



The University of Texas Foundation, Inc.

**Consolidated Financial Statements
as of and for the Years Ended
December 31, 2024 and 2023 and
Independent Auditors' Report**

MAXWELL LOCKE & RITTER LLP | Accounting & Advisory

AUSTIN 401 Congress Avenue, Suite 1100, Austin, TX 78701

ROUND ROCK 411 West Main Street, Suite 300, Round Rock, TX 78664

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Independent Auditors' Report

To the Board of Directors of
The University of Texas Foundation, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The University of Texas Foundation, Inc. (a nonprofit organization) and subsidiaries (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2024 and 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, 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 solely 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 the effectiveness of the Foundation's 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating supplemental schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maxwell Locke & Ritter LLP

Austin, Texas
March 27, 2025

The University of Texas Foundation, Inc.

Consolidated Statements of Financial Position December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 8,068,614	\$ 7,106,321
Accounts receivable	241,045	142,220
Pledges receivable, net	13,472,235	7,850,843
Reinsurance asset	3,761,580	3,889,580
Other assets	659	715
Investments	58,735,881	57,156,260
Land and minerals	16,330,189	15,920,069
Property and equipment, net	<u>525,085</u>	<u>537,926</u>
Total assets	<u>\$ 101,135,288</u>	<u>\$ 92,603,934</u>
Liabilities and Net Assets		
Liabilities:		
Accounts and distributions payable	\$ 1,777,352	\$ 3,591,669
Pledges payable, net	13,472,235	7,850,843
Other payables to UT Institutions	7,328,368	7,103,931
Gift annuities	16,168,628	18,934,654
Gift commitment over annuity liability	8,034,271	7,163,282
Deferred gain on reinsurance asset	<u>465,452</u>	<u>481,290</u>
Total liabilities	47,246,306	45,125,669
Net Assets:		
Without donor restrictions	17,614,447	16,283,119
With donor restrictions	<u>36,274,535</u>	<u>31,195,146</u>
Total net assets	<u>53,888,982</u>	<u>47,478,265</u>
Total liabilities and net assets	<u>\$ 101,135,288</u>	<u>\$ 92,603,934</u>

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Activities Years Ended December 31, 2024 and 2023

	2024	2023
Change in net assets without donor restrictions:		
Revenues and gains:		
Contributions	\$ 61,372,351	\$ 47,989,666
Unrealized and realized gain on investments	1,061,104	1,198,382
Government grants	1,009,777	-
Dividends and interest income	273,385	236,149
In-kind contributions	166,596	2,543,522
Other income	316,159	393,485
Total revenues and gains	64,199,372	52,361,204
Net assets released from restrictions	4,463,043	4,519,337
Total revenues, gains and net assets released from restrictions	68,662,415	56,880,541
Expenses:		
Program services:		
Distributions to and for the benefit of the UT System	63,950,012	52,356,203
Annuity payments	2,322,732	2,106,999
Chancellor's business expenses	75,849	190,858
Gift payments	64,007	33,469
Total program services	66,412,600	54,687,529
Management and general:		
Office, administrative and business expenses	799,622	644,851
Accounting fees	42,775	40,001
Professional fees	33,142	30,908
Depreciation	31,761	26,565
Trustee fees	11,187	10,999
Total management and general	918,487	753,324
Total expenses	67,331,087	55,440,853
Change in net assets without donor restrictions	1,331,328	1,439,688

(continued)

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Activities (Continued) Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Change in net assets with donor restrictions:		
Revenues and gains:		
Contributions	\$ 3,085,924	\$ 4,836,067
Change in actuarial liability	2,765,925	1,987,372
Unrealized and realized gain on investments	2,659,771	4,609,004
Dividend and interest income	1,062,029	835,720
In-kind contributions	389,000	-
Change in gift commitment over annuity liability	(870,989)	(4,084,018)
Other income	450,772	42,471
Total revenues and gains	<u>9,542,432</u>	<u>8,226,616</u>
Net assets released from restrictions	<u>(4,463,043)</u>	<u>(4,519,337)</u>
Total revenues, gains and net assets released from restrictions	<u>5,079,389</u>	<u>3,707,279</u>
Change in net assets with donor restrictions	<u>5,079,389</u>	<u>3,707,279</u>
Total change in net assets	<u>\$ 6,410,717</u>	<u>\$ 5,146,967</u>

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Changes in Net Assets Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Net assets, beginning	\$ 16,283,119	\$ 14,843,431
Change in net assets	<u>1,331,328</u>	<u>1,439,688</u>
Net assets without donor restrictions, ending	<u>17,614,447</u>	<u>16,283,119</u>
Net assets with donor restrictions:		
Net assets, beginning	31,195,146	27,487,867
Change in net assets	<u>5,079,389</u>	<u>3,707,279</u>
Net assets with donor restrictions, ending	<u>36,274,535</u>	<u>31,195,146</u>
Total net assets	<u>\$ 53,888,982</u>	<u>\$ 47,478,265</u>

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Cash Flows Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ 6,410,717	\$ 5,146,967
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized gain on investments	(3,722,124)	(5,807,386)
Donation of land	-	(2,260,000)
Change in actuarial liability in gift annuities	(2,766,026)	(1,987,384)
Change in actuarial liability in gift commitment over annuity liability	870,989	4,084,018
Change in deferred gain on reinsurance	(15,838)	(15,839)
Contributions restricted for investment	(65,400)	(94,651)
Depreciation	31,761	26,565
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(98,825)	(38,890)
Pledges receivable	(5,621,392)	1,416,140
Reinsurance asset	128,000	128,000
Other assets	56	165
Accounts and distributions payable	(1,814,317)	(1,337,377)
Pledges payable	5,621,392	(1,416,140)
Other payables to UT Institutions	224,437	3,609,359
Net cash provided by (used in) operating activities	(816,570)	1,453,547
Cash Flows from Investing Activities:		
Purchase of investments	(2,499,368)	(6,750,568)
Sales of investments	4,231,751	4,678,040
Purchase of property and equipment	(18,920)	(8,010)
Net cash provided by (used in) investing activities	1,713,463	(2,080,538)
Cash Flows from Financing Activities-		
Contributions restricted for investment	65,400	94,651
Net change in cash and cash equivalents	962,293	(532,340)
Cash and cash equivalents, beginning of year	7,106,321	7,638,661
Cash and cash equivalents, end of year	\$ 8,068,614	\$ 7,106,321
Supplemental Disclosure of Cash Flow Information-		
Payment of annuity obligations	\$ 2,322,732	\$ 2,106,999

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

1. Nature of Operations

The University of Texas Foundation, Inc. (the “UT Foundation”) is a nonprofit corporation organized for the advancement of education through financial support of The University of Texas System Institutions (the “UT System”). The UT Foundation’s primary source of revenue is contributions from the public. The UT Foundation accepts and manages gifts in support of the UT System and the 14 institutions (“UT Institutions”) that UT System oversees. While the UT System and the UT Institutions are the beneficiaries of the UT Foundation, the UT Foundation functions independently under its own Board of Directors (the “Board”) and pursues its own investment policies in the management of its portfolios.

On December 3, 2020, the UT Foundation formed UT Foundation UK Limited (the “UK Foundation”), a nonprofit in the United Kingdom with a similar mission as the UT Foundation. The UK Foundation was consolidated during the year ended December 31, 2022, which was the initial year the UK Foundation had financial activity.

The University of Texas Foundation No. 1 and The University of Texas Foundation No. 2 were consolidated with the UT Foundation as both control and economic interest began to exist during 2022.

The UT Foundation, UK Foundation, The University of Texas Foundation No. 1, and The University of Texas Foundation No. 2, are collectively referred to as the “Foundation.” All intercompany transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification.

Net Asset Classifications - Net assets, 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 and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use or at the discretion of the Board of Directors (“Board”) for the Foundation’s use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use by the Foundation to a specific purpose and/or the passage of time, or which require them to be maintained permanently.

The Foundation classifies as net assets with donor restrictions all trusts and endowment funds in which the donor has granted the Board authority regarding beneficiary selection. Split-interest agreements having any charitable component that must be maintained in perpetuity as designated by the donor are also classified as net assets with donor restrictions.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges Receivable and Pledges Payable - As part of its mission, the Foundation collects amounts that contributors have designated to be distributed to the UT System and its affiliated institutions. Pledges receivable are recorded at the amount the Foundation expects to receive from the contributors. Donors with significant pledges are contacted annually to confirm gifts will be received. No allowance for uncollectible pledges receivable has been recorded as, historically, the Foundation has not experienced significant uncollectible amounts. Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year (Note 5). These designations are also recorded as a liability at year end.

Reinsurance - The Foundation has reinsurance policies to protect itself against the impact of normal losses incurred on certain annuities. Reinsurance makes the assuming reinsurer liable to the extent of the reinsurance. Reinsurance does not, however, discharge the ceding party from its primary liability to the annuitants. As of December 31, 2024 and 2023, the Foundation had a reinsurance asset of \$3,761,580 and \$3,889,580, respectively. Deferred gains on the reinsurance asset were \$465,452 and \$481,290 as of December 31, 2024 and 2023, respectively. Amortization of deferred gains are recorded within change in gift commitment over annuity liability and change in actuarial liability, respectively, in the consolidated statements of activities. Under the reinsurance policies, the Foundation recognized \$15,839 in gains using the recovery method for each of the years ended December 31, 2024 and 2023.

Investments, Land, and Minerals - Investments, land, and minerals are valued at their fair value in the consolidated statements of financial position. Investment transactions are recorded on the trade date and investment income is recorded when earned. Any changes in fair value of investments, land and minerals between reporting periods are reported in the consolidated statements of activities as unrealized gains and losses. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of investments, land, or minerals.

Gift Annuities - The Foundation has entered into irrevocable agreements with donors whereby donors contribute assets in exchange for the right to receive a fixed dollar annual return for their benefit. Upon receipt of each such gift, the Foundation calculates the present value of the periodic payments due to the annuitants and classifies this amount as a liability. The Foundation uses the rates published by the American Council on Gift Annuities (“ACGA”) to compute these periodic payments.

Gift Commitment Over Annuity Liability - All gift annuity contracts held by the Foundation provide a 90% residual to the UT Institutions and 10% to the Foundation at the termination of the gift annuity agreement per donors’ stipulations. A liability is recorded as gift commitment over annuity liability for the amount by which the residual from gift annuities in the annuity funds exceeds the estimated liability payments to annuitants.

Split-Interest Agreements - Since the remaining amount of all annuity gifts will be distributed to the UT Institutions and the Foundation upon termination of each annuity agreement per the donors’ stipulations, all annuity contracts held by the Foundation represent split-interest agreements. The Foundation records the excess of the annuity gift over the present value of the estimated liability as contribution revenue upon gift receipt. The carrying value of the gift annuities is determined annually based on actuarial estimates. Any changes in the present value of the liability are recorded as changes in actuarial liability in the consolidated statements of activities. Assets of the Foundation that are derived from split-interest agreements are included in investments and are invested in mutual funds and other investments measured at net asset value. As of December 31, 2024, the assets and liabilities of the split-interest agreements were \$30,591,666 and \$25,105,533, respectively. As of December 31, 2023, the assets and liabilities of the split-interest agreements were \$28,792,225 and \$26,648,620, respectively.

Contributions - The Foundation recognizes contributions when cash, securities, other assets (including gifts of land, mineral rights, and buildings), an unconditional promise to give, or notification of a beneficial interest is received. Because the Foundation exists to accept assets for the UT System and UT Institutions, the Foundation recognizes contribution revenue when it receives assets designated for others. Contributions are recorded at their fair value and are generally restricted by the donor for the benefit of the UT System and UT Institutions. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Contributions received with donor-imposed conditions and restrictions are reported as increases in net assets without restrictions if the conditions and restrictions are met within the fiscal year in which the contributions are received. The Foundation reports gifts of long-lived assets as net assets without donor restrictions when the asset is placed in service.

Donated Goods and Services - Donated goods and services are reflected in the consolidated statements of activities at their fair value on the date of receipt. Donated services are recognized if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated land is discussed in Note 6.

Functional Allocation of Expenses - The costs of providing the Foundation's various programs and supporting services have been reported on a functional basis in the consolidated statements of activities. Management estimates that all costs are directly related to either program or supporting services.

Federal Income Tax Status - The UT Foundation, The University of Texas Foundation No. 1, and The University of Texas Foundation No. 2 (collectively, "The UT Foundations - U.S.") are nonprofit organizations that are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. The UT Foundations - U.S. are not classified as private foundations under Section 509(a) of the Internal Revenue Code. The UT Foundations - U.S. did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2024 and 2023. The UT Foundations - U.S. file Form 990 tax returns in the U.S. federal jurisdiction, and are subject to routine examinations of its returns; however, there are no examinations currently in progress.

The UK Foundation is a nonprofit organization that is a registered charity in the United Kingdom with the Charity Commission. The UK Foundation monitors and is in compliance with applicable tax laws and regulations in the jurisdiction.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year for general expenditure were as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,721,094	\$ 3,910,478
Institution payables	<u>(1,441,316)</u>	<u>(3,525,880)</u>
Net cash and cash equivalents	279,778	384,598
Investments	12,626,665	11,957,331
Receivables due within one year	<u>400,774</u>	<u>327,499</u>
	13,307,217	12,669,428
Less amounts unavailable for general expenditure within one year-		
Funds held for others	<u>(44,542)</u>	<u>(98,674)</u>
Total financial assets available for general expenditure within one year	<u>\$ 13,262,675</u>	<u>\$ 12,570,754</u>

These amounts are held within the unrestricted Operating and Winkler funds, and the majority of the Foundation's investments are convertible to cash within 24 hours. The Foundation keeps approximately \$200,000 in cash to fund its average monthly operating costs of \$73,000. The Foundation has no debt and its annuity liabilities are funded by restricted assets.

4. Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, land, minerals, and receivables. The Foundation places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits.

The Foundation's investments, land, and minerals do not represent a significant concentration of credit risk due to the diversification of the Foundation's portfolio among instruments and issues. However, investments, land, and minerals are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, land, and minerals, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position.

The Foundation does not maintain collateral for its receivables. Two donors accounted for 46% and three donors accounted for 45% of pledges receivable as of December 31, 2024 and 2023 respectively.

5. Pledges Receivable

Pledges receivable were comprised of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Gross pledges receivable	\$ 14,114,568	\$ 8,072,019
Less discount to net present value	<u>(642,333)</u>	<u>(221,176)</u>
Net pledges receivable	<u>\$ 13,472,235</u>	<u>\$ 7,850,843</u>

The maturity of pledges receivable is as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 6,291,087	\$ 5,086,186
Due in one to five years	7,698,481	2,485,833
Due in more than five years	<u>125,000</u>	<u>500,000</u>
Total gross pledges receivable	<u>\$ 14,114,568</u>	<u>\$ 8,072,019</u>

As of December 31, 2024 and 2023, a discount rate of 4% was used to discount the anticipated cash flows on long-term unconditional promises to give. All pledges receivable were designated by contributors to benefit other organizations.

6. Investments, Land, and Minerals

The Foundation's investments, land, and minerals are held by an agent as directed by the Foundation's Board. Investments, land, and minerals were classified as follows under the fair value hierarchy as of December 31, 2024:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Mutual funds:				
Fixed income funds	\$ 22,414,853	22,414,853	-	-
Equity funds	5,897,814	5,897,814	-	-
Land	16,284,839	-	-	16,284,839
Closely held stock	726,812	-	-	726,812
Minerals	45,350	-	-	45,350
Total investments, land, and minerals	45,369,668	<u>28,312,667</u>	<u>-</u>	<u>17,057,001</u>
Investments measured at net asset value	<u>29,696,402</u>			
Total investments at fair value	<u>\$ 75,066,070</u>			

Investments, land, and minerals were classified as follows under the fair value hierarchy as of December 31, 2023:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Mutual funds:				
Fixed income funds	\$ 18,945,047	18,945,047	-	-
Equity funds	9,682,581	9,682,581	-	-
Land	15,874,719	-	-	15,874,719
Closely held stock	1,470,851	-	-	1,470,851
Minerals	45,350	-	-	45,350
Total investments, land, and minerals	46,018,548	<u>28,627,628</u>	<u>-</u>	<u>17,390,920</u>
Investments measured at net asset value	<u>27,057,781</u>			
Total investments at fair value	<u>\$ 73,076,329</u>			

There were no transfers in or out of Level 3 investments. All Level 1 and 3 investments have been valued using a market approach. There were no Level 3 purchases during the years ended December 31, 2024 and 2023. Certain pooled investment funds ("PIF") are measured at fair value using the net asset value practical expedient and have therefore been excluded from the fair value hierarchy leveling table.

During the year ended December 31, 2023, the Foundation received donated land recorded at fair value totaling \$2,260,000. The fair value was measured using an independent appraisal performed at the date of contribution and was classified as net asset without donor restrictions.

As of December 31, 2024 and 2023, land is measured at fair value using property tax appraisal values. Minerals consist of oil and gas interests and are measured at fair value using appraisal values.

The PIF invests in approximately 15,500 privately raised endowments and other long-term funds established to benefit The University of Texas and Texas A&M Foundations. The fund only invests in General Endowment Funds established by the Board of Regents of UT System. The fund takes a diversified approach and includes investments in hedge funds, private investments, public markets, debt securities, and equity securities.

Management reviews and approves the Foundation’s fair value measurement policies and procedures annually. At least annually, management determines if the valuation techniques used in fair value measurements are still appropriate.

The following table summarizes the investments for which fair value is measured using the net asset value practical expedient as of December 31:

	<u>Fair Value at December 31, 2024</u>	<u>Fair Value at December 31, 2023</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
PIF	\$ 29,696,402	\$ 27,057,781	not applicable	once a quarter	quarterly

7. Gift Annuities

The annuity payments, as authorized by the Board in a resolution dated April 19, 1996, will pay a rate no higher than the rates most recently adopted by the ACGA. As of December 31, 2024 and 2023, gift annuity liabilities were actuarially determined using the 2012 IAR mortality table and the annualized Section 7520 rate of 5.03% and 4.88%, respectively.

Gift annuity obligations are as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Annuities Trust Fund-		
Since March 21, 1991 the Foundation has entered into various gift annuities with payout percentages ranging from 3.0% to 14.9% payable in installments ranging from approximately \$80 to \$25,500. The gift annuities have payment frequencies ranging from monthly to annually.	\$ 14,855,549	\$ 14,157,328
Deferred Charitable Gift Annuity Fund-		
Since August 6, 1997, the Foundation has entered into various deferred gift annuities. Payments on the deferred annuities are scheduled to commence on various dates beginning April 30, 2024.	754,887	706,236
Reinsurance Annuity Fund-		
Includes gift annuities with payout percentages ranging from 6.7% to 8.9% payable in quarterly installments totaling approximately \$45,000. The Foundation purchased reinsurance policies to cover a portion of the annuity payments.	558,192	4,071,090
	<u>\$ 16,168,628</u>	<u>\$ 18,934,654</u>

The liability under split-interest gift annuity agreements measured at fair value on a recurring basis using significant unobservable inputs (Level 3) changed as follows during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Beginning of year	\$ 18,934,654	\$ 20,922,038
Additions	3,016,361	4,704,849
Transfers/terminations	(1,625,286)	(3,046,608)
Actuarial adjustment	(4,157,101)	(3,645,625)
End of year	<u>\$ 16,168,628</u>	<u>\$ 18,934,654</u>

8. Gift Commitment Over Annuity Liability

The liability recorded for the gift commitment over annuity liability was measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Beginning of year	\$ 7,163,282	\$ 3,079,264
Actuarial adjustment	<u>870,989</u>	<u>4,084,018</u>
End of year	<u>\$ 8,034,271</u>	<u>\$ 7,163,282</u>

9. Annuity Reserve Funds

Included in the investments of the Annuities Trust Fund are certain assets set aside, invested and held in reserve in compliance with various state laws as follows as of December 31:

	<u>2024</u>	<u>2023</u>
California Annuity Fund	\$ 1,474,247	\$ 1,393,889
Registration States Fund	1,362,948	1,344,415
Hawaii Annuity Fund	186,989	183,809
Tennessee Annuity Fund	<u>570</u>	<u>542</u>
Total annuity reserve funds	<u>\$ 3,024,754</u>	<u>\$ 2,922,655</u>

10. Endowments

The Board interprets the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds absent explicit donor stipulations to the contrary. Donor-restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment. Also included are accumulations to the permanent endowment if directed by the donor gift instrument. Absent donor stipulations, the remaining portion of the permanent endowment fund is classified as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation’s investment policies.

The Component Endowment Fund (“CEF”) is invested with a total return philosophy which emphasizes principal growth and allows for distributions of 4.5% from the annuitized fund, computed as follows:

At the end of each calendar quarter (March, June, September and December) the pre-unit value will be computed.

- A. At the end of the calendar year (December) the unit values from the preceding twelve quarters will be averaged to determine the Average Unit Value (“AUV”) for the preceding three years.
- B. The AUV will be multiplied by the then number of units held by each account in the CEF to determine the Account Average Value (“AAV”).
- C. The AAV will then be multiplied by the distribution rate set by the Board to determine the annual distribution. Currently the distribution rate is 4.5%.

This policy is applied only in the absence of direct instruction by the donor.

In accordance with U.S. GAAP, the Foundation considers an endowment to be deficient if its fair value is less than the sum of: (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor-imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation complies with TUPMIFA and has interpreted it to permit spending from deficient endowments in accordance with the prudent measures required under the law.

The primary goals of the endowments are as follows: 1) Provide the highest sustainable, consistent flow of funds to support the activities of the Foundation or those designed by the donor, 2) Protect the future purchasing power of the principal of the endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Foundation assets, and 3) Manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the Foundation.

The Investment Committee of the Foundation outlines the asset allocations, permissible investments and objectives of the portfolios in the Investment Policy.

Changes in endowment net assets were as follows during the year ended December 31, 2024:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 11,300,299
Investment return	1,037,763
Contributions	65,400
Appropriations of earnings	<u>(580,746)</u>
Endowment net assets, end of year	<u><u>\$ 11,822,716</u></u>

Changes in endowment net assets were as follows during the year ended December 31, 2023:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 10,616,102
Investment return	1,145,877
Contributions	94,651
Appropriations of earnings	<u>(556,331)</u>
Endowment net assets, end of year	<u>\$ 11,300,299</u>

Descriptions of endowment net assets classified with donor restrictions were as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Permanently donor-restricted net assets-		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	<u>\$ 9,058,066</u>	<u>\$ 8,992,166</u>
Temporarily donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	<u>\$ 2,764,650</u>	<u>\$ 2,308,133</u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Time restrictions-		
Gift annuity agreements	\$ 5,486,134	\$ 2,143,606
Purpose restrictions - Endowment:		
Albert and Jesse Cudlipp Memorial Endowed Scholarship	6,337,228	6,089,661
Bill Archer Center Endowment	3,643,006	3,500,859
George W. Brackenridge Foundation Endowment	1,128,162	1,086,380
Wayne and Joanne Moore Endowed Scholarship	314,688	282,617
Drs. Morvitz & Judith Craven Endowed Scholarship Fund	128,171	123,218
Appleman Endowment	66,673	60,644
Zeta Tau Alpha	49,053	46,789
Gabriela Lopez Escobedo	41,029	-
Gene Woodfin Prize	35,047	33,681
Delorus Wages Scholarship	29,261	26,936
Austin Faculty Opportunity Scholarship	25,518	25,601
Drs. Cathy and Glenn Miller Endowment	24,880	23,913
Purpose restrictions:		
White Family Outdoor Learning Center	13,483,370	13,483,370
Chancellor's use	3,416,177	3,088,692
Donor advised fund	900,296	821,567
UTF 2	806,451	103,507
Scholarship fund	143,297	37,175
College of Business teaching supplement	125,010	116,151
Emergency fund	44,542	98,674
Ramert minerals	44,000	-
Winkler county land	1,360	1,360
UTF 1	1,182	745
Total net assets with donor restrictions	<u>\$ 36,274,535</u>	<u>\$ 31,195,146</u>

12. Commitments and Contingencies

The Foundation is in receipt of charitable gift annuities which commit it to a stream of guaranteed annuity payments. These contracted payments are calculated based on the payout rates established by ACGA. The ACGA projects 50% of the original gift will be available for the remainderman, which is an institution within the UT Foundation, as designated by the annuitant. The projected residuum is an average, and the actual remainder interest can vary substantially. The Foundation assumes, on average, the earnings and 50% of the face value of an annuity will be paid out to the annuitant through the annuity payments. The residuum will be distributed as established in the annuity contract. The annuity payments are secured by the assets of the Foundation. There is no guaranteed residual value.

The Foundation receives government grants for specific purposes that are subject to review and audit by government agencies. The Foundation is also funded by grants and contracts that are subject to review and audit by certain grantors. These contracts have certain compliance requirements and, should audits by government or grantor agencies disclose any areas of substantial noncompliance, the Foundation may be required to refund any disallowed costs.

13. Subsequent Events

The Foundation evaluated subsequent events through March 27, 2025 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.

Supplemental Schedules

The University of Texas Foundation, Inc.

Consolidating Schedule of Financial Position December 31, 2024

	University of Texas Foundation	UK Foundation	Total
Assets			
Cash and cash equivalents	\$ 8,061,969	6,645	8,068,614
Accounts receivable	241,045	-	241,045
Pledges receivable, net	13,472,235	-	13,472,235
Reinsurance asset	3,761,580	-	3,761,580
Other assets	659	-	659
Investments	58,735,881	-	58,735,881
Land and minerals	16,330,189	-	16,330,189
Property and equipment, net	525,085	-	525,085
Total assets	\$ 101,128,643	6,645	101,135,288
Liabilities and Net Assets			
Liabilities:			
Accounts and distributions payable	\$ 1,777,352	-	1,777,352
Pledges payable, net	13,472,235	-	13,472,235
Other payables to UT Institutions	7,328,368	-	7,328,368
Gift annuities	16,168,628	-	16,168,628
Gift commitment over annuity liability	8,034,271	-	8,034,271
Deferred gain on reinsurance asset	465,452	-	465,452
Total liabilities	47,246,306	-	47,246,306
Net Assets:			
Without donor restrictions	17,607,802	6,645	17,614,447
With donor restrictions	36,274,535	-	36,274,535
Total net assets	53,882,337	6,645	53,888,982
Total liabilities and net assets	\$ 101,128,643	6,645	101,135,288

Note: The University of Texas Foundation No. 1 and The University of Texas Foundation No. 2 are included in the University of Texas Foundation column.

The University of Texas Foundation, Inc.

Consolidated Schedule of Activities Year Ended December 31, 2024

	University of Texas Foundation	UK Foundation	Total
Changes in net assets without donor restrictions:			
Revenues and gains:			
Contributions	\$ 59,368,134	2,004,217	61,372,351
Unrealized and realized gain (loss) on investments	1,062,353	(1,249)	1,061,104
Federal grants	1,009,777	-	1,009,777
Dividends and interest income	272,970	415	273,385
In-kind contributions	166,596	-	166,596
Other income	316,159	-	316,159
Net assets released from restrictions	4,463,043	-	4,463,043
Total revenue, gains and net assets released from restrictions	66,659,032	2,003,383	68,662,415
Expenses:			
Program services:			
Distributions to and for the benefit of the UT System	61,945,893	2,004,119	63,950,012
Annuity payments	2,322,732	-	2,322,732
Chancellor's business expenses	75,849	-	75,849
Gift payments	64,007	-	64,007
Management and general:			
Office, administrative and business expenses	799,057	565	799,622
Professional fees	33,142	-	33,142
Depreciation	31,761	-	31,761
Accounting fees	42,775	-	42,775
Trustee fees	11,187	-	11,187
Total expenses	65,326,403	2,004,684	67,331,087
Change in net assets without donor restrictions	\$ 1,332,629	(1,301)	1,331,328

(continued)

Note: The University of Texas Foundation No. 1 and The University of Texas Foundation No. 2 are included in the University of Texas Foundation column.

The University of Texas Foundation, Inc.

Consolidated Schedule of Activities (Continued) Year Ended December 31, 2024

	University of Texas Foundation	UK Foundation	Total
Changes in net assets with donor restrictions:			
Contributions	\$ 3,085,924	-	3,085,924
Change in actuarial liability	2,765,925	-	2,765,925
Unrealized and realized gain on investments	2,659,771	-	2,659,771
Dividend and interest income	1,062,029	-	1,062,029
In-kind contributions	389,000	-	389,000
Change in gift commitment over annuity liability	(870,989)	-	(870,989)
Other income	450,772	-	450,772
Net assets released from donor restrictions	<u>(4,463,043)</u>	<u>-</u>	<u>(4,463,043)</u>
Total revenues, gains and net assets released from restrictions	<u>5,079,389</u>	<u>-</u>	<u>5,079,389</u>
Change in net assets with donor restrictions	<u>\$ 5,079,389</u>	<u>-</u>	<u>5,079,389</u>

Note: The University of Texas Foundation No. 1 and The University of Texas Foundation No. 2 are included in The University of Texas Foundation column.

The University of Texas Foundation, Inc.

Consolidated Schedule of Changes in Net Assets Year Ended December 31, 2024

	University of Texas Foundation	UK Foundation	Total
Net assets without donor restrictions:			
Net assets, beginning	\$ 16,275,173	7,946	16,283,119
Change in net assets	1,332,629	(1,301)	1,331,328
Net assets without donor restrictions, ending	<u>17,607,802</u>	<u>6,645</u>	<u>17,614,447</u>
Net assets with donor restrictions:			
Net assets, beginning	31,195,146	-	31,195,146
Change in net assets	5,079,389	-	5,079,389
Net assets with donor restrictions, ending	<u>36,274,535</u>	<u>-</u>	<u>36,274,535</u>
Total net assets	<u>\$ 53,882,337</u>	<u>6,645</u>	<u>53,888,982</u>

Note: The University of Texas Foundation No. 1 and The University of Texas Foundation No. 2 are included in the University of Texas Foundation column.