PARKS AND WILDLIFE FOUNDATION OF TEXAS, INC.

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2015 and 2014

PARKS AND WILDLIFE FOUNDATION OF TEXAS, INC.

DECEMBER 31, 2015 AND 2014

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LANE GORMAN TRUBITT PLLC
Accountants & Advisors

Report of Independent Certified Public Accountants

Board of Trustees
Parks and Wildlife Foundation of Texas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Parks and Wildlife Foundation of Texas, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the year 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. 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 Foundation'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 Foundation'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 Parks and Wildlife Foundation of Texas, Inc. as of December 31, 2015 and 2014, and the changes in its activities and net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lane Gorman Trubitt, PLLC
Dallas, Texas
June 23, 2016

Parks and Wildlife Foundation of Texas, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2015	2014
Cash and cash equivalents	$ 2,494,078	$ 1,439,488
Contributions receivable, net	12,224,451	12,747,823
Prepaid expenses	98,945	246,536
Accrued investment income	34,991	39,240
Investments, at fair value	17,229,519	16,366,467
Assets held for others	470,909	1,909,693
Property and equipment, net	5,537,996	582,372
Land with contractual provisions - restricted as to use	28,256,887	17,693,140
Total assets	$ 66,347,776	$ 51,024,759

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable and accrued liabilities	$ 65,771	$ 111,928
Refundable advances	20,730	21,500
Amounts due to others	470,909	1,909,693
Total liabilities	557,410	2,043,121
NET ASSETS		
Unrestricted		
Undesignated	10,185,366	5,497,039
Land with contractual provisions - restricted as to use	28,256,887	17,693,140
Board designated endowment funds	1,985,844	2,059,010
Temporarily restricted	24,040,031	22,832,449
Permanently restricted	1,322,238	900,000
Total net assets	65,790,366	48,981,638
Total liabilities and net assets	$ 66,347,776	$ 51,024,759

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

Parks and Wildlife Foundation of Texas, Inc.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2015
(with summarized comparative information for the year ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Support and revenue					
Contributions	$ 9,790,375	14,476,397	$ 422,238	$ 24,689,010	$ 34,926,538
Special event revenue, net of cost of direct benefits to donors of $261,496 at 2015 and $528,070 at 2014	220,004	-	-	220,004	818,514
Net investment income (loss)	(232,230)	(80,072)	-	(312,302)	717,120
Miscellaneous income	159,573	-	-	159,573	86,754
Net assets released from restrictions	13,188,743	(13,188,743)	-	-	-
Total support and revenue	23,126,465	1,207,582	422,238	24,756,285	36,548,926
Expenses					
Program expenses	3,091,154	-	-	3,091,154	1,944,348
Scholarships	5,250	-	-	5,250	17,347
Grants	4,554,679	-	-	4,554,679	1,342,622
Total program expenses	7,651,083	-	-	7,651,083	3,304,317
Supporting services:					
Management and general	181,433	-	-	181,433	167,235
Fundraising	115,041	-	-	115,041	124,305
Total supporting services	296,474	-	-	296,474	291,540
Total expenses	7,947,557	-	-	7,947,557	3,595,857
Change in net assets	15,178,908	1,207,582	422,238	16,808,728	32,953,069
Net assets at beginning of year	25,249,189	22,832,449	900,000	48,981,638	16,028,569
Net assets at end of year	$ 40,428,097	$ 24,040,031	$ 1,322,238	$ 65,790,366	$ 48,981,638

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

Parks and Wildlife Foundation of Texas, Inc.
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 16,808,728	$ 32,953,069
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,764	3,233
Donated land	(4,941,602)	(541,040)
Net realized and unrealized (gains) losses on investments	677,583	(275,607)
Change in operating assets and liabilities, net:		
Contributions receivable	523,372	(12,464,823)
Prepaid expenses	147,591	(148,420)
Accrued investment income	4,249	(12,230)
Accounts payable and accrued liabilities	(46,157)	27,078
Refundable advances	(770)	(13,500)
Net cash provided by operating activities	13,178,758	19,527,760
Cash flows from investing activities:		
Proceeds from sales of investments	3,612,588	11,405,804
Purchases of investments	(5,153,223)	(11,999,839)
Purchases of property and equipment	(19,786)	(35,350)
Purchase of land with contractual provisions - restricted as to use	(10,563,747)	(17,693,140)
Net cash used in investing activities	(12,124,168)	(18,322,525)
Increase in cash and cash equivalents	1,054,590	1,205,235
Cash and cash equivalents at beginning of year	1,439,488	234,253
Cash and cash equivalents at end of year	$ 2,494,078	$ 1,439,488
Noncash Activities		
Donated land, investments, rent and services	$ 4,941,602	$ 846,412

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

NATURE OF OPERATIONS

Parks and Wildlife Foundation of Texas, Inc. (the "Foundation") is a Texas not-for-profit corporation organized and operated for charitable purposes of conserving and protecting the natural and cultural resources of Texas. The Foundation solicits and accepts gifts, grants, and donations to fulfill its mission. The Foundation has been designated by the Texas Parks and Wildlife Department (the "Department"), an agency of the state of Texas, as the official not-for-profit partner of the Department. The Commission Chair of the Department appoints a majority of the Foundation Board of Trustees. The Foundation is otherwise unaffiliated with the Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by the Foundation in the preparation of the accompanying financial statements is as follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor-imposed restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restricted net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Foundation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Realized and unrealized gains (losses) and income on investments of endowment and similar funds are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their uses or if the funds have not yet been appropriated for expenditure by the Foundation in the case of donor-imposed endowments and;
- as increases (decreases) in unrestricted net assets in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly-liquid investments purchased with an initial maturity of three months or less, excluding cash and cash equivalents in the investment portfolio. The Foundation maintains its cash and cash equivalents with high credit quality financial institutions in Dallas, Texas, which at times may exceed federally insured limits. The Foundation has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Contributions Receivable

Contributions receivable are primarily due from organizations and individuals related to gift pledges. Corporate sponsorships are evaluated to determine if the sponsorship is considered to be an exchange transaction or a contribution. Sponsorships considered exchange transactions are recognized as revenue over the period services are provided. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Receivables outstanding more than 90 days are generally considered past due. Management periodically reviews receivables and determines the allowance for doubtful accounts by evaluating individual receivables and considering a customer’s financial condition, credit history, and current economic conditions. The allowance for doubtful accounts was $2,000 at December 31, 2015 and 2014.

Investments

Investments are carried at fair value. Investment transactions are recorded on the trade date. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the financial statement period by using the specific identification method.

Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends less management fees) is included in the determination of change in net assets and is reported as revenues, gains, and support in the accompanying statements of activities and changes in net assets. Interest income is recognized on the accrual basis and dividends are recognized on the ex-dividend date.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Management fees paid to various money managers are allocated between the investment accounts and assets held for others based on the relative fair values.

Fair Value Measurements

In determining fair value, the Foundation uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, GAAP establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Foundation's financial instruments.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3: Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for measurements categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Assets Held for Others

The Foundation is the trustee of an irrevocable trust of which the Texas Parks and Wildlife Department is the sole beneficiary. These funds are reported as assets held for others. The Foundation records these assets at fair value and recognizes a corresponding liability of an equal amount in the accompanying statement of financial position.

Property and Equipment

Property and equipment are stated at cost or fair value at the date of the gift, if donated, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the furniture and equipment of five - seven years. Minor replacements, repairs, and maintenance expenses are expensed as incurred while acquisitions of major additions and improvements are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Foundation purchased ranch lands with contractual provisions in 2014 and 2015. It is restricted as to use and cannot be sold. The Foundation can keep it until perpetuity or donate to the Texas Parks and Wildlife Department or any other conservation organization.

Contributed Services

The Foundation recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing such skills, and would typically need to be purchased if not contributed.

A substantial number of unpaid volunteers have made significant contributions of their time to the Foundation. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria discussed above.

Endowments

Under GAAP, a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") shall classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted shall be the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the organization's governing board determines must be retained (preserved) permanently consistent with the relevant law. For each donor-restricted endowment fund for which the restriction exists until the donor-restricted assets are appropriated for expenditure, the Foundation classifies the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the Board. The Foundation is subject to the version of UPMIFA enacted by the state of Texas and adopted by its Board of Trustees.

Grant Awards

Grants are recognized as expenses when they are approved by Management. All grants approved in fiscal year 2015 were paid in the year approved.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, the Foundation has been determined by the Internal Revenue Service ("IRS") not to be a private foundation within the meaning of Section 509(a) of the Code. For the year ended December 31, 2015, the Foundation had no net unrelated business income. Accordingly, no provision for federal income tax has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expenses in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. The Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding the uncertainty in income taxes will be subjective to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Foundation's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Foundation is no longer subject to income tax examinations by tax authorities for years prior to 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable to the Foundation are expected to be collected as follows in each of the fiscal years ending December 31:

2016	$ 2,085,467
2017	1,981,667
2018	2,596,669
Thereafter	5,800,000
	12,463,803
Allowance for uncollectible contributions	(2,000)
Discount to net present value	(237,352)
	$ 12,224,451

Contributions receivable are reflected at the present value of future cash flows using discount rates ranging from 0.65% to 1.54% for 2015 and ranging from 0.25% to 1.38% for 2014.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Foundation's financial instruments measured at fair value in the statement of financial position as of December 31, 2015:

	Carrying Amount	Measured at Fair Value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents	$ 1,684,303	$ 1,684,303	$ 1,684,303	$ -	$ -
Fixed income securities:					
Short/intermediate term	4,285,435	4,285,435	-	4,285,435	-
Non-Invst Grd U.S. - High Yield	476,804	476,804	257,474	219,330	
International	482,400	482,400	482,400	-	-
Equity securities:					
Domestic large cap	5,963,475	5,963,475	5,963,475	-	-
Domestic small/midcap	1,942,679	1,942,679	1,942,679	-	-
International - developed	1,744,496	1,744,496	1,744,496	-	-
International – emerging	649,927	649,927	649,927	-	-
Total investments	$ 17,229,519	$ 17,229,519	$ 12,724,754	$ 4,504,765	$ -

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Foundation's financial instruments measured at fair value in the statement of financial position as of December 31, 2014:

	Carrying Amount	Measured at Fair Value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents	$ 294,113	$ 294,113	$ 294,113	$ -	$ -
Fixed income securities:					
Short/intermediate term	4,830,477	4,830,477	-	4,830,477	-
Non-Invst Grd U.S. - High Yield	448,117	448,117	165,803	282,314	
International	604,281	604,281	604,281	-	-
Equity securities:					
Domestic large cap	5,975,050	5,975,050	5,975,050	-	-
Domestic small/midcap	1,953,746	1,953,746	1,953,746	-	-
International - developed	1,649,103	1,649,103	1,649,103	-	-
International – emerging	611,580	611,580	611,580	-	-
Total investments	$ 16,366,467	$ 16,366,467	$ 11,253,676	$ 5,112,791	$ -

The following summarizes net investment income for the years ended December 31:

	2015	2014
Interest and dividend income	$ 422,134	$ 482,340
Net realized & unrealized gain (loss) on investments	(677,583)	296,352
Investment fees and expenses	(56,853)	(61,572)
Net investment income (loss)	$ (312,302)	$ 717,120

The following is a description of the valuation methodologies used to measure and disclose fair value of assets. There have been no changes in the methodologies used as of December 31, 2015:

Cash and cash equivalents are reflected in the accompanying financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

Fixed income securities are comprised of U.S. government debt, corporate bonds, and shares of exchange traded funds that invest in debt securities. The value of these securities is based on quoted market prices for the same or similar issues or by reference to published yield curves for debt of the same or similar remaining maturities.

Equity securities are comprised of stock ownership in publically traded companies or shares in exchange traded funds. The value of these securities is based on quoted market prices using pricing information from various sources including pricing vendors, investment managers, and market conditions.

The methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

4. ASSETS HELD FOR OTHERS

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of assets held for others measured at fair value in the statement of financial position as of December 31, 2015:

	Carrying Amount	Measured at Fair Value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents	$ 221,459	$ 221,459	$ 221,459	$ -	$ -
Fixed income securities:					
Short/intermediate term	68,767	68,767	-	68,767	-
Non-Invst Grd U.S. - High Yield	7,651	7,651	4,132	3,519	-
International	7,741	7,741	7,741	-	-
Equity securities:					
Domestic large cap	95,694	95,694	95,694	-	-
Domestic small/midcap	31,174	31,174	31,174	-	-
International - developed	27,994	27,994	27,994	-	-
International – emerging	10,429	10,429	10,429	-	-
Total investments	$ 470,909	$ 470,909	$ 398,623	$ 72,286	$ -

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of assets held for others measured at fair value in the statement of financial position as of December 31, 2014:

	Carrying Amount	Measured at Fair Value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents	$ 648,087	$ 648,087	$ 648,087	$ -	$ -
Fixed income securities:					
Short/intermediate term	379,170	379,170	-	379,170	-
Non-Invst Grd U.S. - High Yield	35,175	35,175	13,015	22,160	-
International	47,433	47,433	47,433	-	-
Equity securities:					
Domestic large cap	469,014	469,014	469,014	-	-
Domestic small/midcap	153,361	153,361	153,361	-	-
International - developed	129,447	129,447	129,447	-	-
International – emerging	48,006	48,006	48,006	-	-
Total investments	$ 1,909,693	$ 1,909,693	$ 1,508,363	$ 401,330	$ -

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of funds which are available to support the following purposes at December 31:

	2015	2014
Powderhorn Ranch Long-term Habitat Management	$ 422,238	$ -
Sea Center Texas	400,000	400,000
Marine Development Center	200,000	200,000
Perry R. Bass Marine Fisheries	200,000	200,000
Hollingsworth	100,000	100,000
	$ 1,322,238	$ 900,000

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds which are available to support the following purposes at December 31:

	2015	2014
Chairman Emeritus	$ 13,288,811	$ 13,363,932
Powderhorn Ranch	2,001,729	1,167,626
Prairie Haynes Ranch Mitigation	1,661,773	1,722,822
Texas Game Wardens	1,622,516	1,124,669
Other temporarily restricted funds	1,282,930	1,842,774
Cedar Bayou	990,692	994,617
Species Conservation	986,700	1,123,581
Devils River Project	909,758	927,269
Unappropriated earnings on donor restricted endowments	695,122	565,159
Artificial Reef	600,000	-
	$ 24,040,031	$ 22,832,449

7. BOARD DESIGNATED QUASI ENDOWMENT FUNDS (UNRESTRICTED)

Board designated quasi-endowment funds consist of funds which are available to support the following purposes at December 31:

	2015	2014
Mason Mountain – WMA support	$ 1,213,936	$ 1,264,497
Texas Freshwater Fisheries	771,908	794,513
	$ 1,985,844	$ 2,059,010

8. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows for the year ended December 31, 2015:

	2015	2014
Purpose restrictions satisfied:		
Powderhorn Ranch	$ 11,651,923	$ 14,582,108
Canoncita Ranch	465,176	-
PWF Project	200,498	385,607
Texas State Parks	130,288	150,888
Pronghorn Restoration	28,412	125,000
LE - Game Wardens	-	121,636
Sheldon Lake	-	188,508
Other purpose restrictions satisfied	712,446	418,276
	$ 13,188,743	$ 15,972,023

9. ENDOWMENTS

The Foundation's endowments consist of seven individual endowment funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent Board designated endowments.

9. ENDOWMENTS (Continued)

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted UPMIFA, as adopted by the state of Texas as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor imposed stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund,
(2) The purposes of the Foundation and the donor restricted endowment fund,
(3) General economic conditions,
(4) The possible effect of inflation and deflation,
(5) The expected total return from income and the appreciation of investments,
(6) Other resources of the Foundation, and
(7) The investment policies of the Foundation.

As a result of the inability to distribute corpus, the Board of Trustees has determined that all endowment contributions received should be recorded as permanently restricted contributions.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-restricted endowment funds	$ 1,985,844	$ -	$ -	$ 1,985,844
Donor-designated endowment funds	-	695,122	1,322,238	2,017,360
Total funds	$ 1,985,844	$ 695,122	$ 1,322,238	$ 4,003,204

Changes in Endowment Net Assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,059,010	$ 760,813	$ 900,000	$ 3,719,823
Investment return:				
Investment income	50,990	50,794	-	101,784
Net appreciation (depreciation) (unrealized and realized)	(106,134)	(112,635)	-	(218,769)
Total investments return	(55,144)	(61,841)	-	(116,985)
Contributions	-	-	422,238	422,238
Appropriation of endowment assets spent due to purpose restriction	(18,022)	(3,850)	-	(21,872)
Endowment net assets, end of year	$ 1,985,844	$ 695,122	$ 1,322,238	$ 4,003,204

9. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-restricted endowment funds	$ 2,059,010	$ -	$ -	$ 2,059,010
Donor-designated endowment funds	-	760,813	900,000	1,660,813
Total funds	$ 2,059,010	$ 760,813	$ 900,000	$ 3,719,823

Changes in Endowment Net Assets for the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,992,551	$ 724,813	$ 900,000	$ 3,617,364
Investment return:				
Investment income	61,007	49,521	-	110,528
Net appreciation (unrealized and realized)	6,564	5,654	-	12,218
Total investments return	67,571	55,175	-	122,746
Contributions	-	25,447	-	25,447
Appropriation of endowment assets spent due to purpose restriction	(1,112)	(44,622)	-	(45,734)
Endowment net assets, end of year	$ 2,059,010	$ 760,813	$ 900,000	$ 3,719,823

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor under UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature at December 31, 2015 and 2014.

Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations, programs and other specified purposes supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowments include those assets of donor restricted funds that the Foundation must hold in perpetuity or for donor specified periods as well as board designated funds.

Strategies Employed for Achieving Objectives

The Foundation's investment policies for endowment assets attempt to provide a predictable stream of income sufficient to support donor objectives and to preserve or increase the purchasing power of the assets supported by its endowments. The investment policy establishes an achievable return objective through diversification of asset classes. As identified in the investment policy, the investment committee will maintain reasonable diversification at all times within both equity and fixed income securities so as to provide for the investment objectives while avoiding undue risk concentration in any single asset class or investment category.

While there are no assurances that these objectives will be realized, guidelines for Endowment investments were developed using estimates of future gifts and expenditures by the Endowment and on projected investment returns by asset class. Endowment objectives were based on a ten-year investment horizon, so interim fluctuations should be viewed with appropriate perspective.

9. ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy calculates the amount of money that can be annually distributed from the various endowment funds. The current spending policy is generally to distribute 4% of the average market value over the previous 8 quarters. No distributions shall be made from any permanently restricted endowment investments if the distribution will reduce corpus.

10. CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES

Seventy-eight percent of the total pledges receivable in 2015 is due from one donor and eighty-two percent of the total pledge receivable in 2014 is due from one donor. Three donors represent approximately seventy-six percent of the total contributions received in 2015. Two donors represent approximately seventy-four percent of the total contributions received in 2014. Forty-seven percent of the total accounts payable in 2015 is due to two vendors at 2015. Thirty percent of the total accounts payable in 2014 is due to two vendors at 2014.

11. RELATED PARTY TRANSACTIONS

The Foundation has received contributions of approximately $610,000 in 2015 from thirteen members of the Board of Trustees and $162,000 in 2014 from thirteen members of the Board of Trustees.

The Foundation distributed grants, gifts of land and fixed assets to the Department in the amount of approximately $5,022,000 and $936,000 for the years ended December 31, 2015 and 2014, respectively. The Foundation funded Department sponsored projects in the amount of approximately $252,341 and $109,000 for the years ended December 31, 2015 and 2014, respectively.

12. SIMPLE IRA PLAN

The Foundation sponsors a simple IRA plan. Employees may contribute up to $12,000 of their annual earnings to the plan; employees aged 50 or older may contribute an additional $2,500. The Foundation matches 3% of employee compensation for each participant. Participants are immediately 100% vested in employer contributions. Foundation contributions to the plan were $19,210 and $13,266 for the year ended December 31, 2015 and 2014, respectively.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2016, the date the financial statements were available to be issued.

Subsequent to year end, Foundation purchased Tract III of Powderhorn Ranch for approximately $10 million. The funds used in the acquisition of the Tract III were received as contributions subsequent to year end.

Subsequent to year end, Foundation received $3.4 million permanently restricted contribution for the long-term habitat management of Powderhorn Ranch.