The University of Texas Foundation, Inc.

Financial Statements as of and for the Years Ended December 31, 2021 and 2020 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 financial statements of The University of Texas Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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 audit. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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, including omissions, 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 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 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 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 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.

Maxwell Locke & Ritter LLP

Austin, Texas
March 29, 2022

The University of Texas Foundation, Inc.

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 4,858,212	$ 1,910,681
Accounts receivable	1,104,900	1,700,899
Pledges receivable, net	10,797,077	8,764,953
Other assets	22	9
Investments	64,747,702	59,593,894
Land and minerals	6,786,158	5,834,028
Property and equipment, net of accumulated depreciation	585,413	600,797
Total assets	$ 88,879,484	$ 78,405,261
Liabilities and Net Assets		
Liabilities:		
Accounts and distributions payable	$ 5,587,074	$ 2,697,751
Pledges payable, net	10,797,077	8,764,953
Gift annuities	27,677,127	29,166,805
Gift commitment over annuity liability	1,471,918	-
Total liabilities	45,533,196	40,629,509
Net Assets:		
Without donor restrictions	16,904,757	12,357,631
With donor restrictions	26,441,531	25,418,121
Total net assets	43,346,288	37,775,752
Total liabilities and net assets	$ 88,879,484	$ 78,405,261

See notes to financial statements.

The University of Texas Foundation, Inc.

Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions:		
Revenues and gains:		
Contributions	$ 41,752,766	$ 28,395,679
Unrealized and realized gain on investments	1,906,782	1,354,127
Other income	179,363	166,056
Dividends and interest income	147,211	156,298
Total revenues and gains	43,986,122	30,072,160
Net assets released from restrictions	6,507,944	5,045,587
Total revenues, gains and net assets released from restrictions	50,494,066	35,117,747
Expenses:		
Program services:		
Distributions to and for the benefit of the UT System	42,671,473	32,890,251
Annuity payments	2,470,834	2,368,842
Chancellor’s business expenses	166,456	137,130
Gift payments	65,361	147,542
Total program services	45,374,124	35,543,765
Management and general:		
Office, administrative and business expenses	480,155	469,343
Depreciation	28,189	26,973
Professional fees	27,291	27,167
Accounting fees	26,400	25,775
Trustee fees	10,781	10,822
Total management and general	572,816	560,080
Total expenses	45,946,940	36,103,845
Change in net assets without donor restrictions	4,547,126	(986,098)

(continued)

See notes to financial statements.

The University of Texas Foundation, Inc.

Statements of Activities (continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Change in net assets with donor restrictions:		
Revenues and gains:		
Unrealized and realized gain on investments	$ 5,950,875	$ 5,365,618
Contributions	1,003,661	5,148,763
Change in gift commitment over annuity liability	(1,471,918)	1,774,116
Dividend and interest income	545,898	674,800
Change in actuarial liability	1,489,680	(3,522,087)
Other income	13,158	10,267
Total revenues and gains	7,531,354	9,451,477
Net assets released from restrictions	(6,507,944)	(5,045,587)
Total revenues, gains and net assets released from restrictions	1,023,410	4,405,890
Change in net assets with donor restrictions	1,023,410	4,405,890
Total change in net assets	$ 5,570,536	$ 3,419,792

See notes to financial statements.

The University of Texas Foundation, Inc.

Statements of Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021	2020
Net assets without donor restrictions:		
Net assets, beginning	$ 12,357,631	$ 13,343,729
Change in net assets	4,547,126	(986,098)
Net assets without donor restrictions, ending	16,904,757	12,357,631
Net assets with donor restrictions:		
Net assets, beginning	25,418,121	21,012,231
Change in net assets	1,023,410	4,405,890
Net assets with donor restrictions, ending	26,441,531	25,418,121
Total net assets	$ 43,346,288	$ 37,775,752

See notes to financial statements.

The University of Texas Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	$ 5,570,536	$ 3,419,792
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Donated investments	(425,057)	-
Unrealized and realized gain on investments	(7,857,657)	(6,719,748)
Change in actuarial liability in gift annuities	(1,489,678)	3,522,453
Change in actuarial liability in gift commitment over annuity liability	1,471,918	(1,774,116)
Contributions restricted for investment	(133,720)	(21,689)
Depreciation	28,189	26,973
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	595,999	(1,558,466)
Pledges receivable, net	(2,032,124)	875,228
Deferred gift annuity receivable	-	999,393
Other assets	(13)	4,002
Accounts and distributions payable	2,889,323	422,813
Pledges payable, net	2,032,124	(875,228)
Net cash provided by (used in) operating activities	649,840	(1,678,593)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(12,805)	(24,457)
Purchase of investments	(5,969,922)	(4,386,149)
Sales of investments	8,146,698	4,968,331
Net cash provided by investing activities	2,163,971	557,725
Cash Flows from Financing Activities-		
Contributions restricted for investment	133,720	21,689
Net change in cash and cash equivalents	2,947,531	(1,099,179)
Cash and cash equivalents, beginning of year	1,910,681	3,009,860
Cash and cash equivalents, end of year	$ 4,858,212	$ 1,910,681
Supplemental Disclosure of Cash Flow Information-		
Payment of annuity obligations	$ 2,470,834	$ 2,368,842

See notes to financial statements.

1. Nature of Operations

The University of Texas Foundation, Inc. (the "Foundation") is a nonprofit corporation organized for the advancement of education through financial support of The University of Texas System (the "UT System"). The Foundation's primary source of revenue is contributions from the public. The Foundation accepts and manages gifts in support of the UT System and the 13 institutions ("UT Institutions") that UT System oversees. While the UT System and the UT Institutions are the beneficiaries of the Foundation, the 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 Foundation formed UK Foundation UK Limited (the "UK Foundation"), a nonprofit in the United Kingdom with a similar mission as the Foundation. The UK Foundation had no activity during the years ended December 31, 2021 and 2020.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying 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 ("ASC").

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 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 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.

Accounts Receivable - Accounts receivable are recorded at the amount the Foundation expects to collect on outstanding balances. No allowance for doubtful accounts has been recorded as management believes all significant accounts receivable to be collectible.

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.

Investments, Land, and Minerals - Investments, land, and minerals are valued at their fair value in the 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 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 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, 2021, the assets and liabilities of the split-interest agreements were \$32,387,822 and \$29,402,889, respectively. As of December 31, 2020, the assets and liabilities of the split-interest agreements were \$31,633,438 and \$29,344,154, 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 raise 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.

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 statements of activities. The Foundation did not have any costs that benefited both the program and supporting services during the years ended December 31, 2021 and 2020.

Federal Income Tax Status - The Foundation is a nonprofit organization that is 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 Foundation is not classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2021 and 2020. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

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:

	2021	2020
Cash and cash equivalents	$ 4,249,624	$ 1,181,632
Institution payables	(4,030,451)	(1,097,340)
Net cash and cash equivalents	219,173	84,292
Investments	12,663,875	11,089,726
Receivables	304,811	296,329
	13,187,859	11,470,347
Less amounts unavailable for general expenditure within one year- Funds held for others	(165,382)	(194,635)
Total financial assets available for general expenditure within one year	$ 13,022,477	$ 11,275,712

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 $55,000. 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 statements of financial position.

The Foundation does not maintain collateral for its receivables. Four donors accounted for 70% of pledges receivable as of December 31, 2021. Two donors accounted for 47% of pledges receivable as of December 31, 2020.

5. Pledges Receivable

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

	2021	2020
Gross pledges receivable	$ 11,475,320	$ 9,032,068
Less unamortized discount	(678,243)	(267,115)
Net pledges receivable	$ 10,797,077	$ 8,764,953

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

	2021	2020
Due in less than one year	$ 4,730,510	$ 5,077,068
Due in one to five years	6,544,810	3,955,000
Due in more than five years	200,000	-
Total gross pledges receivable	$ 11,475,320	$ 9,032,068

At December 31, 2021 and 2020, 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, 2021:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Fixed income funds	$ 19,734,552	19,734,552	-	-
Equity funds	14,347,365	14,347,365	-	-
Land	6,350,100	-	-	6,350,100
Minerals	436,058	-	-	436,058
Closely held stock	425,051	-	-	425,051
Total investments, land, and minerals	41,293,126	34,081,917	-	7,211,209
Investments measured at net asset value	30,240,734			
Total investments at fair value	$ 71,533,860			

Investments, land, and minerals were classified as follows under the fair value hierarchy as of December 31, 2020:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	$ 17,305,650	17,305,650	-	-
Fixed income funds	13,104,441	13,104,441	-	-
Land	5,397,970	-	-	5,397,970
Minerals	436,058	-	-	436,058
Treasury securities	350,996	350,996	-	-
Total investments, land, and minerals	36,595,115	30,761,087	-	5,834,028
Investments measured at net asset value	28,832,807			
Total investments at fair value	$ 65,427,922			

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, 2021 or 2020. The Foundation received a donation of closely held stock valued at $425,051 during the year ended December 31, 2021. 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.

As of December 31, 2021 and 2020, 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 Systems. 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, 2021 and 2020, respectively.

	Fair Value at December 31, 2021	Fair Value at December 31, 2020	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
PIF	$ 30,240,734	$ 28,832,807	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, 2021 and 2020, gift annuity liabilities were actuarially determined using the 2012 IAR mortality table and the annualized Section 7520 rate of 1.06% and 0.95%, respectively.

Gift annuity obligations are as follows as of December 31:

	2021	2020
Annuities Trust Fund Since March 21, 1991 the Foundation has entered into various gift annuities with payout percentages ranging from 4.0% to 11.9% payable in installments ranging from approximately $85 to $18,750. The gift annuities have payment frequencies ranging from monthly to annually.	$ 23,258,062	$ 23,479,890
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 June 30, 2022.	4,419,065	5,686,915
	$ 27,677,127	$ 29,166,805

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:

	2021	2020
Beginning of year	$ 29,166,805	$ 25,644,352
Additions	1,051,144	2,237,662
Transfers/terminations	(1,047,100)	(2,823,916)
Actuarial adjustment	(1,493,722)	4,108,707
End of year	$ 27,677,127	$ 29,166,805

8. Gift Commitment Over Annuity Liability

The liability recorded for the gift commitment over annuity liability at December 31, 2021 and 2020 was measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as follows as of December 31:

	2021	2020
Beginning of year	$ -	$ 1,774,116
Actuarial adjustment	1,471,918	(1,774,116)
End of year	$ 1,471,918	$ -

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:

	2021	2020
Registration States Fund	$ 1,462,852	$ 1,486,609
California Annuity Fund	1,245,486	1,143,684
Tennessee Annuity Fund	614,057	566,415
Hawaii Annuity Fund	287,285	291,260
Total annuity reserve funds	$ 3,609,680	$ 3,487,968

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. As of December 31, 2021 and 2020, there were no deficient endowments.

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.

The Albert and Jessie Cudlipp Memorial Endowed Scholarship is a donor-restricted permanent endowment created to fund scholarships for students at The University of Texas in Austin.

The Bill Archer Center Endowment is a donor-restricted permanent endowment created to establish the Bill Archer Center, to serve as the physical hub for a variety of academic, professional and social activities and for the UT in D.C. Fellowship Program-a semester-long internship plus academics package.

The George W. Brackenridge Foundation Endowment is a donor-restricted permanent endowment for the use and benefit of the University of Texas Health Science Center at San Antonio, created to fund scholarships for academically qualified South Texas residents committed to serving South Texas.

The Wayne and Joanne Moore Endowed Scholarship is a donor-restricted permanent endowment created to fund scholarships for tuition, fees and books for students at The University of Texas of the Permian Basin.

The Drs. Morvitz and Judith Craven Endowed Scholarship is a donor-restricted permanent endowment created to fund scholarships for one or more dental students at The University of Texas Dental Branch at Houston.

Changes in endowment net assets were as follows during the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 11,231,141	$ 11,231,141
Investment return	-	1,746,458	1,746,458
Contributions	-	133,720	133,720
Reclassification	-	36,083	36,083
Appropriations of earnings	-	(511,963)	(511,963)
Endowment net assets, end of year	$ -	$ 12,635,439	$ 12,635,439

Changes in endowment net assets were as follows during the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 10,374,071	$ 10,374,071
Investment return	-	1,332,315	1,332,315
Contributions	-	21,689	21,689
Appropriations of earnings	-	(496,934)	(496,934)
Endowment net assets, end of year	$ -	$ 11,231,141	$ 11,231,141

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

	2021	2020
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	$ 8,854,398	$ 8,755,954
Temporarily donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	$ 3,781,041	$ 2,475,187

11. Net Assets With Donor Restrictions

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

	2021	2020
Time restrictions-		
Gift annuity agreements	$ 2,984,934	$ 2,289,279
Purpose restrictions - Endowment:		
Albert and Jesse Cudlipp Memorial Endowed Scholarship	6,892,958	6,166,115
Bill Archer Center Endowment	3,971,621	3,570,846
George W. Brackenridge Foundation Endowment	1,228,741	1,108,752
Wayne and Joanne Moore Endowed Scholarship	310,503	230,750
Drs. Morvitz & Judith Craven Endowed Scholarship Fund	139,841	131,033
Gene Woodfin Prize	36,532	22,843
Austin Faculty Opportunity Scholarship	27,982	-
Drs. Cathy and Glenn Miller Endowment	27,261	23,646
Purpose restrictions:		
White Family Outdoor Learning Center	6,348,740	5,396,610
Chancellor’s use	3,226,076	2,716,545
Benefit of institution	-	2,583,228
Donor advised fund	959,140	875,711
Winkler county land	1,360	1,360
College of Business teaching supplement	120,460	103,789
Emergency fund	164,317	196,549
UTHSCH Discretionary funds	1,065	1,065
Total net assets with donor restrictions	$ 26,441,531	$ 25,418,121

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 System, 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the Foundation's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The Foundation is actively managing the business to maintain its cash flow and management believes that the Foundation has adequate liquidity.

13. Subsequent Events

The Foundation has evaluated subsequent events through March 29, 2022 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.