health Effects Institute, The Methods to Investigate the Effects of Multiple Air Pollution Constituents	66.000	4785-RFA09-1/10-1-2	2,456.20
Texas State University Science to Achieve Results (STAR) Research Program	66.509	8000001508.1A	34,053.25
Total, Environmental Protection Agency			<u>268,153.15</u>
<u>Department of Energy</u>			
Direct Program:			
Office of Science Financial Assistance Program	81.049		2,338,532.25
Office of Science Financial Assistance Program-RECOVERY	81.049		75,946.58
Renewable Energy Research and Development	81.087		2,610.16

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Pass Thru From:			
Battelle Energy Alliance, L.L.C. Riverine and Lacustrine Adaptations: 2010 Idaho National Laboratory (INL) Archaeological Testing Project	81.000	00106760	5,869.40
Fermi National Accelerator Laboratory US CMS Upgrade R&D M&O Subsystem	81.000	584808	1,035.84
US CMS Endcap Muon M&O Subsystem	81.000	584823	11,610.88
OHEP Supplemental Distribution	81.000	602673	(0.02)
Louisiana State University Office of Science Financial Assistance Program	81.049	41922	97,888.61
Office of Science Financial Assistance Program	81.049	7261 (C175635)	19,889.57
Michigan State University Office of Science Financial Assistance Program	81.049	61-3242 TAM	77,934.17
University of California-Berkeley Office of Science Financial Assistance Program	81.049	00006785 (DE-SC0001015)	254,690.07
Total, Department of Energy			<u>2,886,007.51</u>
<u>Department of Education</u>			
Direct Program:			
Undergraduate International Studies and Foreign Language	84.016		26,257.00
Fund for the Improvement of Postsecondary Education	84.116		48,402.91
Education Research, Development and Dissemination	84.305		541,353.70
School Leadership	84.363		685,894.19
Total, Department of Education			<u>1,301,907.80</u>
<u>Department of Health and Human Services</u>			
Direct Program:			
Public Health Emergency Preparedness	93.069		310,276.25
Environmental Health	93.113		122,845.92
Oral Diseases and Disorders Research	93.121		29,062.36
Centers for Research and Demonstration for Health Promotion	93.135		1,659,419.05
Health Program for Toxic Substances and Disease Registry	93.161		22,326.74
Mental Health Research Grants	93.242		136,631.60
Alcohol Research Programs	93.273		188,577.76
Drug Abuse and Addiction Research Programs	93.279		217,204.24
Minority Health and Health Disparities Research	93.307		427,075.03
National Center for Research Resources	93.389		359,805.89
Cancer Cause and Prevention Research	93.393		588,984.07
Cancer Treatment Research	93.395		311,466.93
Cancer Biology Research	93.396		353,335.13
Affordable Care Act - Preparedness and Emergency Response			
Learning Centers	93.606		29,506.62
Trans-NIH Recovery Act Research Support - RECOVERY	93.701		82,230.20
Health Information Technology Regional Extension Centers Program - RECOVERY	93.718		1,432,531.61
Health Careers Opportunity Program	93.822		216.00
Cardiovascular Diseases Research	93.837		329,756.12
Diabetes, Digestive, and Kidney Diseases Extramural	93.847		4,348.18
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		840,541.82
Allergy, Immunology and Transplantation Research	93.855		3,161,275.32
Biomedical Research and Research Training	93.859		3,612,089.94
Child Health and Human Development Extramural Research	93.865		333,196.52
Aging Research	93.866		80,957.81
Grants for Primary Care Training and Enhancement	93.884		136,387.02
Pass Thru From:			
University of California-Irvine Fitness Annotation of Bacterial Genomes	93.000	2010-2517	45,234.93
University of Utah RDSAFE: A Multi-Institutional Study of HSC Donor Safety and Quality of Life	93.000	10007823-04	48,409.24



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Washington University, St. Louis Integrated Nanosystems for Diagnosis and Therapy	93.000	PO NO.2911033P, NO.WU-11-71	791,588.98
University of Texas-Medical Branch-Galveston Environmental Health	93.113	PENDING	(8,134.26)
University of Texas-Arlington Oral Diseases and Disorders Research	93.121	26-1601-6162	19,757.21
University of Texas-Health Science Center-Houston Public Health Training Centers Program	93.249	2016-6-1652	9,763.19
University of Texas-School of Public Health Public Health Training Centers Program	93.249	5UB6HP20188-03-00	36,625.60
Public Health Research Institute Alcohol Research Programs	93.273	1015640 (NIH R01AA018365)	14,071.60
Stanford University Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.283	2717749050754C; P.O. 60273257	7,514.10
Fred Hutchinson Cancer Research Center Cancer Cause and Prevention Research	93.393	0000757562 (5U01CA162077-02)	20,636.23
Southern Illinois University Cancer Cause and Prevention Research	93.393	520354, PO 95963	10,413.52
Scott and White Clinic and Hospital Trans-NIH Recovery Act Research Support-RECOVERY	93.701	090651 AMD 2 (1RC4AG03818301)	26,242.84
University of North Carolina-Chapel Hill Arthritis, Musculoskeletal and Skin Diseases Research	93.846	5-31135	53,957.13
Washington University, St. Louis Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	WU-11-54 PO NO.2910814P	3,106.30
University of California-San Francisco Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5991SC	1,571.27
Cornell University Allergy, Immunology and Transplantation Research	93.855	13040491 (5R01AI092573-03)	21,020.07
University of California-Irvine Allergy, Immunology and Transplantation Research	93.855	2008-2034, 4	(0.01)
University of Oklahoma-Health Science Center Allergy, Immunology and Transplantation Research	93.855	RS20110200-01 (2R01AI037657-15)	(1,632.01)
Dartmouth College Biomedical Research and Research Training	93.859	1278	51,591.22
Biomedical Research and Research Training	93.859	1279	198,440.92
Biomedical Research and Research Training	93.859	579	52.36
University of Illinois Biomedical Research and Research Training	93.859	2009-01303-02	217,880.36
University of Texas-San Antonio PPHF-2012 Geriatric Education Centers	93.969	155774/154860	29,615.53
PPHF-2012 Geriatric Education Centers	93.969	PENDING	2,551.74
Total, Department Health and Human Services			<u>16,370,326.19</u>
<u>Department of Homeland Security</u>			
Direct Program:			
Development of Multi-Component Vaccines for African Swine Fever	97.000	HSHQDC-11-C-00116	<u>155,039.17</u>
Total, Department of Homeland Security			<u>155,039.17</u>
<u>United States Agency for International Development</u>			
Pass Thru From:			
University of Nebraska USAID Foreign Assistance for Programs Overseas	98.001	25-6805-0010-060	45,795.50
USAID Foreign Assistance for Programs Overseas	98.001	25-6805-0016-906 (TAM 101)	(12,628.07)
USAID Foreign Assistance for Programs Overseas	98.001	25-6805-0016-906 (TAM 103)	(5,228.49)
Total, United States Agency for International Development			<u>27,938.94</u>
Total, Federal Awards Expended			<u>\$ 105,254,567.94</u>



Texas A&M Research Foundation  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2014

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Identifying Number	Total Pass-Through and Expenditure
<i>State of Texas Research and Development Cluster</i>			
Cancer Prevention Research Institute of Texas		RP100781	62,736.45
Cancer Prevention Research Institute of Texas		RP110555	369,138.67
Cancer Prevention Research Institute of Texas		PP110036	3,070.40
Total, State of Texas Awards Expended			<u>\$ 434,945.52</u>
Total, Federal and State of Texas Awards Expended			<u><u>\$ 105,689,513.46</u></u>

Summary of American Recovery and Reinvestment Act (ARRA) Funding included above:

National Science Foundation	\$ 146,815.04
U.S. Department Health and Human Services	1,541,004.65
U.S. Department of Energy	75,946.58
	<u><u>\$ 1,763,766.27</u></u>

Texas A&M Research Foundation  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2014

Subrecipients

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Total Pass-Through and Expenditure
<b>U.S. Department of Agriculture</b>		
Grants for Agricultural Research, Special Research Grants	10.200	\$ 15,258.38
Higher Education - Graduate Fellowships Grant Program	10.210	37,218.37
Integrated Programs	10.303	128,726.54
Specialty Crop Research Initiative	10.309	489,904.89
Agriculture and Food Research Initiative (AFRI)	10.310	1,146,334.76
<b>Totals - U.S. Department of Agriculture</b>		<u>1,817,442.94</u>
<b>U.S. Department of Commerce</b>		
Integrated Ocean Observing System (IOOS)	11.012	780,411.93
Fisheries Development and Utilization Research and Development	11.427	15,455.64
Unallied Management Projects	11.454	3,752.00
Applied Meteorological Research	11.468	11,114.45
Coastal Services Center	11.473	3,448.62
<b>Totals - U.S. Department of Commerce</b>		<u>814,182.64</u>
<b>U.S. Department of Defense</b>		
Human Impacts on the Environment at High Latitudes: Fate, Effect, and Transport of Contaminants Near an Antarctic Scientific Base	12.000	54,692.00
Basic And Applied Scientific Research	12.300	50,023.37
Military Medical Research and Development	12.420	211,313.15
<b>Totals - U.S. Department of Defense</b>		<u>316,028.52</u>
<b>U.S. Department of Justice</b>		
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	46,517.84
<b>Totals - U.S. Department of Justice</b>		<u>46,517.84</u>
<b>U.S. Department of Transportation</b>		
Development of Clear Recovery Area Guidelines	20.000	24,265.00
Effective Project Scoping Practices to Improve On-Time and On-Budget Delivery of Highway Projects	20.000	41,688.84
Guidelines for Cost Effective Safety Treatments of Roadside Ditches	20.000	12,616.00
Guidelines for Nighttime Visibility of Overhead Guide Signs	20.000	997.69
Improved Right-of-Way Procedures and Business Practices	20.000	718.08
Long-Range Strategic Issues Affecting Preservation, Maintenance, and Renewal of Highway Infrastructure	20.000	11,843.52
Properties of Foamed Asphalt for Warm Mix Asphalt Applications	20.000	97,296.99
Short-Term Laboratory Conditioning of Asphalt Mixtures	20.000	142,172.28
Testing of Cable Median Barrier in a Narrow Ditch	20.000	7,873.66
Traffic Control Device Guidelines for Curves	20.000	92,238.04
Work Zone Crash Characteristics and Countermeasure Guidance	20.000	31,660.58
Highway Research And Development Program	20.200	457,950.05
Biobased Transportation Research	20.761	9,980.80
<b>Totals - U.S. Department of Transportation</b>		<u>931,301.53</u>

Texas A&M Research Foundation  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2014

Subrecipients

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Total Pass-Through and Expenditure
<b>National Aeronautics and Space Administration</b>		
Lockheed Martin Space Operations	43.000	1,201,439.88
Science	43.001	55,177.06
<b>Totals - National Aeronautics and Space Administration</b>		<u>1,256,616.94</u>
<b>National Science Foundation</b>		
Biological Sciences	47.074	152,919.68
Education and Human Resources	47.076	3,934.64
<b>Totals - National Science Foundation</b>		<u>156,854.32</u>
<b>U.S. Department of Energy</b>		
Office of Science Financial Assistance Program	81.049	110,508.83
<b>Totals - U.S. Department of Energy</b>		<u>110,508.83</u>
<b>U.S. Department of Education</b>		
Education Research, Development and Dissemination	84.305	299,400.17
School Leadership	84.363	409,131.79
<b>Totals - U.S. Department of Education</b>		<u>708,531.96</u>
<b>U.S. Department of Health and Human Services</b>		
Public Health Emergency Preparedness	93.069	52,497.27
Centers for Research and Demonstration for Health Promotion	93.135	219,442.20
Mental Health Research Grants	93.242	42,051.71
Minority Health and Health Disparities Research	93.307	293,710.03
Cancer Cause and Prevention Research	93.393	6,274.92
Affordable Care Act - Preparedness and Emergency Response Learning Centers	93.606	11,926.47
Trans-NIH Recovery Act Research Support	93.701	5,786.11
Health Information Technology Regional Extension Centers Program	93.718	22,463.82
Allergy, Immunology and Transplantation Research	93.855	1,009,521.96
Biomedical Research and Research Training	93.859	901,932.97
Child Health and Human Development Extramural Research	93.865	909.59
<b>Totals - U.S. Department of Health and Human Services</b>		<u>2,566,517.05</u>
<b>Total Amount Provided to Subrecipients</b>		<u>\$ 8,724,502.57</u>

**TEXAS A&M RESEARCH FOUNDATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS  
YEAR ENDED AUGUST 31, 2014**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General** – The accompanying schedule of expenditures of federal and state awards presents all federal and state expenditures of the Texas A&M Research Foundation (the “Foundation”).

**Basis of Accounting** – The expenditures on the accompanying schedule of expenditures of federal and state 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 and state 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 and State Awards as of August 31, 2014.

Sponsored research expense in Statement of Activities, August 31, 2014	\$119,401,170.29
Non-federal/non State of Texas expenditures	( 13,489,103.56)
Research equipment purchased and capitalized during the year	550,219.17
Work in progress additions	267,636.21
Other	<u>( 1,040,408.65)</u>
Total Expenditures per Schedule of Expenditures of Federal and State Awards, August 31, 2014	<u>\$105,689,513.46</u>

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





## 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

### 2014-001 Noncompliance with FFATA Reporting Requirements

CFDA No: 11.012

Program Title: Integrated Ocean Observing System

Agency: Department of Commerce - NOAA

Federal Award No: NA11NOS0120024

Federal Award Year: 6/1/11-5/31/16

Subaward: S140203 – Mote Marine Laboratory

S140223 – University of Southern Mississippi

*Criteria:* The OMB Circular A-133 Compliance Supplement requires that all subawards greater than or equal to \$25,000 and signed after 10/1/10 be reported on FSRS.gov.

*Condition:* The reporting on FSRS.gov must be done no later than the last day of the month following the month in which the subaward was made.

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

*Context:* It was noted that subaward agreements S140203 in the amount of \$25,000 and S140223 in the amount of \$89,488 were not reported on FSRS.gov. We inquired of staff regarding these reports and they confirmed that the subawards were not reported on a timely basis. The subawards were reported on FSRS.gov on 9/30/14.

*Effect:* The overall effect is that these subawards were not reported on FSRS.gov in accordance with A-133 Compliance Supplement reporting deadlines.

*Cause:* The subaward agreements were not adequately reviewed to ensure reporting requirements were filled out correctly on the agreements and to ensure that the reporting was completed.

*Recommendation:* We recommend that an employee be designated to review the reporting requirements noted on subaward agreements to ensure that they are filled out correctly and to ensure that all the reporting is done in a timely manner.

*Response & Planned Corrective Action:* Management has implemented a procedure where the Intermediate Accountant reviews all subawards for reporting requirements, completion, and documentation of the reports in a timely manner.

## 2014-002 Cost Share Tracking and Reporting

CFDA No: 20.200

Program Title: Highway Research and Development Program

Agency: Department of Transportation – Federal Highway Administration

Pass-through Entity: Western Research Institute

Subaward No.: TTI000

Federal Award No.: 2010-51181-21064 (prime)

Federal Award Year: 12/26/06-12/31/14

*Criteria:* Per the terms of the subcontract agreement, the subcontract includes a minimum 20 percent matching contribution to the total costs invoiced on the subcontract. The most recent modification to the subcontract signed October 20, 2014, included a cost share requirement of \$2,269,112. Cost share is to be reported to Western Research Institute quarterly.

*Condition:* The duties for tracking cost share are tasked with the cost share group of the organization. On this project they were responsible for tracking all cost share, including that reported to them by subrecipients.

*Questioned Costs:* This finding did not result in any questioned costs. Staff has recorded corrections.

*Context:* During the review of the activity in the cost share tracking system for this award, it was noted that amounts recorded as cost share by the staff member were actually the amounts of the direct expenditures reported on the subrecipients' invoice rather than the amount that each subrecipient was reporting as cost share on the invoice. In addition, there were instances of not reviewing an invoice to determine if cost share had been reported by the subrecipient.

*Effect:* This resulted in the cost share for the period 9/1/13-8/31/14 being overstated by approximately \$182,000 and quarterly reports being submitted to Western Research Institute in error.

*Cause:* The staff member assigned to this project was not adequately trained in the tasks he was expected to do nor was there any evidence of review of his work by a senior staff member.

*Recommendation:* We recommend that the cost share group provide adequate training of its staff members and ensure that the work of each individual is reviewed. Staff also needs to file a corrected report with Western Research Institute prior to the end of the period of performance.

*Response & Planned Corrective Action:* Management is reviewing ongoing projects to verify that the entries made by the part time staff member were accurate. Additionally, all projects have been reassigned to a full time member of the cost share monitoring group for monitoring and reporting. Full time staff members are provided initial training by a mentor and have their work reviewed for up to six months. Continuing education training is also provided to full time staff members at regularly scheduled training sessions each month. The report for Western Research Institute will be corrected and resubmitted prior to the end date of the project.



**TEXAS A&M RESEARCH FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014  
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 AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

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