The University of Texas Foundation, Inc.

Consolidated Financial Statements as of and for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

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Independent Auditors' Report

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

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, 2023 and 2022, 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, 2023 and 2022, 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. 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 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, 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.

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
April 4, 2024

The University of Texas Foundation, Inc.

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 7,106,321	$ 7,638,661
Accounts receivable	142,220	103,330
Pledges receivable, net	7,850,843	9,266,983
Reinsurance asset	3,889,580	4,017,580
Other assets	715	880
Investments	57,156,260	50,485,393
Land and minerals	15,920,069	12,451,022
Property and equipment, net	537,926	556,481
Total assets	$ 92,603,934	$ 84,520,330
Liabilities and Net Assets		
Liabilities:		
Accounts and distributions payable	$ 3,591,669	$ 4,929,046
Pledges payable, net	7,850,843	9,266,983
Other payables to UT Institutions	7,103,931	3,494,572
Gift annuities	18,934,654	20,922,038
Gift commitment over annuity liability	7,163,282	3,079,264
Deferred gain on reinsurance asset	481,290	497,129
Total liabilities	45,125,669	42,189,032
Net Assets:		
Without donor restrictions	16,283,119	14,843,431
With donor restrictions	31,195,146	27,487,867
Total net assets	47,478,265	42,331,298
Total liabilities and net assets	$ 92,603,934	$ 84,520,330

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions:		
Revenues and gains:		
Contributions	$ 47,989,666	$ 43,230,092
In-kind contributions	2,543,522	4,731,790
Unrealized and realized gain (loss) on investments	1,198,382	(2,397,393)
Dividends and interest income	236,149	181,630
Other income	393,485	452,654
Total revenues and gains	52,361,204	46,198,773
Net assets released from restrictions	4,519,337	5,486,894
Total revenues, gains and net assets released from restrictions	56,880,541	51,685,667
Expenses:		
Program services:		
Distributions to and for the benefit of the UT System	52,356,203	50,398,270
Annuity payments	2,106,999	2,379,857
Chancellor's business expenses	190,858	169,992
Gift payments	33,469	105,483
Total program services	54,687,529	53,053,602
Management and general:		
Office, administrative and business expenses	644,851	591,428
Professional fees	30,908	33,260
Depreciation	26,565	28,932
Accounting fees	40,001	28,750
Trustee fees	10,999	11,021
Total management and general	753,324	693,391
Total expenses	55,440,853	53,746,993
Change in net assets without donor restrictions	1,439,688	(2,061,326)

(continued)

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Activities (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Change in net assets with donor restrictions:		
Revenues and gains:		
Contributions	$ 4,836,067	$ 1,132,307
Unrealized and realized gain (loss) on investments	4,609,004	(420,558)
Change in actuarial liability	1,987,372	6,755,089
Dividend and interest income	835,720	645,116
Change in gift commitment over annuity liability	(4,084,018)	(1,607,346)
Other income	42,471	28,622
Total revenues and gains	8,226,616	6,533,230
Net assets released from restrictions	(4,519,337)	(5,486,894)
Total revenues, gains and net assets released from restrictions	3,707,279	1,046,336
Change in net assets with donor restrictions	3,707,279	1,046,336
Total change in net assets	$ 5,146,967	$ (1,014,990)

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Net assets, beginning	$ 14,843,431	$ 16,904,757
Change in net assets	1,439,688	(2,061,326)
Net assets without donor restrictions, ending	16,283,119	14,843,431
Net assets with donor restrictions:		
Net assets, beginning	27,487,867	26,441,531
Change in net assets	3,707,279	1,046,336
Net assets with donor restrictions, ending	31,195,146	27,487,867
Total net assets	$ 47,478,265	$ 42,331,298

See notes to consolidated financial statements.

The University of Texas Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	$ 5,146,967	$ (1,014,990)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Donated investments	-	(881,560)
Donation of land	(2,260,000)	(850,000)
Unrealized and realized loss (gain) on investments	(5,807,386)	2,817,951
Change in actuarial liability in gift annuities	(1,987,384)	(6,755,089)
Change in actuarial liability in gift commitment over annuity liability	4,084,018	1,607,346
Change in deferred gain on reinsurance	(15,839)	497,129
Contributions restricted for investment	(94,651)	(45,617)
Depreciation	26,565	28,932
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(38,890)	1,001,570
Pledges receivable	1,416,140	1,530,094
Reinsurance asset	128,000	(4,017,580)
Other assets	165	(858)
Accounts and distributions payable	(1,337,377)	(658,028)
Pledges payable	(1,416,140)	(1,530,094)
Other payables to UT Institutions	3,609,359	3,494,572
Net cash provided by (used in) operating activities	1,453,547	(4,776,222)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(8,010)	-
Purchase of investments	(6,750,568)	(3,885,545)
Sales of investments	4,678,040	11,396,599
Net cash provided by (used in) investing activities	(2,080,538)	7,511,054
Cash Flows from Financing Activities-		
Contributions restricted for investment	94,651	45,617
Net change in cash and cash equivalents	(532,340)	2,780,449
Cash and cash equivalents, beginning of year	7,638,661	4,858,212
Cash and cash equivalents, end of year	$ 7,106,321	$ 7,638,661
Supplemental Disclosure of Cash Flow Information-		
Payment of annuity obligations	$ 2,106,999	$ 2,379,857

See notes to consolidated financial statements.

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 ("FASB") 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:

<u>Without Donor Restrictions</u> **-** 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 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 material 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, 2023 and 2022, the Foundation had a reinsurance asset of $3,889,580 and $4,017,581, respectively. Deferred gains on the reinsurance asset were $481,291 and $497,129 as of December 31, 2023 and 2022, 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. During the year ended December 31, 2023, under the reinsurance policies, the Foundation recognized $15,839 in gains using the recovery method. During the year ended December 31, 2022 under the reinsurance policies, there was no amortization of the deferred gain.

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, 2023, the assets and liabilities of the split-interest agreements were $28,792,225 and $26,648,620, respectively. As of December 31, 2022, the assets and liabilities of the split-interest agreements were $27,199,673 and $25,099,036, 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. The Foundation did not have any costs that benefited both the program and supporting services during the years ended December 31, 2023 and 2022.

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, 2023 and 2022. 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.

Reclassification - Certain amounts have been reclassified during the current year. There was no affect on net assets.

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:

	2023	2022
Cash and cash equivalents	$ 3,910,478	$ 5,451,852
Institution payables	(3,525,880)	(3,430,033)
Net cash and cash equivalents	384,598	2,021,819
Investments	11,957,331	10,954,280
Receivables	327,499	266,970
	12,669,428	13,243,069
Less amounts unavailable for general expenditure within one year- Funds held for others	(98,674)	(1,432,549)
Total financial assets available for general expenditure within one year	$ 12,570,754	$ 11,810,520

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 $63,000. 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 and 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. Three donors accounted for 45% and five donors accounted for 74% of pledges receivable as of December 31, 2023 and 2022 respectively.

5. Pledges Receivable

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

	2023	2022
Gross pledges receivable	$ 8,072,019	$ 9,582,707
Less unamortized discount	(221,176)	(315,724)
Net pledges receivable	$ 7,850,843	$ 9,266,983

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

	2023	2022
Due in less than one year	$ 5,086,186	$ 4,866,040
Due in one to five years	2,485,833	4,241,667
Due in more than five years	500,000	475,000
Total gross pledges receivable	$ 8,072,019	$ 9,582,707

As of December 31, 2023 and 2022, 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, 2023:

		Fair Value Measurements Using:		
	Fair Value	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	28,627,628	-	17,390,920
Investments measured at net asset value	27,057,781			
Total investments at fair value	$ 73,076,329			

Investments, land, and minerals were classified as follows under the fair value hierarchy as of December 31, 2022:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Fixed income funds	$ 14,693,878	14,693,878	-	-
Equity funds	9,322,792	9,322,792	-	-
Land	12,405,672	-	-	12,405,672
Closely held stock	1,306,612	-	-	1,306,612
Minerals	45,350	-	-	45,350
Total investments, land, and minerals	37,774,304	24,016,670	-	13,757,634
Investments measured at net asset value	25,162,111			
Total investments at fair value	$ 62,936,415			

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, 2023 and 2022. The Foundation received a donation of land valued at $2,260,000 during the year ended December 31, 2023. The Foundation received a donation of closely held stock valued at $881,561 and a donation of land valued at $850,000 during the year ended December 31, 2022. 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 years ended December 31, 2023 and 2022, the Foundation received donated land recorded at fair value totaling $2,260,000 and $850,000 respectively. The fair value was measured with independent appraisals performed at the date of contribution and were classified as net asset without donor restrictions.

As of December 31, 2023 and 2022, 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:

	Fair Value at December 31, 2023	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
PIF	$ 27,057,781	$ 25,162,111	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, 2023 and 2022, gift annuity liabilities were actuarially determined using the 2012 IAR mortality table and the annualized Section 7520 rate of 4.88% and 3.25%, respectively.

Gift annuity obligations are as follows as of December 31:

	2023	2022
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 $19,268.99. The gift annuities have payment frequencies ranging from monthly to annually.	$ 14,157,328	$ 15,622,857
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.	706,236	594,771
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.	4,071,090	4,704,410
	$ 18,934,654	$ 20,922,038

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:

	2023	2022
Beginning of year	$ 20,922,038	$ 27,677,127
Additions	4,704,849	1,055,000
Transfers/terminations	(3,046,608)	(3,756,755)
Actuarial adjustment	(3,645,625)	(4,053,334)
End of year	$ 18,934,654	$ 20,922,038

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:

	2023	2022
Beginning of year	$ 3,079,264	$ 1,471,918
Actuarial adjustment	4,084,018	1,607,346
End of year	$ 7,163,282	$ 3,079,264

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:

	2023	2022
California Annuity Fund	$ 1,393,889	$ 1,229,085
Registration States Fund	1,344,415	1,280,196
Hawaii Annuity Fund	183,809	174,547
Tennessee Annuity Fund	542	470,482
Total annuity reserve funds	$ 2,922,655	$ 3,154,310

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, 2023:

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

Changes in endowment net assets were as follows during the year ended December 31, 2022:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 12,635,439
Investment loss	(1,529,331)
Contributions	45,617
Appropriations of earnings	(535,623)
Endowment net assets, end of year	$ 10,616,102

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

	2023	2022
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	$ 8,992,166	$ 8,900,015
Temporarily donor-restricted net assets- The portion of perpetual endowment funds subject to a restriction under TUPMIFA	$ 2,308,133	$ 1,716,087

11. Net Assets With Donor Restrictions

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

	2023	2022
Time restrictions-		
Gift annuity agreements	$ 2,143,606	$ 1,603,509
Purpose restrictions - Endowment:		
Albert and Jesse Cudlipp Memorial Endowed Scholarship	6,089,661	5,774,326
Bill Archer Center Endowment	3,500,859	3,313,720
George W. Brackenridge Foundation Endowment	1,086,380	1,029,182
Wayne and Joanne Moore Endowed Scholarship	282,617	266,112
Drs. Morvitz & Judith Craven Endowed Scholarship Fund	123,218	116,644
Zeta Tau Alpha	46,789	34,825
Gene Woodfin Prize	33,681	31,893
Austin Faculty Opportunity Scholarship	25,601	25,601
Appleman Endowment	60,644	-
Delorus Wages Scholarship	26,936	-
Drs. Cathy and Glenn Miller Endowment	23,913	23,799
Purpose restrictions:		
White Family Outdoor Learning Center	13,483,370	11,426,770
Chancellor's use	3,088,692	2,737,532
Donor advised fund	821,567	790,263
Winkler county land	1,360	1,360
Scholarship fund	37,175	-
UTF 2	103,507	108,749
College of Business teaching supplement	116,151	108,880
Emergency fund	98,674	94,589
UTF 1	745	113
Total net assets with donor restrictions	$ 31,195,146	$ 27,487,867

12. Commitments

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.

13. Subsequent Events

The Foundation has evaluated subsequent events through April 4, 2024 (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, 2023

	University of Texas Foundation	UK Foundation	Total
Assets			
Cash and cash equivalents	$ 7,098,375	7,946	7,106,321
Accounts receivable	142,220	-	142,220
Pledges receivable, net	7,850,843	-	7,850,843
Reinsurance asset	3,889,580	-	3,889,580
Other assets	715	-	715
Investments	57,156,260	-	57,156,260
Land and minerals	15,920,069	-	15,920,069
Property and equipment, net	537,926	-	537,926
Total assets	$ 92,595,988	7,946	92,603,934
Liabilities and Net Assets			
Liabilities:			
Accounts and distributions payable	$ 3,591,669	-	3,591,669
Pledges payable, net	7,850,843	-	7,850,843
Other payables to UT Institutions	7,103,931	-	7,103,931
Gift annuities	18,934,654	-	18,934,654
Gift commitment over annuity liability	7,163,282	-	7,163,282
Deferred gain on reinsurance asset	481,290	-	481,290
Total liabilities	45,125,669	-	45,125,669
Net Assets:			
Without donor restrictions	16,275,173	7,946	16,283,119
With donor restrictions	31,195,146	-	31,195,146
Total net assets	47,470,319	7,946	47,478,265
Total liabilities and net assets	$ 92,595,988	7,946	92,603,934

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, 2023

	University of Texas Foundation	UK Foundation	Total
Changes in net assets without donor restrictions:			
Revenues and gains:			
Contributions	$ 45,964,589	2,025,077	47,989,666
In-kind contributions	2,543,522	-	2,543,522
Unrealized and realized gain on investments	1,198,382	-	1,198,382
Dividends and interest income	235,192	957	236,149
Other income	393,485	-	393,485
Net assets released from restrictions	4,519,337	-	4,519,337
Total revenue, gains and net assets released from restrictions	54,854,507	2,026,034	56,880,541
Expenses:			
Program services:			
Distributions to and for the benefit of the UT System	50,331,126	2,025,077	52,356,203
Annuity payments	2,106,999	-	2,106,999
Chancellor's business expenses	190,858	-	190,858
Gift payments	33,469	-	33,469
Management and general:			
Office, administrative and business expenses	644,464	387	644,851
Professional fees	30,908	-	30,908
Depreciation	26,565	-	26,565
Accounting fees	40,001	-	40,001
Trustee fees	10,999	-	10,999
Total expenses	53,415,389	2,025,464	55,440,853
Change in net assets without donor restrictions	$ 1,439,118	570	1,439,688

(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, 2023

	University of Texas Foundation	UK Foundation	Total
Changes in net assets with donor restrictions:			
Contributions	$ 4,836,067	-	4,836,067
Unrealized and realized gain on investments	4,609,004	-	4,609,004
Change in actuarial liability	1,987,372	-	1,987,372
Dividend and interest income	835,720	-	835,720
Change in gift commitment over annuity liability	(4,084,018)	-	(4,084,018)
Other income	42,471	-	42,471
Net assets released from donor restrictions	(4,519,337)	-	(4,519,337)
Total revenues, gains and net assets released from restrictions	3,707,279	-	3,707,279
Change in net assets with donor restrictions	$ 3,707,279	-	3,707,279

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, 2023

	University of Texas Foundation	UK Foundation	Total
Net assets without donor restrictions:			
Net assets, beginning	$ 14,836,055	7,376	14,843,431
Change in net assets	1,439,118	570	1,439,688
Net assets without donor restrictions, ending	16,275,173	7,946	16,283,119
Net assets with donor restrictions:			
Net assets, beginning	27,487,867	-	27,487,867
Change in net assets	3,707,279	-	3,707,279
Net assets with donor restrictions, ending	31,195,146	-	31,195,146
Total net assets	$ 47,470,319	7,946	47,478,265

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.