THE UNIVERSITY OF TEXAS SYSTEM

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021 AND INDEPENDENT AUDITOR'S REPORT

The University of Texas at Arlington ◆ The University of Texas at Austin ◆ The University of Texas at Dallas ◆ The University of Texas at El Paso ◆ The University of Texas Permian Basin ◆ The University of Texas Rio Grande Valley ◆ The University of Texas at San Antonio ◆ The University of Texas at Tyler ◆ The University of Texas Southwestern Medical Center ◆ The University of Texas Medical Branch at Galveston ◆ The University of Texas Health Science Center at Houston ◆ The University of Texas Health Science Center at San Antonio ◆ The University of Texas M. D. Anderson Cancer Center ◆ The University of Texas System Administration

THE UNIVERSITY OF TEXAS SYSTEM

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THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS
As of August 31, 2022

Officers

Kevin P. Eltife, Chairman
Janiece Longoria, Vice Chairman
James C. "Rad" Weaver, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2023**

R. Steven Hicks	Austin
Janiece Longoria	Houston
James C. "Rad" Weaver	San Antonio

*Terms scheduled to expire February 1, 2025**

Christina Melton Crain	Dallas
Jodie Lee Jiles	Houston
Kelcy L. Warren	Dallas

*Terms scheduled to expire February 1, 2027**

Kevin P. Eltife	Tyler
Nolan Perez	Harlingen
Stuart W. Stedman	Houston

*Term scheduled to expire May 31, 2023**

Neelesh C. "Neel" Mutyala	Sugar Land

*Each Regent's term expires when a successor has been appointed, qualified, and taken the oath of office. The Student Regent serves a one-year term.

THE UNIVERSITY OF TEXAS SYSTEM
SENIOR ADMINISTRATIVE OFFICIALS
As of August 31, 2022

****

James B. Milliken, Chancellor

Jonathan C. Pruitt, Executive Vice Chancellor for Business Affairs

Archie L. Holmes, Jr., Executive Vice Chancellor for Academic Affairs

John M. Zerwas, Executive Vice Chancellor for Health Affairs

Amy Shaw Thomas, Senior Vice Chancellor for Health Affairs

David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer

Stacey Napier, Vice Chancellor for Governmental Relations

Randa S. Safady, Vice Chancellor for External Relations, Communications, and Advancement Services

Daniel H. Sharphorn, Vice Chancellor and General Counsel

Thomas Britton “Britt” Harris IV, President and Chief Executive Officer–UTIMCO

Rich Hall, Chief Investment Officer–UTIMCO

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Audit, Compliance, and Risk Management Committee of
the University of Texas System Board of Regents

Report on the Audits of the Consolidated Financial Statements

Opinions

We have audited the consolidated financial statements of the business-type activities and fiduciary activities of the University of Texas System (the System), as of and for the years ended August 31, 2022 and 2021, and the related notes to the consolidated financial statements, which collectively comprise the System's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the University of Texas System, as of August 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the System 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 opinions.

Emphasis of Matters

As discussed in Note 1, the consolidated financial statements of the System are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the State of Texas that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 4, the System restated its consolidated financial statements as of August 31, 2021 to reflect the effects of the adoption of Governmental Accounting Standards Board Statements No. 87, *Leases,* and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated 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.

Auditor's Responsibilities for the Audits of the Consolidated 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 auditor's report that includes our opinions. 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 GAAS 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 GAAS 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 System'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.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the System's Proportionate Share of Changes in Employer Total OPEB Liability and Related Ratios, Schedule of the System's Proportionate Share of Total OPEB Liability, the Schedule of the System's Proportionate Share of the Net Pension Liability, and the Schedule of the System's Contributions for the Teachers Retirement System Pension Plan be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 on our consideration of the University of Texas System'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 System'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 System's internal control over financial reporting and compliance.

Deloitte & Touche LLP

January 18, 2023

THE UNIVERSITY OF TEXAS SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

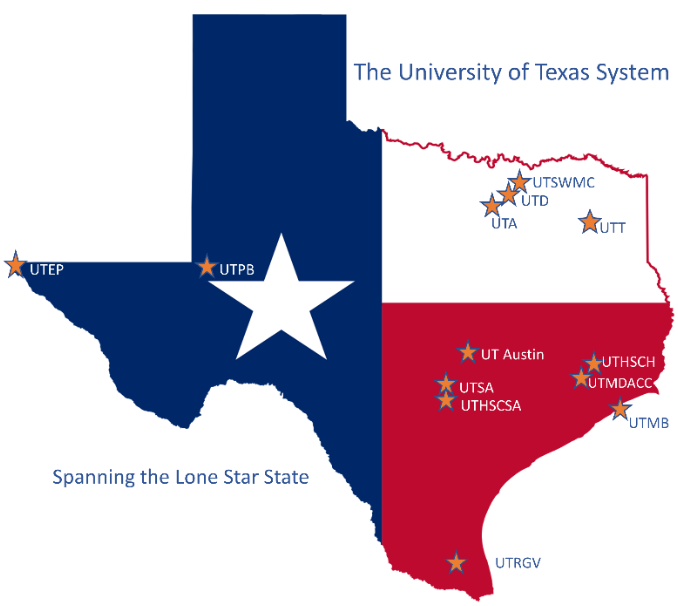
INTRODUCTION

The University of Texas System (the System) was established by the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin opened in 1883, and eight years later, the John Sealy Hospital in Galveston established a program for university-trained medical professionals. In addition to the original academic campus of The University of Texas at Austin, the System now includes seven additional academic institutions:

- The University of Texas at Arlington
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas Permian Basin
- The University of Texas Rio Grande Valley
- The University of Texas at San Antonio
- The University of Texas at Tyler

Health institutions for medical education and research have expanded beyond The University of Texas Medical Branch at Galveston to include:

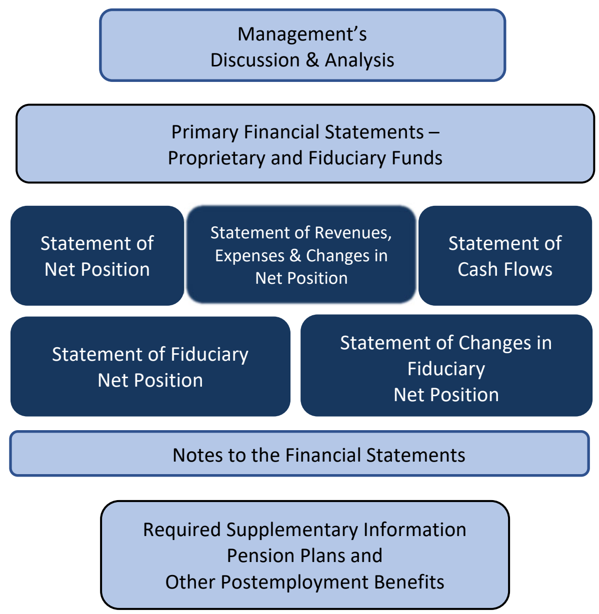
- The University of Texas M. D. Anderson Cancer Center
- The University of Texas Southwestern Medical Center
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio



The System's thirteen institutions are, collectively, one of the nation's largest educational enterprises. They provide instruction and learning opportunities to approximately 243,000 undergraduate, graduate, and professional school students from a wide range of social, ethnic, cultural, and economic backgrounds. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas Senate. In addition, the Governor appoints a Student Regent for a one-year term.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2022, with selected comparative information for the years ended August 31, 2021 and 2020. The complete set of financial statements includes:



The financial statements of the System were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. For purposes of the MD&A, references to the System in the discussion of financial results relate to the System's business-type activity.

FINANCIAL HIGHLIGHTS

The System continues to maintain and protect its strong financial condition, with net position of $66.7 billion as of August 31, 2022. Revenues totaled $25.1 billion and expenses totaled $24.9 billion in 2022. Net patient care revenues and sponsored program revenues were the largest contributors to the revenues of the System in 2022. Net investment income and the change in fair value of investments often drive the year-to-year fluctuation in System revenues, as those values vary from year to year based on market conditions and other factors. Compensation and benefits, including the Teacher Retirement System of Texas pension and other postemployment benefits (OPEB) continue to be the largest expense of the System. The System is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers.

Restatements

Fiscal year 2021 financial statement information has been restated as a result of OPEB error corrections and the implementation of GASB Statement No. 87, *Leases* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Fiscal year 2020 financial statement information, as presented in this MD&A, has not been restated.

The Statement of Net Position

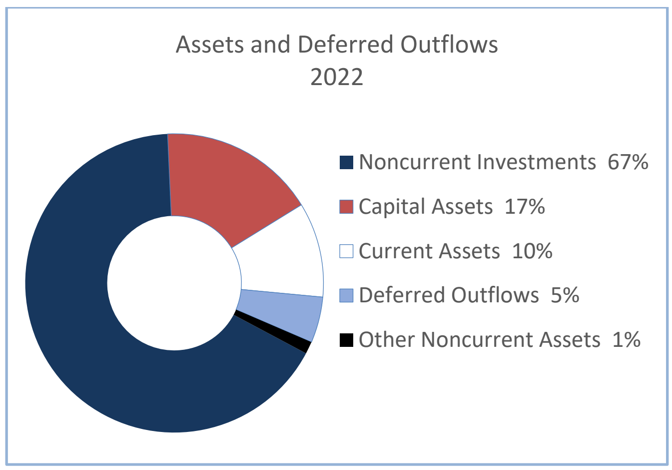
The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the System as of the end of the year. This is a point-in-time financial presentation of the financial status as of August 31, 2022, with comparative information for the previous years. Net position is the residual value of the System's assets and deferred outflows of resources, after liabilities and deferred inflows of resources are deducted. Changes in net position are one indicator of the improvement or decline of the System's financial strength. A summarized comparison of the System's statement of net position as of August 31, 2022, 2021 and 2020 follows:

Condensed Statement of Net Position

($ in millions)

		2022	2021	2020
Assets				
Current assets	$	11,474.2	10,538.3	8,760.3
Noncurrent investments		74,289.5	74,707.9	58,531.5
Capital/intangible assets, net		18,942.3	18,569.2	17,813.0
Other noncurrent assets		1,477.9	1,153.5	847.2
Total assets		106,183.9	104,968.9	85,952.0
Total deferred outflows		5,546.1	4,644.2	3,543.4
Total assets and deferred Outflows	$	111,730.0	109,613.1	89,495.4
Liabilities				
Current liabilities	$	11,120.1	10,897.4	10,280.8
Noncurrent liabilities		29,519.2	29,013.8	27,487.7
Total liabilities		40,639.3	39,911.2	37,768.5
Total deferred inflows		4,420.2	2,829.5	3,063.2
Total liabilities and deferred Inflows	$	45,059.5	42,740.7	40,831.7
Net Position				
Net investment in capital assets	$	6,543.8	6,383.5	6,606.8
Restricted		57,175.6	57,151.7	43,846.3
Unrestricted		2,951.1	3,337.2	(1,789.4)
Net position	$	66,670.5	66,872.4	48,663.7

Assets and Deferred Outflows



Assets and deferred outflows increased $2.1 billion, or 1.9%, to $111.7 billion in 2022 primarily due to increases in current assets and deferred outflows.

Current Assets

Current assets are comprised of assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities including cash, temporary investments and receivables. These assets increased $935.9 million in 2022 largely due to an increase in cash and cash equivalents and securities lending collateral.

Cash and cash equivalents increased due to increased collections on patient charges and tuition and fees as the population began to revert to pre-pandemic levels along with higher liquidity levels being maintained due to the fluctuating market. Securities lending collateral increased due to more securities on loan at the end of 2022 compared to 2021. The balance in securities lending collateral, which is exactly offset by the balance in securities lending obligations in current liabilities, fluctuates from year-to-year as the System manages security lending transactions to maximize earnings.

Noncurrent Investments

Noncurrent investments are comprised of permanent endowments, funds functioning as endowments, annuity and life income funds, and other investments including investment derivative instruments. These assets decreased $418.4 million in 2022 largely due to decreases in the fair value of investments, primarily in the General Endowment Fund (GEF) and Intermediate Term Fund (ITF). These decreases were partially offset by net increases in the Permanent University Fund.

The Permanent University Fund (PUF), which includes the fair value of the PUF investment fund and the fair value of PUF lands, increased $1.3 billion in 2022 primarily due to significant investment income partially offset by net decreases in fair value of investments. The increases in the PUF investments in 2022 can be broken down as follows: (1) $2.3 billion PUF lands mineral income earned that was added to the endowment in accordance with requirements of the Texas Constitution; (2) $2.3 billion increase in the fair value of the PUF lands due to an increase in the forecasted price of oil and gas; (3) $1.6 billion investment income earned in the PUF investment fund. These increases were partially offset by a $3.7 billion decrease in the fair value of the PUF investments and $1.2 billion in transfers to the Available University Fund and Texas A&M University System (TAMUS).

Capital and Intangible Assets

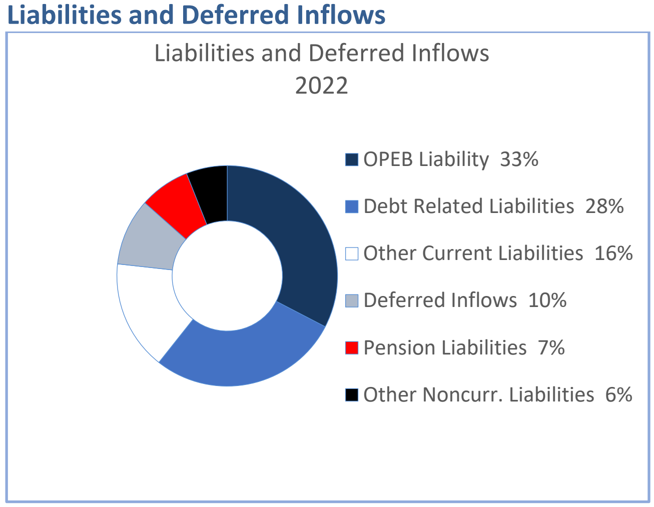
A critical factor in sustaining the quality of the System's academic and research programs and residential life is the development and maintenance of its capital assets. Capital additions totaled $2.2 billion in 2022, of which $1.0 billion consisted of new projects under construction. Capital additions were comprised of replacement, renovation, and new construction of academic, research and healthcare facilities, as well as significant investments in equipment and software. The table below depicts the System's capital improvement program for the next six years.

Capital Improvement Program 2023-2028		
Institution:		*($ in millions)*
UT Arlington	$	227.4
UT Austin		956.0
UT Dallas		63.5
UT El Paso		80.0
UT Permian Basin		42.0
UT Rio Grande Valley		173.2
UT San Antonio		236.2
UT Tyler		358.0
UT Southwestern Medical Center		1,020.2
UTMB Galveston		236.7
UTHSC Houston		330.0
UTHSC San Antonio		672.8
UT MD Anderson Cancer Center		1,590.1
Total	$	5,986.1

Deferred Outflows

Total deferred outflows increased $901.9 million in 2022 primarily due to changes in economic assumptions related to the OPEB-related deferred outflows.

Liabilities and Deferred Inflows



Liabilities and deferred inflows increased $2.3 billion, or 5.4%, to $45.1 billion in 2022 primarily due to increases in the OPEB liability.

Debt-Related Liabilities

Debt-related liabilities consist of both the current and noncurrent portions of short-term debt, or commercial paper, as well as leases, notes, loans, and bonds payable. The $126.0 million increase in debt-related liabilities in 2022 was primarily driven by an increase in leases, notes and loans partially offset by a decrease in bonds payable and commercial paper. Bonds payable relate to the financing of the System's capital needs. Commercial paper notes are issued periodically to provide interim financing for capital improvements and to finance the acquisition of capital equipment. The System typically refunds a portion of these outstanding notes through the issuance of long-term debt to provide permanent financing for projects. The table below depicts the change in the System's debt-related liabilities over the past three years:

Current & Noncurrent Debt		2022	2021	2020
			($ in millions)	
Bonds Payable	$	9,408.6	9,686.8	9,841.6
Commercial Paper		1,788.8	1,891.1	1,413.7
Leases, Notes & Loans		1,431.5	925.0	188.6
Total Debt-Related Liabilities	$	12,628.9	12,502.9	11,443.9

OPEB Liabilities

The State provides certain health and life insurance benefits for retired employees which are guaranteed in accordance with State statutes. Other postemployment benefits are provided to the System's retirees under the U. T. System Employee Group Insurance Program. The U. T. System Employee Group Insurance Program is a single-employer defined benefit OPEB plan; however, because State statute requires funding for the plan from State appropriations, the State's governmental fund reports a proportionate share of the OPEB liability. The System reported a total OPEB liability of $14.7 billion in 2022 compared to $11.9 billion in 2021. $1.8 billion of the increase in 2022 was related to changes of assumptions or other inputs. Subsequent to the issuance of the August 31, 2021 consolidated financial statements, the System identified errors in the census data which also impacted the actuarial assumptions used to calculate the total OPEB liability as of September 1, 2020. The System determined that certain demographic information and assumptions related to assumed rates of participation by eligible terminated employees had been excluded from the determination of the OPEB liability. The System has restated the September 1, 2020 OPEB liability and related accounts and footnotes for the year ended August 31, 2021. See Notes 4 and 16 for additional details.

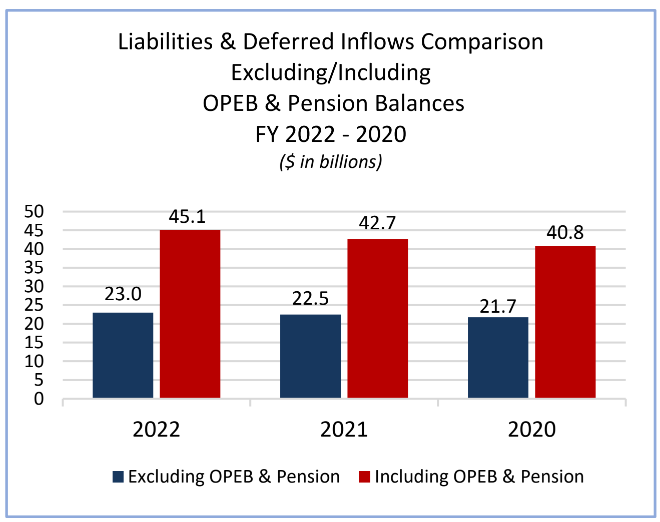
Pension Liabilities

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding arrangement administered by the Teacher Retirement System of Texas (TRS). The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows, and pension expense from the Texas Comptroller of Public Accounts. The System's proportion of the State's collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers to the plan. The System reported a net pension liability of $2.3 billion in 2022 compared to $4.8 billion in 2021 related to the TRS pension plan. The University of Texas M. D. Anderson Cancer Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans. The System reported a total pension liability of $1.0 billion in both 2022 and 2021 related to the SRP/RBP Plans.

Deferred Inflows

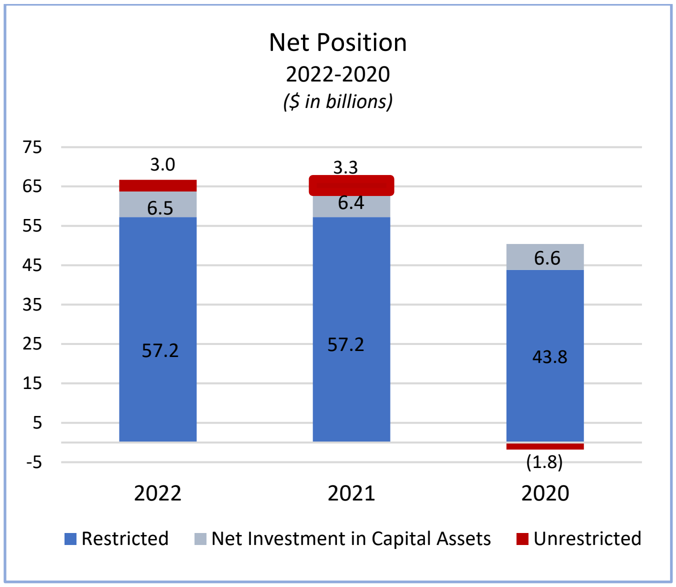
Total deferred inflows increased $1.6 billion in 2022 primarily driven by changes to pension-related deferred inflows. Pension-related deferred inflows increased $1.8 billion in 2022 due to greater than expected investment returns at TRS for the measurement year ended August 31, 2021.

The following chart depicting liabilities and deferred inflows including and excluding OPEB and pension, illustrates the significant impact these items have on the System's total liabilities and deferred inflows.



Net Position

Net position decreased $201.9 million in 2022 compared to a $16.7 billion increase in 2021. The significant decrease in change in net position was primarily due to the decrease in investment income and the fluctuating value of the fair value of investments. In 2022 there was a decrease in fair value of investment of $5.0 billion compared to an increase of $8.9 billion in 2021, a year over year decrease of $13.9 billion. The PUF accounted for $7.0 billion of this year over year decrease. The three-year trend of the classifications of net position is depicted here:



Net Investment in Capital Assets

Net investment in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position primarily includes the System's permanent endowment funds subject to externally imposed restrictions governing their use. They include:

- Permanent University Fund (PUF) - supports both the System and TAMUS,
- Permanent Health Fund endowments (PHF) - established in 1999 from tobacco-related litigation funds which support programs that benefit medical research, health education or treatment at health-related institutions, and
- Donor restricted endowments - income generated is used to fund various endeavors in accordance with the donors' wishes.

Restricted net position also includes current purpose gifts and grants. System's restricted net position was $57.2 billion in 2022 and 2021.

Unrestricted Net Position

System's unrestricted net position was $3.0 billion in 2022 as compared to $3.3 billion in 2021. The decrease in unrestricted net position between 2021 and 2022 was primarily due to OPEB expense.

2021 Highlights – Statement of Net Position

The System's assets and deferred outflows increased $20.1 billion to $109.6 billion in 2021 primarily due to increases in noncurrent investments. Liabilities and deferred inflows increased $1.9 billion to $42.7 billion in 2021 primarily due to increases in the pension and debt related liabilities. Had 2020 been restated for the effects of the OPEB calculation errors, liabilities and deferred inflows would have increased $3.8 billion in 2021. System's ending net position increased $16.7 billion to $66.9 billion in 2021 primarily due to more favorable market conditions.

The Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position details the changes in total net position. The following table summarizes the System's revenues, expenses and changes in net position for the years ended August 31, 2022, 2021 and 2020:

Condensed Statement of Revenues, Expenses and Changes in Net Position

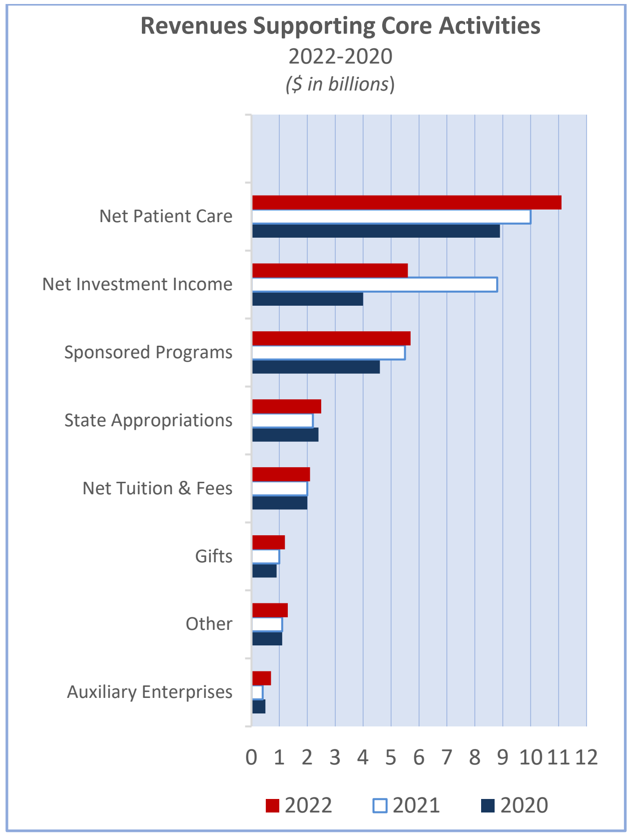
($ in millions)

		2022	2021	2020
Operating revenues:				
Net student tuition and fees	$	2,124.3	2,006.9	1,941.7
Sponsored programs		4,711.9	4,280.4	3,890.3
Net sales and services of hospitals		8,737.1	7,849.9	6,989.2
Net professional fees		2,354.7	2,204.2	1,924.8
Net auxiliary enterprises		641.5	377.8	538.6
Other		1,278.0	1,104.9	1,074.9
Total operating revenues		19,847.5	17,824.1	16,359.5
Total operating expenses		(24,589.9)	(22,670.8)	(21,341.2)
Operating loss		(4,742.4)	(4,846.7)	(4,981.7)
Nonoperating revenues (expenses):				
State appropriations		2,529.9	2,194.3	2,429.3
Nonexchange Sponsored Programs		958.5	1,247.9	747.6
Gift contributions for operations		634.2	618.6	603.8
Net investment income excluding the change in fair value of investments		5,619.2	8,807.4	3,996.4
Net increase (decrease) in fair value of investments		(5,017.2)	8,905.7	680.4
Interest expense on capital asset financings		(337.8)	(332.0)	(334.8)
Net other nonoperating revenues (expenses)		36.9	(25.0)	0.3
Income (loss) before other revenues, expenses, gains or losses and transfers		(318.7)	16,570.2	3,141.3
Capital gifts and grants and additions to permanent endowments		563.1	356.0	281.6
Net transfers to other State entities		(446.3)	(272.6)	(617.5)
Change in net position		(201.9)	16,653.6	2,805.4
Net position, beginning of the year		66,872.4	48,663.7	45,858.3
Restatement		-	1,555.1	-
Net position, beginning of the year (as restated)		66,872.4	50,218.8	45,858.3
Net position, end of the year	$	66,670.5	66,872.4	48,663.7

Revenues Supporting Core Activities

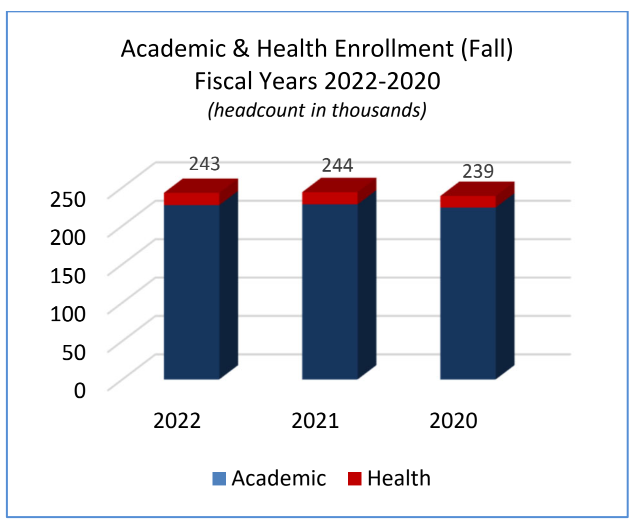
Revenues to support the System's core activities, including those classified as nonoperating revenues, were $30.2 billion, $31.0 billion, and $24.4 billion in 2022, 2021, and 2020, respectively. These diverse sources of revenues decreased by $896.0 million in 2022 primarily due to decreases in net investment income.

The chart below shows a three-year comparison of the components of revenues that support the core activities of the System:



Net Student Tuition and Fees

Student tuition and fees, net of scholarship allowances, are a primary source of funding for the System's academic programs. Scholarship allowances, or financial aid, are the differences between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Tuition and fees are generated from students enrolled primarily in the System's academic institutions as illustrated in the chart below:



The System's academic institutions enroll 34.1% of the State's public college students, and the System's health-related institutions enroll 56.8% of the students attending the State's public health institutions.

Sponsored Programs

Sponsored program revenues are primarily generated from governmental and private sources related to research programs that typically provide for the recovery of direct and indirect costs. Sponsored programs include student financial aid and contracts with affiliated hospitals for clinical activities. Sponsored programs revenues were $5.7 billion, $5.5 billion, and $4.6 billion in 2022, 2021, and 2020, respectively. The increase in 2022 was primarily attributable to private foundations as well as overall net increase in Covid relief funding that provided economic grants to offset additional COVID-19 expenses and forgone revenue.

Net Patient Care Revenues

Net patient care revenues, which consist of net sales and services of hospitals and net professional fees, are principally generated within the System's hospitals and physicians' practice plans under contractual arrangements with governmental payors and private insurers. These revenues are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically indigent patients. Net patient care revenues were $11.1 billion, $10.1 billion, and $8.9 billion in 2022, 2021, and 2020, respectively. Net patient care revenues increased $1.0 billion, or 10.3%, in 2022, primarily because of increased patient volumes.

Net Auxiliary Enterprises

Net auxiliary enterprise revenues were earned from a host of activities such as athletics, housing and food services, bookstores, parking, student health, and other activities. Net auxiliary enterprises were $641.5 million, $377.8 million, and $538.6 million in 2022, 2021, and 2020, respectively. Net auxiliary enterprise revenues increased $263.7 million or 69.8% in 2022 due to normalization of auxiliary activities post COVID-19.

State Appropriations

State appropriations, in conjunction with student tuition and fees, are core components that support the instructional mission of the System. State appropriations were $2.5 billion, $2.2 billion, and $2.4 billion in 2022, 2021, and 2020, respectively.

Net Investment Income Excluding the Change in Fair Value of Investments

The System carefully navigates the investment environment and works diligently to manage its financial resources. Net investment income, excluding the change in fair value of investments, was $5.6 billion, $8.8 billion, and $4.0 billion in 2022, 2021, and 2020, respectively. Net investment income includes realized gains of $2.7 billion in 2022 and $7.2 billion in 2021. Net investment income, excluding the change in the fair value of investments, decreased $3.2 billion from 2021 to 2022, primarily due to decreases in net realized gains and investment income in the PUF.

Net Increase (Decrease) in Fair Value of Investments

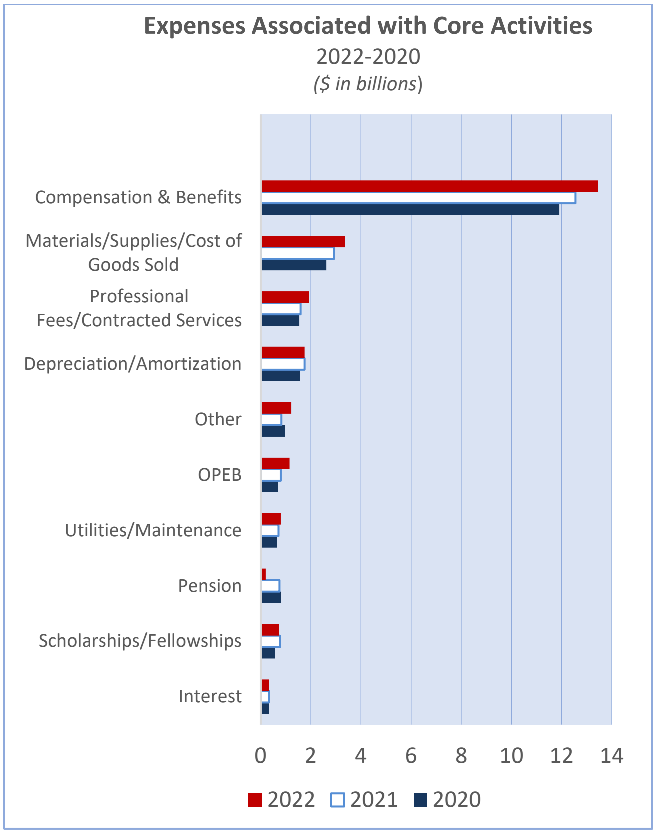
Net increase (decrease) in fair value of investments reported a decrease of $5.0 billion in 2022, an increase of $8.9 billion in 2021, and an increase of $680.4 million in 2020. In 2022, there was a decrease from 2021 of $13.9 billion primarily due to unfavorable market conditions.

Gifts

The System receives gift contributions for operations as well as nonoperating gifts and grants of capital and gifts that are held in perpetuity which are added to the System's endowment holdings. In 2022, gifts for operations totaled $634.2 million, an increase of $15.6 million or 2.5% over 2021. Capital gifts and grants and additions to permanent endowments totaled $563.1 million for 2022, an increase of $207.1 million over 2021 primarily due to increased gifts for capital acquisitions in 2022. The System continues its fundraising efforts to address facilities expansion and renovation, and the establishment of endowments for instruction, research, and patient care activities.

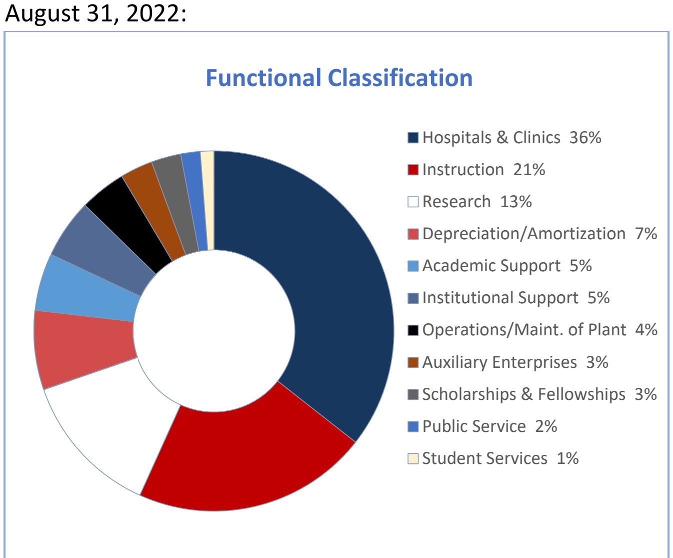
Expenses Supporting Core Activities

Expenses associated with the System's core activities, including interest expense classified as nonoperating, were $25.0 billion, $23.0 billion, and $21.7 billion in 2022, 2021, and 2020, respectively. The changes, by category, for the three years are depicted below:



Operating expenses increased by $1.9 billion in 2022 and $1.3 billion in 2021 primarily due to the growing cost of providing support for the institution's primary missions of instruction, research, public service, patient care, and student support activities. Additionally, operating expenses in 2022 include $1.2 billion of OPEB expense and $196.3 million of pension expense. Nonoperating expenses include interest expense which increased slightly to $337.8 million in 2022.

The following charts illustrate the makeup of operating expenses by functional classification for the year ended August 31, 2022:



Income (Loss) Before Other Revenue, Expenses, Gains or Losses and Transfers

Income (Loss) before other revenue, expenses, gains or losses and transfers is the sum of the operating loss plus nonoperating revenues (expenses). It is an indication of recurring revenues and expenses for the System and does not take into account capital and endowment-related additions, discussed above, or transfers. The income (loss) before other revenues, expenses, gains or losses totaled negative $318.7 million in 2022, a decrease of $16.9 billion over 2021. This decrease was largely a result of the net decrease in the fair value of investments in addition to investment income, including net realized gains, discussed above.

Net Transfers to Other State Entities

Net transfers to other State agencies totaled $446.3 million in 2022, an increase of $173.7 million over 2021. These transfers primarily include $418.8 million and $391.4 million for 2022 and 2021, respectively, for the AUF distribution to TAMUS for its one-third share of distributions from the PUF endowment and PUF land surface income, in accordance with the Texas Constitution. In addition to the transfers of the current year earnings, the net change in PUF debt outstanding at TAMUS is reflected as a transfer to other State agencies. In 2021, the PUF debt at TAMUS decreased $55.9 million, whereas in 2022 the debt increased $68.2 million contributing to the increase in net transfers to other State agencies in 2022.

2021 Highlights – Statement of Revenues, Expenses and Changes in Net Position

System's change in net position was an increase of $16.7 billion in 2021 compared to an increase of $2.8 billion in 2020. The significant increase in change in net position in 2021 was due to the fluctuating value of the fair value of investments. In 2021 there was an increase in fair value of investments of $8.9 billion compared to an increase of $680.4 million in 2020, a year over year increase of $8.2 billion. The PUF accounted for $5.6 billion of this increase in 2021.

The Statement of Cash Flows

The Statement of Cash Flows provides information about the System's financial results by reporting the major sources and uses of cash and cash equivalents during the fiscal year. Ending cash and cash equivalents were $5.5 billion, $4.9 billion, and $4.0 billion in 2022, 2021, and 2020, respectively. A summarized three-year comparison of the System's changes in cash and cash equivalents follows:

Condensed Statement of Cash Flows

($ in millions)

		2022	2021	2020
Net cash provided (used) by:				
Operating activities	$	(2,426.0)	(2,316.4)	(2,205.0)
Noncapital financing activities		3,750.6	3,882.8	2,273.6
Capital and related financing activities		(2,092.1)	(1,634.2)	(1,804.1)
Investing activities		1,355.3	992.0	1,684.9
Net increase (decrease) in cash and cash equivalents		587.8	924.2	(50.6)
Beginning cash and cash equivalents		4,921.0	3,996.8	4,047.4
Ending cash and cash equivalents	$	5,508.8	4,921.0	3,996.8

In 2022, cash and cash equivalents increased $587.8 million. Cash increases during 2022 were primarily due to (1) $3.8 billion provided by noncapital financing activities, which includes cash inflows related to state appropriations and nonexchange sponsored programs, offset by transfers to other agencies and (2) $1.4 billion of cash provided by investing activities, which includes cash inflows for interest and investment income. Cash decreases during 2022 were primarily due to (1) $2.4 billion used by operating activities, which includes cash payments to employees and suppliers, partially offset by collection of cash related to tuition and fees, patient charges, and sponsored program activities and (2) $2.1 billion used by capital and related financing activities primarily for the purchase of capital assets and the net activity associated with issuing and retiring capital related debt.

ECONOMIC OUTLOOK

The mission of the System is to improve the human condition in Texas, our nation, and our world. The System will use its size, diversity, and quality to advance education, push the bounds of discovery, enhance population health, build stronger communities, and shape public policy for the common good. The achievement of the System's mission is dependent upon the ability to attract and support dedicated students from many cultures; acquire and retain the highest quality diverse faculty; recruit and appropriately recognize exemplary administrators and staff members; create and sustain physical environments that enhance and complement educational goals; and encourage ongoing public and private sector support of higher education.

The System is one of the largest and most comprehensive institutions of higher education in the country, as well as one of the largest employers in Texas. The System's operating budget provides a wide range of services for Texans. Budgeted revenues of the System include both operating and nonoperating revenues. Budgeted revenues for 2023 increased 7.7% to $26.1 billion. The largest area of growth is net sales and services of hospitals and clinics. Budgeted expenses for 2023 increased 7.4% to $25.2 billion. The most significant area of growth is personnel costs which includes the cost of the benefits provided to its employees and retirees. The State provides certain health and life insurance benefits for retired employees in accordance with State statutes. In addition to OPEB, the System also receives a proportional share of the State's net pension liability, which is also guaranteed in State statute. These significant costs will continue to be a challenge to both the System and the state of Texas as a whole. The System continues to sustain the highest credit ratings of Fitch Ratings (AAA), Moody's Investors Service (Aaa) and Standard & Poor's Global Ratings (AAA). The System's ongoing efforts toward revenue diversification and cost containment will enable the System to achieve its goals and realize its mission.

The U. T. System greatly appreciates the support and advocacy of the Texas Legislature. Higher education across Texas has benefited from the 87th Texas Legislature's decision to fund higher education formulas and incorporate enrollment growth, which will result in more than $180 million in new funding for the System institutions in the 2022-2023 biennium. With the 88th Texas Legislature set to convene on January 10, 2023, the U. T. System looks forward to working with legislators to uplift Texas through education, research and health care initiatives. Foremost amount the U. T. System's priorities heading into the upcoming legislative session is student success, with an emphasis on increasing retention, closing equity gaps, promoting well-being and ultimately graduating students that are well-equipped for today's workforce. Student success requires access, and the U. T. System has a strong commitment to affordability, demonstrated through data-informed understanding of the financial realities of students, strategic and inclusive financial aid, grants and scholarships, and affordable and open textbooks and course materials.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF NET POSITION – BUSINESS-TYPE ACTIVITIES
AUGUST 31, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS		2022	2021
CURRENT ASSETS			
Cash and cash equivalents	$	4,551,818,565	4,009,919,530
Restricted cash and cash equivalents		857,752,653	855,262,602
Balance in State appropriations		141,809,722	152,189,939
Accounts receivable, net:			
Federal (net of allowances of $3,910,665 and $3,991,050, respectively)		665,076,836	721,029,319
Other intergovernmental (net of allowances of $3,541,020 and $3,012,357, respectively)		274,813,104	201,096,385
Student (net of allowances of $52,792,914 and $42,946,117, respectively)		376,161,655	335,873,411
Patient and healthcare (net of allowances of $439,178,955 and $353,557,568, respectively)		1,369,175,589	1,170,594,065
Interest and dividends		81,983,222	78,079,435
Contributions – current portion (net of allowances of $1,820,620 and $1,633,686, respectively)		173,286,539	144,168,115
Investment trades		345,148,156	884,669,287
Other (net of allowances of $16,594,440 and $12,295,672, respectively)		751,444,363	626,426,168
Lease receivable – current portion		18,637,142	20,236,068
Due from other agencies		131,237,557	52,960,899
Inventories		229,590,521	205,311,789
Restricted loans and contracts - current portion (net of allowances of $21,797,065 and $15,581,786, respectively)		41,067,421	45,887,955
Securities lending collateral		988,091,640	588,086,966
Other current assets		477,087,447	446,509,686
Total current assets		11,474,182,132	10,538,301,619
NONCURRENT ASSETS			
Cash and cash equivalents – noncurrent restricted		99,203,976	55,796,184
Restricted investments		58,114,854,780	58,276,947,911
Deposit with brokers for derivative contracts		141,074,033	85,814,955
Restricted loans and contracts (net of allowances of $20,048,387 and $23,591,953, respectively)		34,259,142	37,201,033
Contributions receivable (net of allowances of $2,682,258 and $1,748,296, respectively)		433,198,505	396,108,896
Unrestricted investments		16,174,609,398	16,430,992,118
Hedging derivative asset		125,007,462	17,515,709
Lease receivable – noncurrent portion		230,438,676	228,682,795
Other noncurrent assets		414,831,068	332,414,014
Gross capital/intangible assets		39,357,944,790	37,482,203,178
Less accumulated depreciation		(20,415,675,464)	(18,913,028,440)
Net capital assets		18,942,269,326	18,569,174,738
Total noncurrent assets		94,709,746,366	94,430,648,353
TOTAL ASSETS		106,183,928,498	104,968,949,972
Deferred Outflows of Resources		5,546,067,549	4,644,147,779
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	111,729,996,047	109,613,097,751

See accompanying notes to consolidated financial statements

(Continued)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF NET POSITION – BUSINESS-TYPE ACTIVITIES (Continued)
AUGUST 31, 2022 AND 2021

LIABILITIES AND DEFERRED INFLOWS		**2022**	**2021**
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$	1,639,109,930	1,557,710,467
Salaries payable		850,799,344	767,363,411
Investment trades payable		736,872,733	1,137,026,167
Incurred but not reported self-insurance claims – current portion		187,951,915	143,923,066
Total other postemployment benefits liability - current portion		243,697,144	211,485,527
Securities lending obligations		988,091,640	588,086,966
Due to other State agencies		153,619,664	127,150,590
Statewide interfund payable – current portion		58,042,824	57,156,916
Unearned revenue		1,990,625,394	1,942,648,027
Employees' compensable leave – current portion		445,635,293	416,089,651
Short-term debt		1,788,750,000	1,891,053,000
Notes, loans and leases payable – current portion		132,811,820	99,016,132
Bonds payable – current portion		1,699,296,681	1,749,231,966
Other current liabilities		204,858,805	209,443,467
Total current liabilities		11,120,163,187	10,897,385,353
NONCURRENT LIABILITIES			
Incurred but not reported self-insurance claims		33,767,326	33,187,800
Employees' compensable leave		409,789,419	403,720,062
Assets held for others		135,662,470	162,959,509
Liability to beneficiaries		13,079,769	15,164,857
Total other postemployment benefits liability		14,451,897,162	11,719,932,287
Pension liabilities		3,346,763,840	5,831,784,797
Notes, loans and leases payable		1,298,666,521	826,005,528
Bonds payable		7,709,342,982	7,937,554,833
Statewide interfund payable		1,423,609,953	1,356,405,309
Hedging derivative liability		87,510,811	293,360,762
Payable to brokers for collateral held		223,503,673	171,875,249
Investment derivatives - liability positions		183,196,878	62,045,661
Asset retirement obligation		19,508,940	18,178,517
Other noncurrent liabilities		182,866,512	181,589,020
Total noncurrent liabilities		29,519,166,256	29,013,764,191
TOTAL LIABILITIES		40,639,329,443	39,911,149,544
Deferred Inflows of Resources		4,420,174,296	2,829,509,231
TOTAL LIABILITIES AND DEFERRED INFLOWS	$	45,059,503,739	42,740,658,775
NET POSITION			
Net investment in capital assets	$	6,543,836,872	6,383,538,925
Restricted:			
Nonexpendable		36,029,323,644	31,083,186,882
Expendable		21,146,284,170	26,068,541,738
Total restricted		57,175,607,814	57,151,728,620
Unrestricted		2,951,047,622	3,337,171,431
TOTAL NET POSITION	$	66,670,492,308	66,872,438,976

See accompanying notes to consolidated financial statements (Concluded)

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THE UNIVERSITY OF TEXAS SYSTEM

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES
YEARS ENDED AUGUST 31, 2022 AND 2021

OPERATING REVENUES		2022	2021
Net student tuition and fees (net of discounts and allowances of $871,777,535 and $809,469,473, respectively)	$	2,124,295,749	2,006,866,802
Sponsored programs		4,711,876,833	4,280,395,296
Net sales and services of educational activities (net of discounts and allowances of $77,302 and $211,884, respectively)		589,139,939	524,836,200
Net sales and services of hospitals (net of discounts and allowances of $12,876,923,014 and $11,364,116,380, respectively)		8,737,119,023	7,849,949,284
Net professional fees (net of discounts and allowances of $6,598,098,913 and $5,966,163,341, respectively)		2,354,663,591	2,204,183,495
Net auxiliary enterprises (net of discounts and allowances of $20,123,708 and $10,814,076, respectively)		641,516,534	377,814,932
Other		688,892,365	580,024,701
Total operating revenues		19,847,504,034	17,824,070,710
OPERATING EXPENSES			
Instruction		5,203,547,645	4,913,942,558
Research		3,196,225,801	2,965,953,626
Public service		429,755,132	380,791,883
Hospitals and clinics		8,749,906,528	7,977,241,254
Academic support		1,268,489,082	1,126,610,545
Student services		298,864,105	302,401,299
Institutional support		1,304,341,173	1,059,801,244
Operations and maintenance of plant		1,018,063,747	892,345,345
Scholarships and fellowships		655,962,518	703,350,497
Auxiliary enterprises		719,517,082	598,103,491
Depreciation and amortization		1,745,207,819	1,750,276,956
Total operating expenses		24,589,880,632	22,670,818,698
Operating loss		(4,742,376,598)	(4,846,747,988)
NONOPERATING REVENUES (EXPENSES)			
State appropriations		2,529,939,818	2,194,328,696
Nonexchange sponsored programs		958,497,034	1,247,864,543
Gift contributions for operations		634,248,452	618,613,499
Net investment income		601,955,584	17,713,095,210
Interest expense on capital asset financings		(337,798,099)	(331,948,034)
Loss on sale of capital assets		(14,276,880)	(23,485,923)
Other		51,133,270	(1,543,657)
Net nonoperating revenues		4,423,699,179	21,416,924,334
Income (loss) before other changes in net position		(318,677,419)	16,570,176,346
OTHER CHANGES IN NET POSITION			
Capital gifts and grants		265,383,743	118,098,026
Additions to permanent endowments		297,645,918	237,888,496
Net transfers to other State agencies		(439,263,990)	(272,483,349)
Legislative appropriations lapsed		(7,034,920)	(91,825)
Change in net position		(201,946,668)	16,653,587,694
NET POSITION			
Net position, beginning of year		66,872,438,976	48,663,727,514
Restatement		-	1,555,123,768
Net position, beginning of year (as restated)		66,872,438,976	50,218,851,282
Net position, end of year	$	66,670,492,308	66,872,438,976

See accompanying notes to consolidated financial statements

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES
YEARS ENDED AUGUST 31, 2022 AND 2021

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from tuition and fees	$	2,104,420,809	2,065,679,042
Proceeds from patients and customers		10,917,142,878	9,815,620,180
Proceeds from sponsored programs		4,718,184,684	4,053,375,351
Proceeds from auxiliaries		633,365,997	451,008,901
Proceeds from other revenues		1,240,392,284	1,127,129,259
Payments to suppliers		(8,213,810,086)	(6,972,293,702)
Payments to employees		(13,835,044,914)	(12,878,210,024)
Payments for loans provided		(66,946,084)	(67,465,923)
Proceeds from loan programs		76,275,350	88,745,535
Net cash used in operating activities		(2,426,019,082)	(2,316,411,381)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from State appropriations		2,533,285,114	2,213,028,754
Proceeds from operating gifts		606,108,141	648,744,598
Proceeds from private gifts for endowment purposes		252,687,057	211,789,354
Proceeds from other noncapital financing activities		623,920,373	545,923,186
Receipts for transfers from other agencies		737,380,761	804,006,107
Payments for transfers to other agencies		(1,436,193,978)	(1,175,110,292)
Payments for other uses		(478,789,862)	(544,380,628)
Proceeds from nonexchange sponsored programs		912,221,027	1,178,767,361
Net cash provided by noncapital financing activities		3,750,618,633	3,882,768,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of capital debt		1,168,139,785	1,380,661,726
Payments of other costs on debt issuance		(2,818,969)	(3,376,945)
Proceeds from capital appropriations, grants and gifts		135,289,571	90,948,963
Proceeds from sale of capital assets		10,309,988	19,019,865
Payments for additions to capital assets		(1,836,174,379)	(1,640,214,631)
Payments of principal on capital related debt and other long-term obligations		(1,156,291,570)	(1,063,409,227)
Payments of interest on capital related debt and other long-term obligations		(410,515,527)	(417,850,617)
Net cash used in capital and related financing activities		(2,092,061,101)	(1,634,220,866)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments		40,952,830,872	38,933,501,227
Proceeds from interest and investment income		3,109,784,232	1,993,557,790
Payments to acquire investments		(42,707,356,676)	(39,935,012,580)
Net cash provided by investing activities		1,355,258,428	992,046,437
NET INCREASE (DECREASE) IN CASH		587,796,878	924,182,630
Cash and cash equivalents, beginning of year		4,920,978,316	3,996,795,686
Cash and Cash equivalents, end of year	$	5,508,775,194	4,920,978,316

See accompanying notes to consolidated financial statements (Continued)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES (Continued)
YEARS ENDED AUGUST 31, 2022 AND 2021

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		**2022**	**2021**
Operating loss	$	(4,742,376,598)	(4,846,747,988)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization expense		1,745,207,819	1,750,276,956
Bad debt expense		510,724,894	374,732,279
Other postemployment benefits obligation expense		1,150,530,177	804,811,075
Pension expense		196,300,549	746,417,530
Changes in assets and liabilities:			
Accounts receivable		(786,540,416)	(804,980,947)
Lessor-related balances		(2,610,002)	(1,849,217)
Inventories		(24,278,731)	(25,222,323)
Loans and contracts		9,341,378	21,285,072
Other current and noncurrent assets		(109,311,316)	(167,986,447)
Deferred Outflows-Other Postemployment Benefits		(1,469,676,692)	(1,323,622,798)
Deferred Outflows-Pension Related		353,819,451	95,349,030
Accounts payable and accrued liabilities		214,437,132	155,853,185
Unearned revenue		77,383,477	104,247,937
Employees' compensable leave		35,614,998	59,570,294
Other postemployment benefits obligation		1,613,646,315	1,443,143,424
Pension related obligations		(2,681,321,506)	(326,486,996)
Asset retirement obligations		1,438,430	(7,308,870)
Deferred Inflows-Other Postemployment Benefits		(347,967,009)	(296,801,763)
Deferred Inflows-Pension Related		1,832,923,932	(201,983,034)
Other current and noncurrent liabilities		(3,305,364)	130,892,220
Total adjustments		2,316,357,516	2,530,336,607
Net cash used in operating activities	$	(2,426,019,082)	(2,316,411,381)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Net in fair value of investments		(5,017,196,360)	8,905,686,557
Donated capital assets		78,065,085	35,041,170
Capital assets acquired/adjusted under lease purchases or direct borrowings		213,059,721	(166,032,277)
Miscellaneous noncash transactions		11,183,512	(4,696,169)

See accompanying notes to consolidated financial statements (Concluded)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2022

	Custodial Funds		
	External Investment Pool Fund	Custodial Funds - Other	Total Fiduciary Activities
ASSETS			
Cash and Cash Equivalents	$ -	1,888,492	1,888,492
Accounts Receivable, Net:			
Interest and Dividends	217,355	-	217,355
Investment Trades	1,505,074	-	1,505,074
Other	1,757,072	4,735	1,761,807
Total Accounts Receivable, Net	3,479,501	4,735	3,484,236
Investments at Fair Value:			
Investment Derivatives - Asset Positions	719,630	-	719,630
Other Investments	285,878,283	-	285,878,283
Total Investments	286,597,913	-	286,597,913
Securities Lending Collateral	4,333,856	-	4,333,856
Deposit with Brokers for Derivative Contracts	622,586	-	622,586
Other Assets	3,314	-	3,314
Total Assets	295,037,170	1,893,227	296,930,397
LIABILITIES			
Accounts Payable and Accrued Liabilities	312,171	23,031	335,202
Investment Trades Payables	2,987,464	-	2,987,464
Securities Lending Obligations	4,333,855	-	4,333,855
Investment Derivatives - Liability Positions	726,153	-	726,153
Payable to Brokers for Collateral Held	417,944	-	417,944
Total Liabilities	8,777,587	23,031	8,800,618
NET POSITION			
Restricted for:			
Pool Participants	286,259,583	-	286,259,583
Individuals, Organizations, and Other Governments	-	1,870,196	1,870,196
Total Net Position	$ 286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2021

	Custodial Funds		
	External Investment Pool Fund	Custodial Funds - Other	Total Fiduciary Activities
ASSETS			
Cash and Cash Equivalents	$ -	1,787,328	1,787,328
Accounts Receivable, Net:			
Interest and Dividends	208,842	-	208,842
Investment Trades	3,970,179	-	3,970,179
Other	633,797	4,735	638,532
Total Accounts Receivable, Net	4,812,818	4,735	4,817,553
Investments at Fair Value:			
Investment Derivatives - Asset Positions	846,701	-	846,701
Other Investments	316,588,590	-	316,588,590
Total Investments	317,435,291	-	317,435,291
Securities Lending Collateral	2,928,759	-	2,928,759
Deposit with Brokers for Derivative Contracts	425,479	-	425,479
Other Assets	2,978	-	2,978
Total Assets	325,605,325	1,792,063	327,397,388
LIABILITIES			
Accounts Payable and Accrued Liabilities	268,349	20,989	289,338
Investment Trades Payables	5,082,274	-	5,082,274
Securities Lending Obligations	2,928,759	-	2,928,759
Investment Derivatives - Liability Positions	264,168	-	264,168
Payable to Brokers for Collateral Held	746,516	-	746,516
Total Liabilities	9,290,066	20,989	9,311,055
NET POSITION			
Restricted for:			
Pool Participants	316,315,259	-	316,315,259
Individuals, Organizations, and Other Governments	-	1,771,074	1,771,074
Total Net Position	$ 316,315,259	1,771,074	318,086,333

See accompanying notes to consolidated financial statements

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED AUGUST 31, 2022

	Custodial Funds		
	External Investment Pool Fund	Custodial Funds - Other	Total Fiduciary Activities
ADDITIONS			
Contributions:			
Contributions from Student Organizations	$ -	55,903	55,903
Contributions from Foundations or Associations	2,827,924	633,813	3,461,737
Contributions Faculty/Staff Organizations	-	-	-
Contributions from Participants	-	10,340	10,340
Other Contributions	-	66,266	66,266
Total Contributions	2,827,924	766,322	3,594,246
Investment Earnings:			
Interest, Dividends, and Other	4,353,736	-	4,353,736
Realized Gain on Sale of Investments	1,074,039	-	1,074,039
Net Decrease in Fair Value of Investments	(33,768,703)	-	(33,768,703)
Total Investment Earnings	(28,340,928)	-	(28,340,928)
Miscellaneous	-	138,294	138,294
Total Additions	(25,513,004)	904,616	(24,608,388)
DEDUCTIONS			
Payments to Student Organizations	-	37,880	37,880
Payments to Foundations or Associations	4,542,672	119,466	4,662,138
Payments to Faculty/Staff Organizations	-	605	605
Payments to Participants	-	81,744	81,744
Other Expenses	-	565,799	565,799
Total Deductions	4,542,672	805,494	5,348,166
Net Increase (Decrease) in Fiduciary Net Position	(30,055,676)	99,122	(29,956,554)
Beginning Net Position	316,315,259	1,771,074	318,086,333
Ending Net Position	$ 286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED AUGUST 31, 2021

	Custodial Funds		
	External Investment Pool Fund	Custodial Funds - Other	Total Fiduciary Activities
ADDITIONS			
Contributions:			
Contributions from Student Organizations	$ -	18,053	18,053
Contributions from Foundations or Associations	2,573,353	338,687	2,912,040
Contributions Faculty/Staff Organizations	-	(1,460)	(1,460)
Contributions from Participants	-	12,608	12,608
Other Contributions	-	7,813	7,813
Total Contributions	2,573,353	375,701	2,949,054
Investment Earnings:			
Interest, Dividends, and Other	3,774,389	10	3,774,399
Realized Gain on Sale of Investments	834,691	-	834,691
Net Increase in Fair Value of Investments	62,202,389	-	62,202,389
Total Investment Earnings	66,811,469	10	66,811,479
Miscellaneous	-	221,804	221,804
Total Additions	69,384,822	597,515	69,982,337
DEDUCTIONS			
Payments to Student Organizations	-	4,497	4,497
Payments to Foundations or Associations	3,711,861	85,243	3,797,104
Payments to Participants	-	93	93
Other Expenses	-	295,386	295,386
Total Deductions	3,711,861	385,219	4,097,080
Net Increase in Fiduciary Net Position	65,672,961	212,296	65,885,257
Beginning Net Position	250,642,298	1,558,778	252,201,076
Ending Net Position	$ 316,315,259	1,771,074	318,086,333

See accompanying notes to consolidated financial statements

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1. The Financial Reporting Entity

The financial records of The University of Texas System (the System) reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include The University of Texas System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by The University of Texas System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of thirteen institutions of higher education, as well as the System administrative offices. The thirteen institutions are as follows: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas Permian Basin, The University of Texas Rio Grande Valley, The University of Texas at San Antonio, The University of Texas at Tyler (which includes two state agencies – The University of Texas at Tyler and The University of Texas Health Science Center at Tyler), The University of Texas Southwestern Medical Center, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, and The University of Texas M. D. Anderson Cancer Center. On December 21, 2020, the System Board of Regents formalized the combination of The University of Texas at Tyler and The University of Texas Health Science Center at Tyler effective January 1, 2021, in order to create a single, integrated university that will more comprehensively serve the educational, health and economic needs of East Texas. Although The University of Texas Health Science Center at Tyler is now considered part of The University of Texas at Tyler as of fiscal year 2021, it remains a separate agency of the State of Texas. The System is governed by a nine-member Board of Regents appointed by the Governor.

Blended Component Units
The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. Blended component unit financial information is available upon request.

U. T. Southwestern Health Systems is governed by a three-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Health Systems provides support of health care services and grants to conduct research and provide educational programs to accomplish the mission of U. T. Southwestern Medical Center. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Health Systems, 5323 Harry Hines Boulevard, Dallas, Texas 75390.

U. T. Southwestern Moncrief Cancer Center is governed by a four-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Moncrief Cancer Center provides resources for cancer prevention, early detection and support services to cancer patients and their families within Tarrant County and surrounding areas. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Moncrief Cancer Center, 400 West Magnolia Avenue, Fort Worth, Texas 76104.

Moncrief Cancer Foundation is governed by a six-member board appointed by the president of U. T. Southwestern Medical Center. Moncrief Cancer Foundation supports comprehensive, multidisciplinary cancer treatment programs in Tarrant County and surrounding areas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit foundation and U. T. Southwestern Medical Center is the sole corporate member. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Moncrief Cancer Foundation, 5323 Harry Hines Blvd., Dallas, Texas 75390.

UTMB HealthCare Systems, Inc. is governed by an eight-member board appointed by U. T. Medical Branch - Galveston. UTMB HealthCare Systems, Inc. provides temporary staffing and leased property, and manages the Medicare Select insurance product in selected markets for U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting UTMB HealthCare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555.

The University Medical Branch Student Book Store, Inc. is governed by a five-member board appointed by U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it operates the book store for U. T. Medical Branch - Galveston and provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University Medical Branch Student Book Store, Inc., 301 University Boulevard, Galveston, Texas 77555.

Medical Branch Innovations, Inc. is governed by a three-member board appointed by U. T. Medical Branch – Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Medical Branch Innovations, Inc., 301 University Boulevard, Galveston, Texas 77555.

U. T. Physicians is governed by a nine-member board appointed by its sole corporate member. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and Giuseppe N. Colasurdo, as President of U. T. Health Science Center - Houston, is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Physicians, 7000 Fannin Street, Suite 860, Houston, Texas 77030.

University Physicians Group is governed by a five-member board. The Dean of the School of Medicine is the Chairman of the Board, and four board members are members of and elected by the physician practice plan board. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting University Physicians Group, 8431 Fredericksburg Road, San Antonio, Texas 78229.

U. T. Health San Antonio Regional Physician Network is governed by a seven-member board. The Dean of the School of Medicine is the Chair of the Board of Directors. The corporation owns, operates, and manages an Accountable Care Organization in accordance with the requirements of the Medicare Shared Savings Program, as set forth in section 1899 of the Social Security Act and related regulations. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Health San Antonio Regional Physician Network, 1999 Bryan St, Suite 900, Dallas Texas 75201-3136.

M. D. Anderson Physician's Network is governed by a nine-member board appointed by the president of M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Physician's Network, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

M. D. Anderson Services Corporation is governed by a seven-member board appointed by the president of M. D. Anderson. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D Anderson Services Corporation, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

East Texas Quality Care Network, Inc. is governed by a four-member board appointed by U. T. Health Science Center - Tyler. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - Tyler is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting East Texas Quality Care Network, Inc., 11937 US Highway 271, Tyler, Texas 75708-3154.

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is governed by a nine-member board consisting of at least three members of the U. T. System Board of Regents, four members appointed by the U. T. System Board of Regents (one of whom may be the Chancellor of the System), and two members appointed by the Texas A&M System Board of Regents. At least three members appointed by the U. T. System Board of Regents and at least one member appointed by the Texas A&M System Board of Regents must have substantial background and expertise in investments. The corporation is blended rather than discretely presented because it provides investment management services entirely or almost entirely to the System. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas/Texas A&M Investment Management Company (UTIMCO), 210 West 7th Street, Suite 1700, Austin, Texas 78701.

The University of Texas Fine Arts Foundation was governed by a three-member board appointed by U. T. Austin. The University of Texas Fine Arts Foundation provided services to acquire the Suida-Manning Art Collection for the Blanton Museum of Art. The foundation was blended rather than discretely presented because it provided services entirely to U. T. Austin. The foundation's fiscal year end was December 31. The foundation was dissolved in fiscal year 2021.

The University of Texas Communication Foundation is governed by a three-member board appointed by U. T. Austin. The University of Texas Communication Foundation provides services to the U. T. Austin College of Communication to facilitate the participation by students, faculty and others in professional communication projects. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas Communication Foundation, U. T. Austin, P. O. Box 7322, Austin, Texas 78713.

Centro Global de Innovacion y Emprendimiento, A.C., Parque de Investigación e Innovación Tecnológica (PIIT), Av. Alianza Norte 300, esquina con Av. Innovación, Apodaca, Nuevo León, was governed by a two-member board appointed by U. T. Austin. Centro Global de Innovacion y Emprendimiento, A.C. promotes academic development in engineering, science, and business and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute was blended rather than discretely presented because it was organized as a not-for-profit corporation, and U. T. Austin was the sole corporate member. Centro Global de Innovacion y Emprendimiento's fiscal year end was December 31. Separate financial statements may be obtained by contacting Centro Global de Innovacion y Emprendimiento, A.C., C. Ross, Director, ross@cgie.org.mx, T: +52(81)8850-3495 | 96. The foundation was dissolved in fiscal year 2022.

The University of Texas at Austin – Mexico Institute, A.C., Centro de Ciencias de la Complejidad (Edificio C3), Planta Baja, Unidad Internacional de Sedes Universitarias, Circuito Cultural c/n, Zona Cultural, Ciudad Universitaria, Ciudad de México, México, CP. 04510, is governed by a four-member board appointed by U. T. Austin. The University of Texas at Austin – Mexico Institute, A.C. advances collaborative cross-disciplinary academic and scientific research partnerships in science, technology, engineering, and mathematics, and scholarly and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Austin is the sole corporate member. The Mexico Institute's fiscal year end is December 31. Separate financial statements may be obtained by contacting The University of Texas at Austin J. Pinon, Director of Institutional Relations – Mexico, 2275 Speedway, Austin, TX, 78712.

The Crow Museum of Asian Art - Foundation is governed by a board of five directors appointed by U. T. Dallas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Dallas is the sole corporate member. The foundation's fiscal year end is December 31. In fiscal year 2021, substantially all assets and operations of the foundation transferred to U. T. Dallas in accordance with a unanimous consent letter executed by the board of directors. Assets distributed to U. T. Dallas will be managed in accordance with the memorandum of understanding associated with the 2018 donation of the Crow Museum of Asian Art. The foundation will continue its corporate existence as deemed advisable by the board of directors.

The Crow Museum of Asian Art - Trust was governed by U. T. Dallas as the sole Trustee, in accordance with the executed Consent of Sole Trustee letter. The trust was blended rather than discretely presented because it was organized as a not-for-profit corporation and U. T. Dallas was the sole corporate member. The trust's fiscal year end was December 31. In fiscal year 2021, all assets of the trust transferred to U. T. Dallas in accordance with a unanimous consent letter executed by the board of directors of the parent foundation. Assets distributed to U. T. Dallas are managed in accordance with the memorandum of understanding associated with the 2018 donation of the Crow Museum of Asian Art. The Crow Museum of Asian Art -Trust was dissolved in fiscal year 2021.

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2022 is as follows:

As of August 31, 2022		Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position						
Current Assets	$	10,115,891	4,567,576	4,492,583	13,185,168	650,423
Noncurrent Assets		-	33,308,379	105,752,943	20,974,634	1,573,544
Total Assets		10,115,891	37,875,955	110,245,526	34,159,802	2,223,967
Current Liabilities		-	10,179,685	21,578,163	3,231,312	50,548
Noncurrent Liabilities		-	-	-	98,701	-
Total Liabilities		-	10,179,685	21,578,163	3,330,013	50,548
Net Investment in Capital Assets		-	25,862,195	-	1,429,800	-
Restricted Nonexpendable		-	1,633,095	-	-	-
Restricted Expendable		-	-	88,667,363	-	-
Unrestricted		10,115,891	200,980	-	29,399,989	2,173,419
Total Net Position	$	10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	2,841	6,736,381	429	92,717,894	827,124
Operating Expenses		(38,636)	(12,104,484)	(505,157)	(88,463,416)	(773,467)
Operating Income/(Loss)		(35,795)	(5,368,103)	(504,728)	4,254,478	53,657
Nonoperating Revenues (Expenses)		2,128,039	3,467,418	(10,825,651)	(822,099)	(132,959)
Income/(Loss) Before Other Changes in Net Position		2,092,244	(1,900,685)	(11,330,379)	3,432,379	(79,302)
Other Changes in Net Position		(2,800,000)	(593,368)	(3,593,368)	-	-
Change in Net Position		(707,756)	(2,494,053)	(14,923,747)	3,432,379	(79,302)
Net Position - August 31, 2021		10,823,647	30,190,323	103,591,110	27,397,410	2,252,721
Net Position - August 31, 2022	$	10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	295,853	(500,683)	4,126,209	2,455,709	(14,935)
Noncapital Financing Activities		-	-	-	-	-
Capital and Related Financing		-	-	-	-	-
Investing Activities		(323,009)	90,909	(859,369)	(601,134)	(3,851)
Net Increase (Decrease) in Cash and Cash Equivalents		(27,156)	(409,774)	3,266,840	1,854,575	(18,786)
Cash and Cash Equivalents – August 31, 2021		2,504,694	1,252,481	1,143,666	8,091,541	289,435
Cash and Cash Equivalents – August 31, 2022	$	2,477,538	842,707	4,410,506	9,946,116	270,649

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As of August 31, 2022		Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position						
Current Assets	$	1,592,834	104,156,809	-	210	66,937,719
Noncurrent Assets		4,406,724	281,848,529	1,935,622	-	203,182,481
Total Assets		5,999,558	386,005,338	1,935,622	210	270,120,200
Current Liabilities		546,454	87,287,265	-	210	9,453,558
Noncurrent Liabilities		7,199,137	219,465,483	-	-	-
Total Liabilities		7,745,591	306,752,748	-	210	9,453,558
Net Investment in Capital Assets		-	31,865,541	-	-	642,556
Restricted Nonexpendable		-	-	-	-	-
Restricted Expendable		-	-	-	-	-
Unrestricted		(1,746,033)	47,387,049	1,935,622	-	260,024,086
Total Net Position	$	(1,746,033)	79,252,590	1,935,622	-	260,666,642
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	946,447	199,985,715	-	-	54,079,887
Operating Expenses		(1,641,058)	(179,951,056)	-	(1,757,801)	(23,663,421)
Operating Income/(Loss)		(694,611)	20,034,659	-	(1,757,801)	30,416,466
Nonoperating Revenues (Expenses)		(351,259)	(8,292,622)	-	-	(16,777,997)
Income/(Loss) Before Other Changes in Net Position		(1,045,870)	11,742,037	-	(1,757,801)	13,638,469
Other Changes in Net Position		-	-	-	1,757,801	-
Change in Net Position		(1,045,870)	11,742,037	-	-	13,638,469
Net Position - August 31, 2021		(700,163)	67,510,553	1,935,622	-	247,028,173
Net Position - August 31, 2022	$	(1,746,033)	79,252,590	1,935,622	-	260,666,642
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	(471,618)	37,495,780	-	-	20,349,914
Noncapital Financing Activities		-	-	-	-	-
Capital and Related Financing		-	(18,613,254)	-	-	(172,642)
Investing Activities		4,380	599,936	-	-	(14,386,024)
Net Increase (Decrease) in Cash and Cash Equivalents		(467,238)	19,482,462	-	-	5,791,248
Cash and Cash Equivalents – August 31, 2021		1,849,678	68,552,730	-	-	56,659,126
Cash and Cash Equivalents – August 31, 2022	$	1,382,440	88,035,192	-	-	62,450,374

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As of August 31, 2022		M. D. Anderson Services Corp	East Texas Quality Care Network, Inc.	UTIMCO	The University of Texas Communication Foundation	Centro Global de Innovacion y Emprendimiento A.C.
Condensed Statement of Net Position						
Current Assets	$	80,211,672	448,728	35,648,501	2,042	-
Noncurrent Assets		803,523,651	-	3,373,187	177,911	-
Total Assets		883,735,323	448,728	39,021,688	179,953	-
Current Liabilities		100,258,091	14,718	19,543,398	121,528	-
Noncurrent Liabilities		90,834,528	-	6,192,847	39,052	-
Total Liabilities		191,092,619	14,718	25,736,245	160,580	-
Net Investment in Capital Assets		20,387	-	-	-	-
Restricted Nonexpendable		50,000,000	-	-	-	-
Restricted Expendable		603,195,087	-	-	-	-
Unrestricted		39,427,230	434,010	13,285,443	19,373	-
Total Net Position	$	692,642,704	434,010	13,285,443	19,373	-
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	1,365,571	37,469	60,648,574	2,000	-
Operating Expenses		(746,921)	(17,411)	(58,291,859)	(801)	(41,430)
Operating Income/(Loss)		618,650	20,058	2,356,715	1,199	(41,430)
Nonoperating Revenues (Expenses)		(51,910,767)	-	202,058	-	-
Income/(Loss) Before Other Changes in Net Position		(51,292,117)	20,058	2,558,773	1,199	(41,430)
Other Changes in Net Position		-	-	(6,000,000)	-	-
Change in Net Position		(51,292,117)	20,058	(3,441,227)	1,199	(41,430)
Net Position - August 31, 2021		743,934,821	413,952	16,726,670	18,174	41,430
Net Position - August 31, 2022	$	692,642,704	434,010	13,285,443	19,373	-
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	(2,041,805)	69,344	3,694,468	1,831	-
Noncapital Financing Activities		(34,753,876)	-	(6,000,000)	-	-
Capital and Related Financing		-	-	(107,280)	-	-
Investing Activities		37,758,714	-	203,209	-	-
Net Increase (Decrease) in Cash and Cash Equivalents		963,033	69,344	(2,209,603)	1,831	-
Cash and Cash Equivalents – August 31, 2021		78,663,646	403,569	36,376,444	211	-
Cash and Cash Equivalents – August 31, 2022	$	79,626,679	472,913	34,166,841	2,042	-

(Continued)

As of August 31, 2022		The University of Texas at Austin-Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	Combined Blended Component Unit Total
Condensed Statement of Net Position				
Current Assets	$	47,201	47,325	322,104,682
Noncurrent Assets		-	-	1,460,057,605
Total Assets		47,201	47,325	1,782,162,287
Current Liabilities		-	-	252,264,930
Noncurrent Liabilities		-	-	323,829,748
Total Liabilities		-	-	576,094,678
Net Investment in Capital Assets		-	-	59,820,479
Restricted Nonexpendable		-	-	51,633,095
Restricted Expendable		-	-	691,862,450
Unrestricted		47,201	47,325	402,751,585
Total Net Position	$	47,201	47,325	1,206,067,609
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	$	67,492	-	417,417,824
Operating Expenses		(29,065)	(81,923)	(368,107,906)
Operating Income/(Loss)		38,427	(81,923)	49,309,918
Nonoperating Revenues (Expenses)		-	(634)	(83,316,473)
Income/(Loss) Before Other Changes in Net Position		38,427	(82,557)	(34,006,555)
Other Changes in Net Position		-	85,000	(11,143,935)
Change in Net Position		38,427	2,443	(45,150,490)
Net Position - August 31, 2021		8,774	44,882	1,251,218,099
Net Position - August 31, 2022	$	47,201	47,325	1,206,067,609
Condensed Statement of Cash Flows				
Net Cash provided (used) by:				
Operating Activities	$	38,427	(663,715)	64,834,779
Noncapital Financing Activities		-	85,000	(40,668,876)
Capital and Related Financing		-	580,527	(18,312,649)
Investing Activities		-	64	22,483,825
Net Increase (Decrease) in Cash and Cash Equivalents		38,427	1,876	28,337,079
Cash and Cash Equivalents – August 31, 2021		8,774	45,449	255,841,444
Cash and Cash Equivalents – August 31, 2022	$	47,201	47,325	284,178,523

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2021, with some financial statement information restated for GASB Statement No. 87, is as follows:

As of August 31, 2021		Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position						
Current Assets	$	10,823,647	2,865,399	1,207,847	13,461,791	566,792
Noncurrent Assets		-	29,183,051	123,368,408	21,917,056	1,706,630
Total Assets		10,823,647	32,048,450	124,576,255	35,378,847	2,273,422
Current Liabilities		-	1,858,127	1,985,145	7,750,004	20,701
Noncurrent Liabilities		-	-	19,000,000	231,433	-
Total Liabilities		-	1,858,127	20,985,145	7,981,437	20,701
Net Investment in Capital Assets		-	27,185,310	-	1,520,705	-
Restricted Nonexpendable		-	1,997,741	-	-	-
Restricted Expendable		-	-	103,591,110	-	-
Unrestricted		10,823,647	1,007,272	-	25,876,705	2,252,721
Total Net Position	$	10,823,647	30,190,323	103,591,110	27,397,410	2,252,721
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	-	6,575,660	188	51,736,289	629,431
Operating Expenses		(23,468)	(10,385,511)	(583,245)	(49,845,682)	(563,509)
Operating Income/(Loss)		(23,468)	(3,809,851)	(583,057)	1,890,607	65,922
Nonoperating Revenues (Expenses)		2,270,852	435,034	23,913,924	1,924,935	211,116
Income/(Loss) Before Other Changes in Net Position		2,247,384	(3,374,817)	23,330,867	3,815,542	277,038
Other Changes in Net Position		(4,999,387)	2,521,599	(6,042,192)	-	-
Change in Net Position		(2,752,003)	(853,218)	17,288,675	3,815,542	277,038
Net Position - August 31, 2020		13,575,650	31,043,541	86,302,435	23,581,868	1,975,683
Net Position - August 31, 2021	$	10,823,647	30,190,323	103,591,110	27,397,410	2,252,721
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	(1,745,681)	(55,549)	(6,893)	5,948,993	(18,624)
Noncapital Financing Activities		-	-	-	-	-
Capital and Related Financing		-	-	-	-	-
Investing Activities		(219,395)	66,147	(650,159)	(4,564,424)	(1,499,768)
Net Increase (Decrease) in Cash and Cash Equivalents		(1,965,076)	10,598	(657,052)	1,384,569	(1,518,392)
Cash and Cash Equivalents – August 31, 2020		4,469,770	1,241,883	1,800,718	6,706,972	1,807,827
Cash and Cash Equivalents – August 31, 2021	$	2,504,694	1,252,481	1,143,666	8,091,541	289,435

(Continued)

As of August 31, 2021		Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position						
Current Assets	$	1,993,995	86,102,186	-	-	65,735,061
Noncurrent Assets		4,762,364	261,586,199	1,935,622	-	205,948,731
Total Assets		6,756,359	347,688,385	1,935,622	-	271,683,792
Current Liabilities		467,385	84,956,476	-	-	24,464,475
Noncurrent Liabilities		6,989,137	195,221,356	-	-	191,144
Total Liabilities		7,456,522	280,177,832	-	-	24,655,619
Net Investment in Capital Assets		-	20,550,793	-	-	1,016,834
Restricted Nonexpendable		-	-	-	-	-
Restricted Expendable		-	-	-	-	-
Unrestricted		(700,163)	46,959,760	1,935,622	-	246,011,339
Total Net Position	$	(700,163)	67,510,553	1,935,622	-	247,028,173
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	1,030,019	208,005,141	-	-	58,229,437
Operating Expenses		(1,426,868)	(185,424,345)	-	(1,706,594)	(26,385,224)
Operating Income/(Loss)		(396,849)	22,580,796	-	(1,706,594)	31,844,213
Nonoperating Revenues (Expenses)		563,065	9,039,144	-	-	21,203,093
Income/(Loss) Before Other Changes in Net Position		166,216	31,619,940	-	(1,706,594)	53,047,306
Other Changes in Net Position		-	(15,000,000)	-	1,706,594	-
Change in Net Position		166,216	16,619,940	-	-	53,047,306
Net Position - August 31, 2020		(866,379)	50,890,613	1,935,622	-	193,980,867
Net Position - August 31, 2021	$	(700,163)	67,510,553	1,935,622	-	247,028,173
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	331,479	17,851,457	-	-	53,503,522
Noncapital Financing Activities		-	15,847	-	-	-
Capital and Related Financing		-	(6,057,435)	-	-	-
Investing Activities		(4,199,299)	(24,345,265)	-	-	(73,518,799)
Net Increase (Decrease) in Cash and Cash Equivalents		(3,867,820)	(12,535,396)	-	-	(20,015,277)
Cash and Cash Equivalents – August 31, 2020		5,717,498	81,088,126	-	-	76,674,403
Cash and Cash Equivalents – August 31, 2021	$	1,849,678	68,552,730	-	-	56,659,126

(Continued)

As of August 31, 2021		M. D. Anderson Services Corp	East Texas Quality Care Network, Inc.	UTIMCO	University of Texas Fine Arts Foundation	The University of Texas Communication Foundation
Condensed Statement of Net Position						
Current Assets	$	79,865,982	425,942	37,819,298	-	211
Noncurrent Assets		889,850,852	-	3,562,712	-	177,911
Total Assets		969,716,834	425,942	41,382,010	-	178,122
Current Liabilities		102,651,719	11,990	17,962,697	-	120,896
Noncurrent Liabilities		123,130,294	-	6,692,643	-	39,052
Total Liabilities		225,782,013	11,990	24,655,340	-	159,948
Net Investment in Capital Assets		10,244	-	-	-	-
Restricted Nonexpendable		50,000,000	-	-	-	-
Restricted Expendable		655,372,028	-	-	-	-
Unrestricted		38,552,549	413,952	16,726,670	-	18,174
Total Net Position	$	743,934,821	413,952	16,726,670	-	18,174
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	2,251,984	64,072	55,617,711	-	(1,052)
Operating Expenses		(1,521,795)	(22,517)	(53,858,331)	(436)	-
Operating Income/(Loss)		730,189	41,555	1,759,380	(436)	(1,052)
Nonoperating Revenues (Expenses)		217,044,434	-	8,192	-	-
Income/(Loss) Before Other Changes in Net Position		217,774,623	41,555	1,767,572	(436)	(1,052)
Other Changes in Net Position		-	-	-	-	-
Change in Net Position		217,774,623	41,555	1,767,572	(436)	(1,052)
Net Position - August 31, 2020		526,160,198	372,397	14,959,098	436	19,226
Net Position - August 31, 2021	$	743,934,821	413,952	16,726,670	-	18,174
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	199,512,186	-	6,737,346	(436)	-
Noncapital Financing Activities		(30,345,344)	-	-	-	-
Capital and Related Financing		-	-	(2,802,249)	-	-
Investing Activities		(187,063,599)	-	19,457	-	-
Net Increase (Decrease) in Cash and Cash Equivalents		(17,896,757)	-	3,954,554	(436)	-
Cash and Cash Equivalents – August 31, 2020		96,560,403	403,569	32,421,890	436	211
Cash and Cash Equivalents – August 31, 2021	$	78,663,646	403,569	36,376,444	-	211

(Concluded)

As of August 31, 2021		Centro Global de Innovacion y Emprendimiento A.C.	The University of Texas at Austin-Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	The Crow Museum of Asian Art - Trust	Combined Blended Component Unit Total
Condensed Statement of Net Position						
Current Assets	$	41,008	8,774	630,306	-	301,548,239
Noncurrent Assets		422	-	-	-	1,543,999,958
Total Assets		41,430	8,774	630,306	-	1,845,548,197
Current Liabilities		-	-	76,719	-	242,326,334
Noncurrent Liabilities		-	-	508,705	-	352,003,764
Total Liabilities		-	-	585,424	-	594,330,098
Net Investment in Capital Assets		845,931	-	-	-	51,129,817
Restricted Nonexpendable		-	-	-	-	51,997,741
Restricted Expendable		-	-	-	-	758,963,138
Unrestricted		(804,501)	8,774	44,882	-	389,127,403
Total Net Position	$	41,430	8,774	44,882	-	1,251,218,099
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	846	17,799	57,523	-	384,215,048
Operating Expenses		(8,877)	(13,220)	(360,077)	(3,452)	(332,133,151)
Operating Income/(Loss)		(8,031)	4,579	(302,554)	(3,452)	52,081,897
Nonoperating Revenues (Expenses)		-	-	756,583	-	277,370,372
Income/(Loss) Before Other Changes in Net Position		(8,031)	4,579	454,029	(3,452)	329,452,269
Other Changes in Net Position		(32,105)	-	(40,843,512)	(3,092,906)	(65,781,909)
Change in Net Position		(40,136)	4,579	(40,389,483)	(3,096,358)	263,670,360
Net Position - August 31, 2020		81,566	4,195	40,434,365	3,096,358	987,547,739
Net Position-August 31, 2021	$	41,430	8,774	44,882	-	1,251,218,099
Condensed Statement of Cash Flows						
Net Cash provided (used) by:						
Operating Activities	$	(8,031)	4,579	(97,311)	(3,452)	281,953,585
Noncapital Financing Activities		-	-	(40,002,948)	(3,092,906)	(73,425,351)
Capital and Related Financing		-	-	39,610,903	-	30,751,219
Investing Activities		(21,281)	-	-	2,140,728	(293,855,657)
Net Increase (Decrease) in Cash and Cash Equivalents		(29,312)	4,579	(489,356)	(955,630)	(54,576,204)
Cash and Cash Equivalents – August 31, 2020		29,312	4,195	534,805	955,630	310,417,648
Cash and Cash Equivalents – August 31, 2021	$	-	8,774	45,449	-	255,841,444

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of System's net position. As of August 31, 2022, none of the System's potential component units individually meet the 5% of System's net position criteria for inclusion in the System's financial statements. Based upon the most recent available information, the combined net position of these potential component units reported by the organizations total $3,379,730,061 at August 31, 2022 and $3,068,076,623 at August 31, 2021.

2. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2022, related to pass-through grants were $533,765,956 and $20,760,320, respectively. Funds received and provided during the year ended August 31, 2021, related to pass-through grants were $651,315,991 and $12,471,729, respectively.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

3. Joint Ventures

The University of Texas Southwestern Medical Center (UTSW) and Texas Health Resources (THR) are participating members of Southwestern Health Resources (SWHR) entities, including SWHR, SWHR Clinically Integrated Network (CIN), and SWHR Joint Operating Company (JOC). This integrated regional health network offers key advantages for patients in North Texas including a broad, integrated continuum of physician-driven care utilizing UTSW's network of faculty and community-based physicians, THR's employed physicians, and independent physicians affiliated with both organizations; and an integrated hospital network consisting of UTSW's two university hospitals and THR's wholly-controlled and joint-ventured community hospitals. UTSW's equity interest in SWHR, SWHR CIN, and SWHR JOC at August 31, 2022 and 2021 was $61,751,430 and $32,787,098, respectively, or approximately 50%.

UTSW is a participating member of Texas Health Hospital Frisco (THHF). THHF is a joint venture entered into by UTSW and THR on August 27, 2018 whose purpose is to provide superior medical care to the residents of Collin County and other surrounding areas. UTSW's equity interest in THHF at August 31, 2022 and 2021 was $117,814,831 and $112,668,427, respectively, or 49%.

UTSW is a participating member of Pediatric Health Management Services. Pediatric Health Management Services is a non-profit corporate entity that was formed by UTSW and Children's Health System of Texas on October 1, 2019 for the purpose of developing a joint pediatric enterprise. UTSW's equity interest in Pediatric Health Management Services at August 31, 2022 was $4,389,470 or 50%; and there were no financial transactions in fiscal year 2021. UTSW is committed to providing funding of up to $75,000,000 per a development agreement dated May 11, 2022.

U. T. Southwestern Health Systems (UTSHS), a blended component unit of UTSW, is a participating member of U. T. Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and DaVita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2022 and 2021 was $6,614,563 and $7,411,072, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245 or www.Davita.com.

UTSHS is a participating member of Crowder Dialysis, LLC (Crowder). Crowder is a joint venture between UTSHS, Crowder, and Renal Treatment Centers-Southeast, LP, formed for the purpose of developing, establishing, owning or leasing, and operating one or more licensed outpatient dialysis and renal care service centers and for the purpose of doing such other things as are necessary, convenient, desirable or incidental to the foregoing, and for such other purposes as may be agreed upon from time to time. UTSHS's equity interest in Crowder at August 31, 2022 and 2021 was $1,017,704 and $907,157, respectively or 49%. Separate financial statements for Crowder may be obtained at c/o DaVita Inc., 2000 16th Street, Denver, Colorado, 80202 or www.DaVita.com.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Physician's Dialysis of Houston. Physician's Dialysis of Houston is a joint venture entered into by U. T. Physicians and DaVita, Inc. U. T. Physicians' equity interest in Physician's Dialysis of Houston at August 31, 2022 and 2021 was $713,564 and $755,126, respectively, or 35.6%. Separate financial statements for Physician's Dialysis of Houston may be obtained at Physician's Dialysis of Houston, Attention: D. Gieser, JV Accounting, 32275 32nd Ave South, Federal Way, Washington 98001.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by U. T. Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. U. T. Physicians' equity interest in TMC Holding at August 31, 2022 and 2021 was $180,271 and $361,088, respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting S. Rossmann, 750 Town and Country Boulevard, Suite 920, Houston, Texas 77024.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Bluesky MOB, L.L.P. Bluesky MOB, L.L.P. is a Limited Liability Partnership of which U. T. Physicians purchased an 18.7% interest in for $380,755 on August 1, 2012. U. T. Physicians' equity interest in Bluesky MOB, LLP at August 31, 2022 and 2021 was $380,755, or 18.7%. Separate financial statements for Bluesky MOB, L.L.P. may be obtained at Moore, Reichl, & Baker, P.C., c/o C. Presley, CPA, 11200 Westheimer Suite 410, Houston, Texas, 77042.

U. T. Health Science Center - Houston and M. D. Anderson are participating members of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. In fiscal year 2016, U. T. Health Science Center – Houston purchased the Jessie Jones Library and obtained additional patronage equity in TECO in the amount of $301,800 via the Houston Academy of Medicine's shares of TECO equity. In fiscal year 2022, U. T. Health Science Center – Houston obtained additional patronage equity in TECO in the amount of $153,252 related to the School of Biomedical Informatics addition via the Houston Academy of Medicine's shares of TECO equity. U. T. Health Science Center - Houston's equity interest in TECO at August 31, 2022 and 2021 was $19,857,229 and $14,686,577, respectively, or 10.2% and 10.9%, respectively. M. D. Anderson's equity interest in TECO at August 31, 2022 and 2021 was $65,034,537 and $46,671,497, respectively, or 33.9% and 34.6%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

M. D. Anderson is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. M. D. Anderson's equity interest in the Association at August 31, 2022 and 2021 was $6,519,135 and $8,088,633, respectively, or 40%. Separate financial statements for the Association may be obtained at 9424 Fannin Street, Building C, Houston, Texas 77045.

M. D. Anderson is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by M. D. Anderson and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on M. D. Anderson's campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. M. D. Anderson's equity interest in PETNet at August 31, 2022 and 2021 was $4,766,112 and $4,587,754, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

M. D. Anderson, National Resilience, Inc. a Delaware corporation (Resilience), and Resilience Texas, LLC, a Delaware limited liability company entered into a new joint venture on October 21, 2021 to form Cell Therapy Manufacturing Center (CTMC). The entity was formed for the purpose of engaging in a strategic manufacturing relationship for gene and cell therapy cGMP manufacturing at the Resilience Texas, LLC facility for all phases of clinical development and for commercial supply. M. D. Anderson's participation in such strategic manufacturing relationship for gene and cell therapy cGMP manufacturing will support and advance its mission by facilitating and funding the development and commercialization of new products and technologies for the diagnosis, teaching, study, prevention, and treatment of cancer. The Board of Regents of the University of Texas System, on behalf of M. D. Anderson's engagement in the joint venture, support the public mission of and serve public purposes appropriate to the function of M. D. Anderson. As of August 31, 2022, M. D. Anderson's equity interest in CTMC was $23,739,656, or 50%. Separate financial statements for Resilience Texas, LLC dba CTMC may be obtained at 2130 W Holcombe Blvd. Houston TX, 77030 or www.ctmc.com.

On March 1, 2018, U. T. Health Science Center – Tyler (UTHSC – Tyler) entered into a joint venture with AHS East Texas Health System, LLC, to form East Texas Health System, LLC, a Texas Limited Liability Company. The resulting health system, known as U. T. Health East Texas, is designed to expand medical education, research and community health in Northeast Texas. U. T. Health Science Center – Tyler's hospital and physician clinic operations are participants in the ten-hospital system, designed to advance the achievement of UTHSC – Tyler's mission through financial and clinical alignment and integration and to improve the delivery of cost effective, quality health care services in the Northeast Texas region. UTHSC – Tyler's equity interest in U. T. Health East Texas at August 31, 2022 and 2021 was $18,709,700 and $18,723,300, respectively, or approximately 30%.

In March 2016, U. T. Austin entered into a joint venture with Ascension Seton and Central Health to form Capital City Innovation (CCI), a nonprofit organization. CCI was created to provide a vision, focused strategic direction, advocacy for, and synergistic coordination of expertise, culture, uses and development to support the creation, growth and sustainability of an Innovation Zone in Austin, Texas. U. T. Austin's equity interest in CCI at August 31, 2022 and 2021 was $350,000, or 23.7%.

4. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The proprietary financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting and reports as a business type activity, as defined by GASB. Business type activities (enterprise funds) are those that are financed in whole or in part by fees charged to external parties for goods or services. The System's fiduciary funds account for assets held in a custodial capacity and are accounted for on the accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*. All financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2021

The requirements of GASB Statement No. 92, *Omnibus 2020,* were effective in 2021. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The application of the statement had no effect on the System's net position or changes in net position.

The requirements of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, except for paragraphs 11b, 13, and 14 were effective in 2021. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace LIBOR. The application of this portion of the statement had no effect on the System's net position or changes in net position.

OPEB ERROR CORRECTION AND GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2022

Subsequent to the issuance of the August 31, 2021 consolidated financial statements, the System identified errors in the census data which also impacted the actuarial assumptions used to calculate the total other postemployment benefits (OPEB) liability as of September 1, 2020. The System determined that certain demographic information and assumptions related to assumed rates of participation by eligible terminated employees had been excluded from the determination of the OPEB liability. The System has restated the September 1, 2020 OPEB liability and related accounts and footnotes for the year ended August 31, 2021. The impacts of the restatement are detailed in the table below. See Note 16 for additional information.

GASB Statement No. 87, *Leases*, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2021, and related disclosures for September 1, 2020 in Notes 1, 9, and 12.

Other than the portion of this statement implemented in 2020, the remainder of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* is effective 2022. The requirements of this statement implemented in 2022 relate to the accounting and financial reporting for Section 457 plans. As a result of this implementation, net position previously reported as of August 31, 2020 and August 31, 2021 was reduced by $328.9 million and $248.6 million, respectively.

Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented.

The effect of the correction of the OPEB error and the implementation of GASB Statement No. 87 and 97 on the System's financial statements for the year ended August 31, 2021 was as follows:

		As Reported in Fiscal Year 2021	Correction of OPEB Errors	Fiscal Year 2021 As Corrected	GASB Statement No. 87 Restatement	GASB Statement No. 97 Restatement	Restated Fiscal Year 2021
Assets and Deferred Outflows							
Total Current Assets	$	10,518,065,551	-	10,518,065,551	20,236,068	-	10,538,301,619
Total Noncurrent Assets		93,480,970,388	-	93,480,970,388	949,677,965	-	94,430,648,353
Total Assets		103,999,035,939	-	103,999,035,939	969,914,033	-	104,968,949,972
Total Deferred Outflows of Resources		4,863,304,869	(329,600,092)	4,533,704,777	-	110,443,002	4,644,147,779
Total Assets and Deferred Outflows	$	108,862,340,808	(329,600,092)	108,532,740,716	969,914,033	110,443,002	109,613,097,751
Liabilities and Deferred Inflows							
Total Current Liabilities	$	10,834,527,762	(26,025,252)	10,808,502,510	88,882,942	(99)	10,897,385,353
Total Noncurrent Liabilities		30,387,017,512	(2,360,001,318)	28,027,016,194	627,718,677	359,029,320	29,013,764,191
Total Liabilities		41,221,545,274	(2,386,026,570)	38,835,518,704	716,601,619	359,029,221	39,911,149,544
Total Deferred Inflows of Resources		2,582,439,584	-	2,582,439,584	247,069,647	-	2,829,509,231
Total Liabilities and Deferred Inflows	$	43,803,984,858	(2,386,026,570)	41,417,958,288	963,671,266	359,029,221	42,740,658,775
Net Position							
Net Investment in Capital Assets	$	6,379,145,375	-	6,379,145,375	4,393,550	-	6,383,538,925
Restricted:							
Nonexpendable		31,083,186,882	-	31,083,186,882	-	-	31,083,186,882
Expendable		26,068,537,833	-	26,068,537,833	3,905	-	26,068,541,738
Unrestricted		1,527,485,860	2,056,426,478	3,583,912,338	1,845,312	(248,586,219)	3,337,171,431
Total Net Position	$	65,058,355,950	2,056,426,478	67,114,782,428	6,242,767	(248,586,219)	66,872,438,976

		As Reported in Fiscal Year 2021	Correction of OPEB Errors	Fiscal Year 2021 As Corrected	GASB Statement No. 87 Restatement	GASB Statement No. 97 Restatement	Restated Fiscal Year 2021
Total Operating Revenues	$	17,827,106,581	-	17,827,106,581	(3,035,871)	-	17,824,070,710
Total Operating Expenses		22,821,257,708	(191,143,913)	22,630,113,795	4,860,640	35,844,263	22,670,818,698
Operating Income (Loss)		(4,994,151,127)	191,143,913	(4,803,007,214)	(7,896,511)	(35,844,263)	(4,846,747,988)
Net Nonoperating Revenues (Expenses)		21,305,368,215	-	21,305,368,215	(4,574,520)	116,130,639	21,416,924,334
Income/(Loss) Before Other Changes		16,311,217,088	191,143,913	16,502,361,001	(12,471,031)	80,286,376	16,570,176,346
Other Changes		83,411,348	-	83,411,348	-	-	83,411,348
Change in Net Position		16,394,628,436	191,143,913	16,585,772,349	(12,471,031)	80,286,376	16,653,587,694
Beginning Net Position		48,663,727,514	1,865,282,565	50,529,010,079	18,713,798	(328,872,595)	50,218,851,282
Ending Net Position	$	65,058,355,950	2,056,426,478	67,114,782,428	6,242,767	(248,586,219)	66,872,438,976

		As Reported in Fiscal Year 2021	Correction of OPEB Errors	Fiscal Year 2021 As Corrected	GASB Statement No. 87 Restatement	GASB Statement No. 97 Restatement	Restated Fiscal Year 2021
Cash Flows from Operating Activities	$	(2,394,594,972)	-	(2,394,594,972)	92,497,568	(14,313,977)	(2,316,411,381)
Cash Flows from Noncapital Financing Activities		3,882,768,440	-	3,882,768,440	-	-	3,882,768,440
Cash Flows from Capital and Related Financing Activities		(1,536,837,590)	-	(1,536,837,590)	(97,383,276)	-	(1,634,220,866)
Cash Flows from Investing Activities		972,846,752	-	972,846,752	4,885,708	14,313,977	992,046,437
Net Increase (Decrease) in Cash		924,182,630	-	924,182,630	-	-	924,182,630
Beginning Cash and Cash Equivalents		3,996,795,686	-	3,996,795,686	-	-	3,996,795,686
Ending Cash and Cash Equivalents	$	4,920,978,316	-	4,920,978,316	-	-	4,920,978,316

Other than the portions of this statement implemented in 2021, the remainder of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is effective beginning 2022 or later depending on when LIBOR is no longer available. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace LIBOR. The application of this portion of the statement had no effect on the System's net position or changes in net position.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, effective 2022, establishes the term annual comprehensive financial report and its acronym ACFR. The implementation of Statement 98 has no effect on the System.

For GASB Statement No. 99, *Omnibus 2022*, the following portions of the statement are effective in 2022: the requirements related to extension of the use of LIBOR, accounting for the Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The application of these portions of the statement had no effect on the System's net position or changes in net position.

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Permanent University Fund (PUF), General Endowment Fund (GEF) and Intermediate Term Fund (ITF) are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as the intent is to invest these funds for more than one year. Cash held in the State treasury for the PUF, the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Restricted cash and cash equivalents include cash held in the State treasury for the PUF and PHF and restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investments to be disbursed to the institutions to support capital projects on a cost reimbursable basis.

BALANCE IN STATE APPROPRIATIONS

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivative instruments is recorded as either an investment, an investment derivative liability, a hedging derivative asset or a hedging derivative liability on the statement of net position. The valuation of investment derivative instruments is discussed in the Investments disclosure below. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties.

The System has entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivative instruments are designated as cash flow hedges. Hedging derivative instrument assets and hedging derivative instrument liabilities are recorded on the System's statement of net position. Under hedge accounting, for derivative instruments that are determined to be effective, changes in the fair value of hedging derivative instruments are considered to be deferred inflows (for hedging derivative instruments with positive fair values) or deferred outflows (for hedging derivative instruments with negative fair values).

Changes in the fair value of derivative instruments that are not effective are recorded as investment income in the statement of revenues, expenses and changes in net position.

INVESTMENTS

The majority of the investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date.

The System is authorized to invest funds, as provided in Section 51.0031 of the Texas Education Code and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities, hedge funds, public market funds, and private investments. The investments of the System are governed by various investment policies approved by the U. T. System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the System by donors, net of allowances. Multi-year gift pledges greater than $10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates is based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the statement of net position. The obligations for securities lent are reported as a liability on the statement of net position that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as part of investment income in the statement of revenues, expenses and changes in net position. See Note 6 for details regarding the securities lending program.

LEASE RECEIVABLES

Lease receivables are recorded by the System at the present value of lease payments expected to be received under all leases other than short term leases, regulated leases, or leases of assets that are classified as investments. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than $5,000 for equipment items, $100,000 for buildings, building improvements and improvements other than buildings, and $500,000 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are $100,000 for purchased software and $1,000,000 for internally developed software including Enterprise Resource Planning replacements. The System capitalizes but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Right-of-Use (ROU) intangible assets are recognized at the lease commencement date and represent the System's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor at or before commencement and initial direct costs.

Depreciation and amortization for most capital and intangible assets is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

OTHER ASSETS

Other current assets are primarily made up of prepaid expenses, while other noncurrent assets are primarily made up of equity interests in joint ventures that do not meet the definition of an investment and beneficial interests in irrevocable split-interest agreements in which a third-party is the intermediary.

DEFERRED OUTFLOWS

Deferred outflows consist of the fair value of hedging derivative instruments in a liability position, unamortized losses on refunding of debt, unamortized interest rate lock termination payments, certain changes in the pension and OPEB liabilities, unamortized portions of asset retirement obligation, and excess consideration paid in a government acquisition. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. When a Treasury Lock is used to hedge interest rate exposure on bonds, the lock termination payment is recorded as a deferred outflow and is amortized, using the straight-line method, over the remaining life of the related debt in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions, and employer contributions subsequent to the measurement date of the pension liabilities are also required to be reported as deferred outflows of resources. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB, and employer contributions subsequent to the measurement date of the total OPEB liability are also required to be reported as deferred outflows of resources. For asset retirement obligations, deferred outflows are recognized for anticipated clean-up and decommissioning costs, amortized over the life of the related assets. Deferred outflows are also recognized for excess consideration paid in a government acquisition, amortized over the estimated service life.

UNEARNED REVENUE

Unearned revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS

Assets held for others is the liability offsetting the assets held for the University of Texas System Governmental Retirement Arrangement excess benefit plan managed by the System discussed in Note 18.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the U. T. System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at acquisition value when received and at fair value thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes. Contribution revenue is measured at the acquisition value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

TOTAL OPEB LIABILITY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The System and member contribution rates are determined annually by the System based on the recommendations of the Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis. The OPEB plan described herein is not administered through a trust.

PENSION LIABILITIES

Net Pension Liability

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows from the Texas Comptroller of Public Accounts.

Total Pension Liability

M. D. Anderson Cancer Center participates in a single-employer defined benefit deferred compensation pension plan primarily for physicians, the Physicians Referral Service Supplemental Retirement Plan and Retirement Benefit Plan (SRP/RBP Plan). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The SRP/RBP Plan is funded through contributions from M. D. Anderson Cancer Center and is administered through a trust that is not protected from the creditors of M. D. Anderson Cancer Center. The SRP/RBP Plan assets are measured at fair value and presented as restricted investments in the System's statement of net position. The total pension liability and related deferred outflows of resources and deferred inflows of resources are measured and reported in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

LEASE LIABILITY

Lease liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the System's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

ASSET RETIREMENT OBLIGATION

The liability related to clean-up and decommissioning of items using radiation such as broadscope licenses, cyclotrons, and nuclear reactors is reported as asset retirement obligation. The liability is measured using best estimates of expected outlays for clean-up and decommissioning costs.

DEFERRED INFLOWS

Deferred inflows consist of the fair value of hedging derivative instruments in an asset position, unamortized gains on refunding of debt, certain changes in the pension and total OPEB liabilities, beneficial interests in irrevocable split-interest agreements, and future period revenues from leases. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. For irrevocable split-interest agreements in which U. T. System has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period. Future period revenues from leases where the System is the lessor are recorded as deferred inflows and amortized using the straight-line method over the lease term.

NET POSITION – Enterprise Funds
The System has classified resources into the following three net position categories:

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation and outstanding principal balances of debt and other liabilities attributable to the acquisition, construction or improvement of those assets.

Restricted:
Nonexpendable
Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable
Net position whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Unrestricted
Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the U. T. System Board of Regents. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs (see Note 21 for details on unrestricted net position).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

NET POSITION – Fiduciary Funds
The System fiduciary funds classify resources into the following two net position categories:

Restricted for Pool Participants:
Net position related to custodial funds-external investment pool

Restricted for Individuals, Organizations, and Other Governments:
Net position related to custodial funds-other

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; the exchange basis federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, other contracted services, pension expense, postemployment benefits, and scholarships and fellowships. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income, the nonexchange basis federal and state grants and contracts, and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies. The System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2022 and 2021 of $418,847,698 and $391,357,986, respectively, the System recorded a liability of $1,481,155,516 and $1,412,960,181 at August 31, 2022 and 2021, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the statement of net position. Additional details related to the operations of the PUF can be found in Note 8. Also included in statewide interfund payables as of August 31, 2022 and 2021 is $497,261 and $602,044, respectively, related to the revolving loan programs administered by the Texas State Comptroller's Office.

UNCOMPENSATED CARE AND CHARITY CARE

The System's health-related institutions provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs which is offset by appropriate patient specific and lump sum funding. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to $1,179,418,717 and $1,157,674,279 for 2022 and 2021, respectively.

GASB requires health-related institutions to report the cost of providing "charity care." The American Institute of Certified Public Accountants (AICPA) defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance and the hospital waives all or part of its charges in accordance with the hospital's established financial assistance policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to $180,340,866 and $146,662,066 for 2022 and 2021, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

U. T. Southwestern Medical Center's, U. T. Medical Branch - Galveston's and U. T. Health Science Center - Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

M. D. Anderson's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility's current year cost to the facility-specific cost per discharge. Certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, as M. D. Anderson is designated as a cancer hospital, the Medicare program provides for a "hold-harmless" payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report to the current year actual cost). M. D. Anderson is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

The physician practices at other institutions – U. T. Health Science Center - Houston, U. T. Health Science Center – San Antonio, U. T. Austin Dell Medical School, and U. T. Rio Grande Valley – are reimbursed by Medicare according to the Medicare Physician Fee Schedule and/or various Medicare Alternative Payment Models.

Medicaid

The System's health-related institutions are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System's health-related institutions and audits thereof by the Medicaid fiscal intermediary. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a TEFRA (Tax Equity and Fiscal Responsibility Act) methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System's health-related institutions have also entered into payment agreements with certain commercial, Medicaid and Medicare payors which offer benefit plans for health maintenance organizations, and preferred provider organizations. The basis for payment to the System's health-related institutions under these agreements includes prospectively determined rates for inpatient and outpatient services. The System's health-related institutions recognized bad debt expense of $512,303,847 and $375,696,508 in 2022 and 2021, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2022 and 2021 for the System are detailed by type as follows:

		2022	2021
Receivables related to investments	$	396,060,459	254,422,720
Receivables related to gifts, grants and sponsored programs		79,735,806	56,357,793
Receivables related to external parties/other companies		173,132,614	240,930,380
Receivables related to auxiliary enterprises		36,379,065	15,609,020
Receivables related to payroll		9,616,780	6,263,946
Receivables related to patents		825,632	793,818
Receivables related to travel		1,352,490	753,487
Receivables related to loan funds and financial aid		4,456,317	5,135,083
Receivables related to other various activities		49,885,200	46,159,921
Total	$	751,444,363	626,426,168

In addition, net other receivables at August 31, 2022 and 2021 for the System's fiduciary funds were $1,761,807 and $638,532, respectively.

6. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2022 and 2021, the carrying amount of the System's deposits was $103,098,355 and $223,877,573, respectively, as presented below:

		2022	2021
Cash and cash equivalents per statement of cash flows and statement of net position	$	5,508,775,194	4,920,978,316
Less: Cash in State Treasury		1,268,126,557	1,154,861,650
Repurchase agreement – Texas Treasury Safekeeping Trust Co.		2,550,637	3,633,593
Other cash equivalent investments		4,057,590,726	3,489,972,015
Other		77,408,919	48,633,485
Deposits of cash in bank	$	103,098,355	223,877,573

In addition, cash and cash equivalents at August 31, 2022 and 2021 for the System's fiduciary funds were $1,888,492 and $1,787,328, respectively.

As of August 31, 2022 and 2021, the total bank balances held by System were $168,423,931 and $298,570,970, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. State law requires that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2022 and 2021, there were no System bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

INVESTMENTS

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities held by System include U.S. government and agency obligations, corporate obligations, corporate asset and mortgage-backed securities, and international obligations. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities, including corporate obligations and governmental and international obligations are valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise, they would be categorized as Level 3.

Fixed income money market and bond mutual funds consist primarily of money market investments, foreign currencies and other overnight funds. Investments in publicly listed money market funds are categorized as Level 1.

Mutual funds include a large portion of the holdings for the University of Texas System Governmental Retirement Arrangement (UTGRA), discussed in Note 18. A majority of the underlying investments in UTGRA are valued based on the closing price on the primary exchange on which they are traded and are classified as Level 1. The remaining holdings are classified as Levels 2 and 3.

Equity securities, including common and preferred stocks, fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international securities exchange, the last available price per the exchange would be used, and the security would be categorized as Level 2.

Other commingled funds at fair value include fixed income and U.S. equity funds. International other commingled funds at fair value include non-U.S. developed equity, emerging markets, real estate and natural resources. Fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). Investments valued as such are classified as Level 1.

Real estate and other investments include real estate, commodities and the asset positions of investment derivative instruments. The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved, probable, and possible reserves. The present value of the royalty cash flows is calculated by applying a ten percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31. The PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. The PUF lands are categorized as Level 3 in the fair value hierarchy. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are generally valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent State certified or other licensed appraiser, tax assessments use for real estate investments with values that are not significant or by any other generally accepted industry standard. All other real estate is categorized as Level 3 in the fair value hierarchy, with a small amount valued using net asset value.

All derivative instrument investments are categorized as Level 2 in the fair value hierarchy, except for some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps on U. T. System's debt are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Foreign exchange contracts are fair valued at closing market prices on the valuation date.

Alternative investments include private equity securities and limited partnerships, or private investment funds. Equity securities related to non-public equity investments are valued using a variety of methods, including information from recent rounds of financing, the Guideline Public Company method, the Discounted Cash Flow method, the Common Stock Equivalent method and the Option-Pricing method. The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles, are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. These investments are classified as Level 3.

Miscellaneous investments primarily include municipal bonds, valued on multiple quotations or models utilizing observable market inputs, and are categorized as Level 2. Investments with fair values based on the closing price on the primary exchange on which they are traded are categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or the System's ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The following tables reflect fair value measurements of investments as of August 31, 2022 and 2021, respectively, as categorized by level of the fair value hierarchy, and include both the System's enterprise and fiduciary funds:

Type of Security	Fair Value as of August 31, 2022	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U.S. Government Treasury Securities	$ 1,931,621,893	1,931,621,893	-	-
U.S. Government Treasury TIPS	1,605,784,871	1,605,784,871	-	-
U.S. Government Agency Obligations	303,582,859	-	303,582,859	-
Corporate Obligations	491,136,083	-	490,891,694	244,389
Corporate Asset and Mortgage-Backed Securities	271,497,076	-	271,497,076	-
International Obligations (Government and Corporate)	1,996,994,605	262,798	1,996,731,807	-
Fixed Income Money Market and Bond Mutual Funds	3,179,692,034	3,179,692,034	-	-
Mutual Funds	468,652,537	464,616,496	4,036,041	-
Equity Securities:				
Equity	2,191,245,912	2,188,076,555	3,169,357	-
International Equity	2,657,725,884	2,656,823,904	901,980	-
Other Commingled Funds:				
Fixed Income	139,391,702	139,391,702	-	-
U. S. Equity	410,596,173	410,596,173	-	-
International Other Commingled Funds:				
Non-U.S. Developed Equity	97,615,120	97,615,120	-	-
Emerging Markets	5,400,010	5,400,010	-	-
Real Estate and Other:				
PUF Lands	11,113,844,125	-	-	11,113,844,125
Other Real Estate	713,210,749	-	-	713,210,749
Investment Derivative Instruments – Asset Positions	214,034,766	31,253,451	182,781,315	-
Alternative Investments:				
Private Investments	618,601,269	-	-	618,601,269
Reverse Repurchase Agreements	257,900,000	-	257,900,000	-
Miscellaneous	13,463,684	1,790,182	11,673,477	25
Total Investments by Fair Value Level	28,681,991,352	12,712,925,189	3,523,165,606	12,445,900,557

Type of Security		Fair Value as of August 31, 2022	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:					
Real Estate		39,712,834			
Hedge Funds		13,409,062,571			
Other Commingled Funds		3,855,692,308			
International Other Commingled Funds		6,197,034,824			
Private Investments		22,216,888,849			
Total Investment Funds Fair Valued Using Net Asset Value		45,718,391,386			
Investments Held in Cash (Not at Fair Value)		175,224,507			
Other Investments (Not at Fair Value)		454,846			
Total Investments	$	74,576,062,091			
Securities Lending Collateral Investment Pool (see Securities Lending section)	$	992,425,496	-	992,425,496	-
Investments Classified as Cash Equivalents:					
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	$	2,550,637			
Fixed Income Money Market Funds		4,057,481,665	4,057,481,665	-	-
Time Deposits (Not at Fair Value)		109,061			
Total Investments Classified as Cash Equivalents	$	4,060,141,363			
Deposit with Brokers for Derivative Contracts, net (related to investments):					
U.S. Government Direct Obligations	$	40,498,619	40,498,619	-	-
Held in Cash (Not at Fair Value)		(8,923,617)			
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	$	31,575,002			

Type of Security		Fair Value as of August 31, 2021	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:					
Debt Securities:					
U.S. Government Treasury Securities	$	1,642,129,186	1,642,129,186	-	-
U.S. Government Treasury TIPS		1,334,619,744	1,334,619,744	-	-
U.S. Government Agency Obligations		558,417,204	-	558,417,204	-
Corporate Obligations		1,268,240,074	-	1,267,915,400	324,674
Corporate Asset and Mortgage-Backed Securities		207,974,587	-	207,974,587	-
International Obligations (Government and Corporate)		4,001,071,154	-	4,001,071,154	-
Fixed Income Money Market and Bond Mutual Funds		2,979,242,327	2,979,242,327	-	-
Mutual Funds		625,726,852	621,436,315	4,290,537	-
Equity Securities:					
Equity		3,082,167,339	3,074,565,412	7,601,927	-
International Equity		3,353,165,846	3,352,871,953	293,893	-
Other Commingled Funds:					
Fixed Income		135,995,522	135,995,522	-	-
U. S. Equity		113,404,417	113,404,417	-	-
International Other Commingled Funds:					
Non-U.S. Developed Equity		111,702,302	111,702,302	-	-
Emerging Markets		6,768,485	6,768,485	-	-
Real Estate and Other:					
PUF Lands		8,794,981,790	-	-	8,794,981,790
Other Real Estate		605,684,645	-	-	605,684,645
Investment Derivative Instruments – Asset Positions		219,282,803	97,844,030	121,438,773	-
Alternative Investments:					
Private Investments		694,604,622	-	-	694,604,622
Miscellaneous		19,239,453	1,997,741	17,241,687	25
Total Investments by Fair Value Level		29,754,418,352	13,472,577,434	6,186,245,162	10,095,595,756

Type of Security		Fair Value as of August 31, 2021	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:					
Real Estate		30,005,633			
Hedge Funds		13,687,761,747			
Other Commingled Funds		3,666,877,721			
International Other Commingled Funds		7,317,176,212			
Private Investments		20,398,687,091			
Total Investment Funds Fair Valued Using Net Asset Value		45,100,508,404			
Investments Held in Cash (Not at Fair Value)		170,009,995			
Other Investments (Not at Fair Value)		438,569			
Total Investments	$	75,025,375,320			
Securities Lending Collateral Investment Pool (see Securities Lending section)	$	591,015,725	-	591,015,725	-
Investments Classified as Cash Equivalents:					
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	$	3,633,593			
Fixed Income Money Market Funds		3,489,872,015	3,489,872,015	-	-
Time Deposits (Not at Fair Value)		100,000			
Total Investments Classified as Cash Equivalents	$	3,493,605,608			
Deposit with Brokers for Derivative Contracts, net (related to investments):					
U.S. Government Direct Obligations	$	47,509,434	47,509,434	-	-
Held in Cash (Not at Fair Value)		(133,890,765)			
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	$	(86,381,331)			

The following tables display the breakout of total investments, securities lending collateral, total investments classified as cash equivalents, and total deposit with brokers for derivative contracts, net between enterprise and fiduciary funds as of August 31, 2022 and 2021:

	August 31, 2022		
	Enterprise Funds	Fiduciary Funds	Total
Total Investments	$ 74,289,464,178	286,597,913	74,576,062,091
Securities Lending Collateral	988,091,640	4,333,856	992,425,496
Total Investments Classified as Cash Equivalents	4,060,141,363	-	4,060,141,363
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	31,370,360	204,642	31,575,002

	August 31, 2021		
	Enterprise Funds	Fiduciary Funds	Total
Total Investments	$ 74,707,940,029	317,435,291	75,025,375,320
Securities Lending Collateral	588,086,966	2,928,759	591,015,725
Total Investments Classified as Cash Equivalents	3,493,605,608	-	3,493,605,608
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	(86,060,294)	(321,037)	(86,381,331)

Investment funds fair valued at net asset value per share or based on the System's ownership interest in partner's capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using Net Asset Value (NAV) at August 31, 2022 and 2021 is summarized in the tables below as they are included within the asset mix of the System. Tables and disclosures that follow include both the System's enterprise and fiduciary funds.

	Fair Value as of August 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value				
Real Estate				
Redeemable Within One Year	$ 39,712,834		Quarterly	60 days
Hedge Funds				
Redeemable Within One Year	7,044,667,460		Monthly to Annually	5 – 100 Days
Redeemable Beyond One Year	4,403,595,679		Quarterly to Annually	30 – 120 Days
Nonredeemable	1,960,799,432		Not Applicable	Not Applicable
Total Hedge Funds	13,409,062,571	1,337,329,761		
Other Commingled Funds:				
Fixed Income				
Redeemable Within One Year	9,257,744		Daily	1 Day
U. S. Equity				
Redeemable Within One Year	3,009,736,171		Daily to Annually	5 – 105 Days
Redeemable Beyond One Year	836,698,393		Annually	90 – 105 Days
Total U. S. Equity	3,846,434,564	28,565,144		
Total Other Commingled Funds	3,855,692,308	28,565,144		
International Other Commingled Funds:				
Non-U.S. Developed Equity				
Redeemable Within One Year	1,280,929,121		Daily to Quarterly	5 – 30 Days
Total Non-U.S. Developed Equity	1,280,929,121	-		
Global Developed Equity				
Redeemable Within One Year	1,990,892,912		Daily to Quarterly	5 – 60 Days
Redeemable Beyond One Year	488,417,076		Monthly	45 – 60 Days
Nonredeemable	1,912,293		Not Applicable	Not Applicable
Total Global Developed Equity	2,481,222,281	-		
Emerging Markets				
Redeemable Within One Year	2,231,469,056		Daily to Semi-Annually	1 – 90 Days
Redeemable Beyond One Year	159,559,845		Monthly to Annually	60 Days
Nonredeemable	43,854,521		Not Applicable	Not Applicable
Total Emerging Markets	2,434,883,422	48,300,992		
Total International Other Commingled Funds	6,197,034,824	48,300,992		
Limited Partnerships (Private Investments)				
Redeemable Within One Year	32,594,029		Quarterly	90 days
Nonredeemable	22,184,294,820		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)	22,216,888,849	12,137,786,657		
Total Investment Funds Fair Valued Using NAV	$ 45,718,391,386	13,551,982,554		

		Fair Value as of August 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value					
Real Estate					
Redeemable Within One Year	$	30,005,633	-	Quarterly	60 days
Hedge Funds					
Redeemable Within One Year		6,120,778,904		Monthly to Annually	5 – 100 Days
Redeemable Beyond One Year		5,576,049,162		Quarterly to Annually	30 – 120 Days
Nonredeemable		1,990,933,681		Not Applicable	Not Applicable
Total Hedge Funds		13,687,761,747	1,163,548,811		
Other Commingled Funds:					
Fixed Income					
Redeemable Within One Year		4,398,829		Daily	1 Day
U. S. Equity					
Redeemable Within One Year		2,291,211,831		Daily to Quarterly	5 – 60 Days
Redeemable Beyond One Year		1,371,267,061		Annually	90 – 105 Days
Total U. S. Equity		3,662,478,892	66,666,667		
Total Other Commingled Funds		3,666,877,721	66,666,667		
International Other Commingled Funds:					
Non-U.S. Developed Equity					
Redeemable Within One Year		1,501,344,598		Daily to Quarterly	5 – 30 Days
Total Non-U.S. Developed Equity		1,501,344,598	-		
Global Developed Equity					
Redeemable Within One Year		2,700,396,541		Daily to Quarterly	5 – 60 Days
Redeemable Beyond One Year		918,889,627		Monthly	45 – 60 Days
Total Global Developed Equity		3,619,286,168	-		
Emerging Markets					
Redeemable Within One Year		1,920,808,325		Daily to Semi-Annually	1 – 90 Days
Redeemable Beyond One Year		207,468,472		Monthly to Quarterly	60 Days
Nonredeemable		68,268,649		Not Applicable	Not Applicable
Total Emerging Markets		2,196,545,446	123,315,843		
Total International Other Commingled Funds		7,317,176,212	123,315,843		
Limited Partnerships (Private Investments)					
Redeemable Within One Year		29,563,713		Quarterly	90 days
Nonredeemable		20,369,123,378		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)		20,398,687,091	9,049,548,911		
Total Investment Funds Fair Valued Using NAV	$	45,100,508,404	10,403,080,232		

The System invests in hedge fund pools which are invested in private funds with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed $1,337,329,761 and $1,163,548,811 of future funding to various hedge fund investments as of August 31, 2022 and 2021, respectively. Hedge funds are fair valued by management based on net asset value information provided by the investment manager, as well as other relevant factors.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. As of August 31, 2022 and 2021, future fundings in the amount of $76,866,136 and $189,982,510, respectively, have been committed to certain public market funds. The fair value of private investment funds, are estimated using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed $12,137,786,657 and $9,049,548,911 of future funding to various private investments as of August 31, 2022 and 2021, respectively.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks discussed below. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds, excluding the publicly traded funds, as of August 31, 2022 and 2021 were $45,718,391,386 and $45,100,508,404, respectively.

INVESTMENT RISKS

(A) *Credit Risk* - Article VII, Section 11b of the Texas Constitution authorizes the U. T. System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the U. T. System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following tables present each applicable investment type, in both the System's enterprise and fiduciary funds, grouped by rating as of August 31, 2022 and 2021:

Investment Type		August 31, 2022 MOODY'S Fair Value	Rating	STANDARD & POOR'S Fair Value	Rating	FITCH Fair Value	Rating
Investments and Investments Classified as Cash Equivalents:							
U.S. Government Direct Obligations	$	3,537,406,764	AAA	3,537,406,764	AA	3,537,406,764	AAA
U.S. Government Agency Obligations		271,112,784	AAA	227,071,626	AA	271,045,253	AAA
		32,470,075	NR	76,511,233	NR	32,537,606	NR
Corporate Obligations		24,899,759	AAA	13,941,120	AAA	8,933,294	AAA
		28,853,656	AA	41,904,793	AA	55,635,856	AA
		226,559,906	A	210,266,438	A	124,843,947	A
		182,706,375	BAA	203,980,906	BBB	122,236,692	BBB
		9,459,931	BA	5,492,236	BB	1,165,838	BB
		675,500	CAA	675,500	CCC	1,298,785	F
		1,298,785	P	14,875,090	NR	177,021,671	NR
		16,682,171	NR				
Corporate Asset and Mortgage-Backed Securities		105,152,126	AAA	53,087,218	AAA	71,187,096	AAA
		11,027,595	AA	11,905,286	AA	7,264,829	AA
		8,936,084	A	14,061,715	A	4,471,440	A
		3,723,817	BAA	3,542,485	BBB	74,045	BBB
		113,514	BA	2,277,671	BB	283,719	BB
		4,049,142	B	4,144,918	B	784,070	B
		2,549,832	CAA	6,888,904	CCC	252,630	CC
		1,705,650	CA	1,422,982	CC	187,179,247	NR
		1,045,207	C	1,045,207	D		
		2,762,120	P	173,120,690	NR		
		130,431,989	NR				
International Obligations (Government and Corporate)		247,415,837	AAA	193,945,192	AAA	198,815,664	AAA
		148,485,329	AA	69,329,486	AA	267,095,316	AA
		215,998,429	A	117,884,272	A	151,048,750	A
		320,502,479	BAA	295,944,287	BBB	254,713,810	BBB
		95,299,916	BA	110,269,574	BB	178,150,843	BB
		6,267,733	B	7,363,722	B	1,660,658	B
		963,024,882	NR	1,202,258,072	NR	945,509,564	NR
Fixed Income Money Market and Mutual Funds		6,181,210,223	AAA	6,181,210,223	AAA	84,928,687	AAA
		1,231,187,983	NR	1,231,187,983	NR	7,327,469,519	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.		2,550,637	NR	2,550,637	AA	2,550,637	NR
Reverse Repurchase Agreements		257,900,000	NR	257,900,000	NR	257,900,000	NR
Miscellaneous		765,485	AAA	3,271,590	AAA	3,271,590	AAA
		7,270,205	AA	3,998,615	AA	3,998,615	AA
		3,490,079	A	1,914,201	A	3,622,628	BBB
		148,906,215	NR	1,708,428	BBB	149,539,151	NR
				149,539,150	NR		
Total Investments and Investments Classified as Cash Equivalents	$	14,433,898,214		14,433,898,214		14,433,898,214	
Deposit with Brokers for Derivative Contracts, net (related to investments):							
U.S. Government Direct Obligations	$	40,498,619	AAA	40,498,619	AA	40,498,619	AAA
Cash		(8,923,617)	NR	(8,923,617)	NR	(8,923,617)	NR
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	$	31,575,002		31,575,002		31,575,002	

		August 31, 2021				
		MOODY'S		STANDARD & POOR'S		FITCH	
Investment Type		Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Investments and Investments Classified as Cash Equivalents:							
U.S. Government Direct Obligations	$	2,912,760,348	Aaa	2,587,612,557	AA	2,948,128,066	AAA
		63,988,582	NR	389,136,373	NR	28,620,864	NR
U.S. Government Agency Obligations		323,455,772	Aaa	323,455,771	AA	323,455,771	AAA
		472,028	Aa	234,961,433	NR	234,961,433	NR
		1,723,090	Baa				
		232,766,314	NR				
Corporate Obligations		30,343,321	Aaa	31,950,912	AAA	11,855,440	AAA
		172,465,154	Aa	145,547,853	AA	109,426,352	AA
		545,292,797	A	491,004,487	A	421,826,853	A
		411,277,226	Baa	542,561,620	BBB	287,012,620	BBB
		68,561,051	Ba	50,330,265	BB	44,427,028	BB
		713,209	Caa	713,209	CCC	393,691,781	NR
		39,587,316	NR	6,131,728	NR		
Corporate Asset and Mortgage-Backed Securities		90,956,332	Aaa	34,115,382	AAA	87,135,012	AAA
		5,844,300	Aa	4,047,837	AA	3,781,983	AA
		5,887,760	A	6,137,757	A	4,247,942	A
		4,167,165	Baa	7,400,257	BBB	4,437,918	BBB
		154,234	Ba	1,410,240	BB	969,232	CCC
		5,637,491	B	1,141,441	B	107,402,500	NR
		2,039,436	Caa	9,280,718	CCC		
		1,909,506	Ca	1,871,654	CC		
		1,100,202	C	1,104,104	D		
		90,278,161	NR	141,465,197	NR		
International Obligations (Government and Corporate)		420,040,517	Aaa	364,803,286	AAA	387,181,178	AAA
		233,599,603	Aa	188,948,595	AA	433,491,890	AA
		699,885,026	A	229,096,716	A	405,921,752	A
		637,741,186	Baa	646,363,401	BBB	586,190,764	BBB
		234,935,032	Ba	232,249,942	BB	363,234,260	BB
		16,087,685	B	16,920,503	B	3,809,358	B
		1,758,782,105	NR	2,322,688,711	NR	1,821,241,952	NR
Fixed Income Money Market and Mutual Funds		5,223,006,262	Aaa	5,223,006,262	AAA	86,620,768	AAA
		1,416,118,075	NR	1,416,118,075	NR	6,552,503,569	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.		3,633,593	NR	3,633,593	AA	3,633,593	NR
Miscellaneous		1,630,887	Aaa	3,569,950	AAA	6,352,136	AAA
		8,118,450	Aa	7,330,687	AA	4,548,501	AA
		2,452,159	A	2,452,159	A	4,710,162	BBB
		2,059,922	Baa	2,258,003	BBB	142,125,237	NR
		143,474,618	NR	142,125,237	NR		
Total Investments and Investments Classified as Cash Equivalents	$	15,812,945,915		15,812,945,915		15,812,945,915	
Deposit with Brokers for Derivative Contracts, net (related to investments):							
U.S. Government Direct Obligations	$	10,049,403	Aaa	4,063,778	AA	47,509,434	AAA
		37,460,031	NR	43,445,656	NR	-	
Cash		(133,890,765)	NR	(133,890,765)	NR	(133,890,765)	NR
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	$	(86,381,331)		(86,381,331)		(86,381,331)	

(B) *Concentrations of Credit Risk* – The System's investment policy statements for funds managed by UTIMCO contain the limitation that no more than five percent of the fair value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2022 and 2021, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the fair value of the fund's fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2022 and 2021, the System did not have any investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System's investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System's investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System's modified duration in years by investment type, in both the System's enterprise and fiduciary funds, as of August 31, 2022 and 2021:

		August 31, 2022		August 31, 2021	
Investment Type		**Fair Value**	**Modified Duration**	**Fair Value**	**Modified Duration**
Investments:					
U.S. Government Guaranteed:					
U.S. Treasury Bills	$	9,499,386	0.18	66,321,290	0.17
U.S. Treasury Bonds and Notes		1,922,122,507	11.26	1,575,807,896	6.26
U.S. Treasury Inflation Protected		1,605,784,871	7.10	1,334,619,744	7.71
U.S. Agency Asset Backed		675,736	0.65	1,038,232	0.61
Total U.S. Government Guaranteed		3,538,082,500	9.34	2,977,787,162	6.77
U.S. Government Non-Guaranteed:					
U.S. Agency		55,789,746	7.03	89,249,335	3.69
U.S. Agency Asset Backed		247,117,377	7.34	468,129,637	3.42
Total U.S. Government Non-Guaranteed		302,907,123	7.28	557,378,972	3.46
Total U.S. Government		3,840,989,623	9.17	3,535,166,134	6.25
Corporate Obligations:					
Domestic		762,633,159	5.43	1,476,214,661	6.80
Foreign		392,473,405	2.89	823,253,955	3.95
Total Corporate Obligations		1,155,106,564	4.57	2,299,468,616	5.78
Foreign Government and Provincial Obligations		1,604,521,200	6.47	3,177,817,199	7.03
Other Debt Securities		11,673,477	6.15	17,241,685	8.94
Total Debt Securities		6,612,290,864	7.71	9,029,693,634	6.41
Other Investment Funds - Debt		148,649,446	1.65	140,394,351	2.32
Fixed Income Money Market and Mutual Funds		3,354,916,541	0.33	3,149,252,322	0.29
Reverse Repurchase Agreements		257,900,000	0.00	-	-
Total Investments	$	10,373,756,851	5.04	12,319,340,307	4.80
Investments Classified as Cash Equivalents:					
Repurchase Agreement - Texas Treasury Safekeeping Trust Co.	$	2,550,637	-	3,633,593	-
Fixed Income Money Market Funds		4,057,481,665	0.08	3,489,872,015	0.08
Time Deposits		109,061	-	100,000	-
Total Investments Classified as Cash Equivalents	$	4,060,141,363	0.08	3,493,605,608	0.08
Deposit with Brokers for Derivative Contracts, net (related to investments):					
U.S. Government Guaranteed:					
U.S. Government Direct Obligations	$	40,498,619	0.70	47,509,434	1.15
Total U.S. Government Guaranteed		40,498,619	0.70	47,509,434	1.15
Cash		(8,923,617)	-	(133,890,765)	-
Total Deposit with Brokers for Derivative Contracts, net (related to investments)	$	31,575,002	-	(86,381,331)	-

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes* – The System may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2022 and 2021, the System's investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2022 and 2021, these securities amounted to $215,310,881 and $200,730,072, respectively.

- Mortgage-backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2022 and 2021, these securities amounted to $246,767,929 and $467,525,372, respectively.

- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2022 and 2021 these securities amounted to $151,335,548 and $85,299,370, respectively.

(F) *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System's total fixed income and developed country equity exposures in the System's investment policy statements.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System's exposure to non-U.S. dollar investments by asset type as of August 31, 2022 and 2021.

	August 31,	
Investment Type	2022	2021
Foreign Common Stock:		
Australian Dollar	$ 8,919,847	8,423,486
Brazilian Real	171,242,058	202,589,578
Canadian Dollar	37,837,825	34,928,656
Chilean Peso	522,978	282,164
Chinese Yuan Renminbi	158,839,837	539,535,930
Czech Koruna	62,772	102,355
Danish Krone	37,354,459	24,865,392
Egyptian Pound	795,405	1,296,967
Euro	293,054,538	352,623,323
Hong Kong Dollar	94,987,990	180,888,439
Hungarian Forint	909,339	2,175,841
Indian Rupee	48,997,000	106,685,320
Indonesian Rupiah	28,932,563	23,832,354
Israeli Shekel	960,416	-
Japanese Yen	271,293,050	456,172,310
Malaysian Ringgit	6,076,615	8,373,611
Mexican Peso	4,355,446	17,971,751
New Zealand Dollar	365,088	-
Norwegian Krone	14,497,334	7,828,569
Peruvian Sol	122,644	85,564
Philippine Peso	605,527	462,154
Polish Zloty	6,834,035	13,493,189
Qatari Riyal	2,441,098	967,756
Singapore Dollar	2,800,626	1,078,394
South African Rand	6,466,703	26,741,149
South Korean Won	180,751,018	340,345,668
Swedish Krona	15,939,698	26,371,602
Swiss Franc	58,586,940	74,308,276
Taiwan Dollar	296,750,500	108,886,659
Thai Baht	18,210,711	19,866,741
Turkish Lira	2,829,371	7,167,791
UK Pound	217,788,844	164,606,628
United Arab Emirates Dirham	2,374,589	6,416,378
Total Foreign Common Stock	1,992,506,864	2,759,373,995
Other - Equity Securities:		
Indian Rupee	17,862	-
Swiss Franc	48,949	38,905
Total Other - Equity Securities	66,811	38,905
Foreign Preferred Stocks:		
Brazilian Real	60,253,202	44,065,677
Euro	2,914,496	4,792,414
South African Rand	88,712	69,843
South Korean Won	30,357,556	36,802,857
Total Foreign Preferred Stock	93,613,966	85,730,791

(Continued)

Investment Type	August 31, 2022	2021
Foreign Government and Provincial Obligations:		
Australian Dollar	66,866,614	213,662,614
Brazilian Real	71,776,218	87,162,313
Canadian Dollar	55,243,455	98,599,598
Chinese Yuan Renminbi	65,027,579	213,031,660
Colombian Peso	70,876,372	98,892,934
Czech Koruna	7,467,463	-
Euro	218,728,544	359,499,681
Hungarian Forint	6,260,428	10,735,432
Indonesian Rupiah	25,600,177	123,143,776
Israeli Shekel	27,827,846	63,706,563
Japanese Yen	397,540,256	751,990,781
Malaysian Ringgit	27,857,376	118,697,163
Mexican Peso	177,684,021	269,906,151
New Zealand Dollar	10,959,332	11,969,733
Norwegian Krone	36,043,586	39,026,167
Peruvian Sol	10,976,262	15,259,949
Polish Zloty	31,255,775	14,458,264
Romanian Leu	7,435,732	9,852,153
Russian Ruble	9,425,722	32,376,954
Singapore Dollar	48,061,324	117,112,042
South African Rand	58,361,423	125,468,005
South Korean Won	102,939,378	210,775,319
UK Pound	43,596,927	88,063,936
Total Foreign Government and Provincial Obligations	1,577,811,810	3,073,391,188
Corporate Obligations:		
Australian Dollar	2,283,640	2,102,630
Brazilian Real	556,635	917,592
Canadian Dollar	23,909,858	486,430
Danish Krone	24,924,994	136,288,334
Euro	45,239,839	101,495,060
Indian Rupee	791	20,250,677
UK Pound	78,132,657	114,617,379
Total Corporate Obligations	175,048,414	376,158,102
Purchased Options:		
Brazilian Real	171,296	98,255
Euro	722,700	325,992
Swiss Franc	-	7,962
Total Purchased Options	893,996	432,209
Investment Funds-Emerging Markets:		
Brazilian Real	6,356,312	19,335,158
Private Investments:		
Australian Dollar	108,206,247	142,798,660
Canadian Dollar	197,445,816	213,363,235
Euro	789,502,646	677,522,802
Japanese Yen	29,582,375	38,872,251
Swedish Krona	52,544,344	108,413,459
UK Pound	212,702,494	164,636,801
Total Private Investments	1,389,983,922	1,345,607,208

(Continued)

Investment Type	August 31, 2022	2021
Cash and Cash Equivalents:		
Australian Dollar	986,612	1,456,775
Brazilian Real	7,218,450	19,362,751
Canadian Dollar	864,701	18,099,376
Chilean Peso	16,704	6,206
Chinese Yuan Renminbi	5,240,418	83,840,769
Colombian Peso	379,570	1,477,683
Czech Koruna	30,430	42,174
Danish Krone	110,435	29,778
Egyptian Pound	1,052	17,850
Euro	35,522,404	16,743,296
Hong Kong Dollar	1,620,370	1,745,502
Hungarian Forint	3	4
Indian Rupee	394,376	107,218
Indonesian Rupiah	1,322,065	872
Israeli Shekel	18,927	749
Japanese Yen	13,778,639	6,000,146
Malaysian Ringgit	880,555	1,894,872
Mexican Peso	32,754	26,366
New Zealand Dollar	201,616	3,666
Norwegian Krone	192,018	374,237
Peruvian Sol	-	10,360
Philippine Peso	4,394	8,252
Polish Zloty	5,852	11,227
Qatari Riyal	7,595	15,565
Romanian Leu	378	435
Russian Ruble	21	123,677
Singapore Dollar	544,500	382,108
South African Rand	2,902,878	5,131,665
South Korean Won	7,150,973	7,350,655
Swedish Krona	84,666	17,629
Swiss Franc	1,400,810	392,364
Taiwan Dollar	1,538,120	1,190,134
Thai Baht	1,718	1,963
Turkish Lira	126	277
UK Pound	5,108,592	2,657,802
United Arab Emirates Dirham	10,452	35,994
Total Cash and Cash Equivalents	87,573,174	168,560,397
Written Options:		
Brazilian Real	(236,134)	(272,099)
Euro	(1,025,269)	(285,806)
UK Pound	(37,279)	(441,552)
Total Written Options	(1,298,682)	(999,457)

(Continued)

Investment Type	August 31, 2022	2021
Swaps:		
Australian Dollar	1,814,610	1,980,401
Canadian Dollar	(5,362,487)	(388,074)
Chinese Yuan Renminbi	252,938	-
Czech Koruna	(116,140)	1,408
Euro	(40,128,900)	672,346
Indian Rupee	182,950	-
Japanese Yen	(143,140)	26,414
Malaysian Ringgit	455,029	-
Mexican Peso	(260,670)	(122,968)
New Zealand Dollar	(874,653)	(11,498)
Norwegian Krone	-	74,021
Singapore Dollar	(146,350)	(143,418)
South African Rand	18,601	142,765
South Korean Won	(1,283,489)	76,698
Swedish Krona	(195,500)	85,956
Swiss Franc	(4,033,028)	107,755
Thai Baht	316,418	-
UK Pound	(11,524,408)	(349,099)
Total Swaps	(61,028,219)	2,152,707
Futures:		
Australian Dollar	53,515	-
Brazilian Real	(3,646)	40,451
Canadian Dollar	314,828	(38,587)
Euro	3,091,601	191,385
Hong Kong Dollar	-	(180,878)
Japanese Yen	(82,169)	613,577
UK Pound	1,097,276	(294,173)
Total Futures	4,471,405	331,775
Total	$ 5,265,999,773	7,830,112,978

(G) *Counterparty (Credit) Risk* **–** The derivative instruments utilized by the System contain varying degrees of off-statement of net position risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statement of net position. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as of August 31, 2022 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		
	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Options	$ -	12,770,485	-	721,200	AA
Options	100,685,235	106,675,029	31,168,803	7,528,770	AA-
Options	-	108,365,139	-	264,324	A
Swaps	236,637,131	836,665,174	5,887,664	21,651,679	AA
Swaps	-	517,568	-	120,181	AA-
Swaps	78,180,673	91,409,515	3,209,527	18,775,670	A
Foreign Currency Exchange Contracts	1,324,012,062	612,662,155	30,122,108	11,211,574	AA
Foreign Currency Exchange Contracts	1,643,592,387	1,002,993,980	63,605,962	23,825,272	A
	$ 3,383,107,488	2,772,059,045	133,994,064	84,098,670	

The System had gross counterparty exposure as of August 31, 2021 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		
	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Options	$ -	2,478,945	-	238,884	AA
Options	393,515,913	286,537,000	94,680,896	471,200	A
Swaps	727,183,098	191,761,423	18,620,357	4,948,866	AA
Swaps	206,142,703	233,643,258	27,316,226	10,240,148	A
Foreign Currency Exchange Contracts	1,080,760,048	845,204,095	9,587,511	9,136,690	AA
Foreign Currency Exchange Contracts	2,544,451,342	2,643,930,399	24,575,650	24,729,710	A
	$ 4,952,053,104	4,203,555,120	174,780,640	49,765,498	

As of August 31, 2022 and 2021, the System also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2022 and 2021, the System held $110,121,616 and $172,621,765, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers $118,302,873 and $56,697,288, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2022 and 2021, there were a total of $1,075,164,462 and $946,297,800, respectively, of securities out on loan to brokers/dealers. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of $992,425,496 at August 31, 2022 and $591,015,725 at August 31, 2021. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated statement of net position. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. The System was collateralized 103 percent on August 31, 2022 and 103 percent on August 31, 2021 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2022 and 2021, are shown in the following table and include both the System's enterprise and fiduciary funds:

	August 31, 2022			August 31, 2021		
Description	Fair Value	Rating	Weighted Average	Fair Value	Rating	Weighted Average
Repurchase Agreements	$ 552,776,500	Not Rated	1	264,141,267	Not Rated	1
U.S. Government Agency Obligations	-			9,996,733	A	99
Commercial Paper	172,603,891	A	13	194,672,221	A	64
Corporate Obligations	10,000,000	A		3,356,356	AA	
Corporate Obligations	21,400,000	P		2,925,000	A	
Corporate Obligations	5,975,000	Not Rated		-		
Total Corporate Obligations	37,375,000		1	6,281,356		40
International Obligations	128,974,420	AA		41,849,783	AA	
International Obligations	92,949,998	A		67,714,322	A	
International Obligations	24,975,000	P		-		
International Obligations	8,475,000	Not Rated		-		
Total International Obligations	255,374,418		1	109,564,105		30
Certificate of Deposit	-			6,450,000	P	160
Other Receivables/Payables	(25,704,313)	Not Rated	-	(89,957)	Not Rated	-
Total Collateral Pool Investment	$ 992,425,496		3	591,015,725		31

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent. All collateral pool investments are categorized as Level 2 in the fair value hierarchy and are valued based upon prices supplied by major fixed income pricing services, external broker quotes and internal pricing matrices.

Lending income is earned if the returns on those investments exceed the “rebate” paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System’s resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third-party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. The System held collateral equal to 104 and 103 percent of the securities on loan that were collateralized by non-cash securities as of August 31, 2022 and August 31, 2021, respectively.

The collateral received must have a fair value of 102 percent of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100 percent at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102 percent of the fair value.

For non-U. S. issuers, except those foreign securities that are denominated and payable in U.S. Dollars, the collateral should remain at 105 percent of the fair value of the loaned securities at the close of any business day. If it falls below 105 percent, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 107 percent for international loans on August 31, 2022 and 107 percent for international loans on August 31, 2021.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2022 and 2021, the System had no credit risk exposure to borrowers because the amounts the System owed to borrowers exceeded the amounts the borrowers owed the System.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2022 and 2021.

<u>DERIVATIVE FINANCIAL INSTRUMENTS</u>

Derivative instrument securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivative instruments cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day’s mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts.

The changes in fair value of open futures contracts were increases of $30,951,309 and $22,839,033 for the years ending August 31, 2022 and 2021, respectively, which are included in investment income on the consolidated statements of revenues, expenses and changes in net position. The System had $23,393,745 and $29,543,145 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2022 and 2021, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System's interest rate or currency risk associated with security positions. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2022:

	Notional Value at August 31, 2022		Fair Value at August 31, 2022	
	Long	**Short**	**Assets**	**Liabilities**
Domestic Fixed Income	$ 996,142,017	567,543,379	338,238	4,376,631
International Fixed Income	144,484,504	1,434,032,603	3,749,183	506,446
Domestic Equity	438,308,290	93,983,335	927,766	2,360,557
International Equity	125,030,161	117,229,432	1,396,062	167,394
Totals	$ 1,703,964,972	2,212,788,749	6,411,249	7,411,028

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2021:

	Notional Value at August 31, 2021		Fair Value at August 31, 2021	
	Long	**Short**	**Assets**	**Liabilities**
Domestic Fixed Income	$ 815,014,552	714,674,370	580,940	489,836
International Fixed Income	275,831,846	536,841,847	815,353	114,779
Domestic Equity	467,351,123	1,948,800	1,651,365	395,847
International Equity	324,810,643	14,747,613	633,783	1,002,581
Totals	$ 1,883,008,164	1,268,212,630	3,681,441	2,003,043

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated statement of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2022 and 2021. Foreign currency amounts are translated at exchange rates as of August 31, 2022 and 2021. The "Net Buy" amounts represent the U. S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U. S. dollar equivalent of net commitments to sell foreign currencies.

Currency		Net Buy August 31, 2022	Net Sell August 31, 2022	Unrealized Gains on Foreign Exchange Contracts August 31, 2022	Unrealized Losses on Foreign Exchange Contracts August 31, 2022
Australian Dollar	$	-	76,772,827	4,803,639	1,596,715
Brazilian Real		-	44,100,394	250,192	3,594,191
Canadian Dollar		-	72,184,915	2,735,736	1,487,851
Chilean Peso		36,864,134	-	1,831,663	1,196,214
Chinese Yuan Renminbi		-	140,892,054	3,849,575	538,508
Colombian Peso		-	47,948,939	981,115	658,265
Czech Koruna		-	10,113,863	366,222	23,431
Danish Krone		-	29,179,467	466,426	79,286
Euro		-	366,754,925	8,401,002	1,692,254
Hong Kong Dollar		-	90,832	-	4
Hungarian Forint		12,710,377	-	371,616	1,018,828
Indian Rupee		1,584,941	-	19,602	25,906
Indonesian Rupiah		-	24,307,525	215,755	263,614
Israeli Shekel		-	47,355,441	1,038,273	1,086,616
Japanese Yen		-	381,562,235	42,297,736	11,145,655
Malaysian Ringgit		-	1,296,083	1,719,747	324,033
Mexican Peso		-	145,081,145	288,684	1,193,766
New Zealand Dollar		-	31,159,156	3,700,031	1,143,293
Norwegian Krone		-	6,143,957	442,278	608,504
Peruvian Sol		-	16,547,670	245,857	640,175
Philippines Peso		-	7,826,606	83,129	-
Polish Zloty		-	21,925,190	508,661	289,013
Romanian Leu		-	6,284,586	238,573	-
Singapore Dollar		-	45,750,172	250,935	63,288
South African Rand		-	55,457,382	2,472,525	459,802
South Korean Won		-	95,022,898	4,569,263	209,706
Swedish Krona		70,878,755	-	512,327	2,188,764
Swiss Franc		-	16,186,904	1,031,975	746,930
Taiwan Dollar		-	1,304,335	45,741	36,163
Thailand Baht		-	12,202,745	1,976,121	910,514
Turkish Lira		-	3,624,760	-	21,790
UK Pound		-	150,490,891	8,013,671	1,793,767
TOTAL	$	122,038,207	1,857,567,897	93,728,070	35,036,846

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2022 was an increase in the amount of $58,691,224, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

Currency		Net Buy August 31, 2021	Net Sell August 31, 2021	Unrealized Gains on Foreign Exchange Contracts August 31, 2021	Unrealized Losses on Foreign Exchange Contracts August 31, 2021
Australian Dollar	$	-	235,902,819	4,682,108	2,056,991
Brazilian Real		-	26,817,668	178,317	1,055,223
Canadian Dollar		-	127,193,238	1,616,706	817,573
Chilean Peso		90,788,598	-	247,524	4,869,493
Chinese Yuan Renminbi (Offshore)		-	61,723,620	869	315,135
Chinese Yuan Renminbi		-	149,783,247	770,445	119,544
Colombian Peso		-	67,150,931	120,927	2,083,599
Czech Koruna		6,172,130	-	46,148	-
Danish Krone		-	140,278,247	1,126,341	18,925
Euro		-	780,711,142	4,604,262	4,119,795
Hong Kong Dollar		943,949	9,254	-	290
Hungarian Forint		27,773,098	-	912,319	38,599
Indian Rupee		-	19,225,049	148,301	542,279
Indonesian Rupiah		-	105,146,934	328,953	2,950,974
Israeli Shekel		-	86,798,153	46,526	1,563,727
Japanese Yen		-	978,526,493	3,113,236	1,953,519
Malaysian Ringgit		-	17,186,805	-	353,785
Mexican Peso		-	160,583,774	213,630	1,654,305
New Zealand Dollar		-	84,440,598	2,605,468	516,406
Norwegian Krone		64,602,962	-	1,171,927	819,563
Peruvian Sol		-	31,554,110	1,667,676	360,790
Philippines Peso		-	4,988,315	52,441	182,207
Polish Zloty		81,023,793	-	793,922	5,189
Romanian Leu		-	8,913,546	48,369	-
Russian Ruble		59,504,868	-	720,165	246,527
Singapore Dollar		-	118,932,104	43,395	1,369,594
South African Rand		-	116,765,836	500,786	2,503,569
South Korean Won		-	149,594,965	1,816,672	662,766
Swedish Krona		53,912,711	-	923,052	214,734
Swiss Franc		-	75,055,419	482,019	211,034
Taiwan Dollar		-	6,181,968	32,917	46,019
Thailand Baht		-	30,827,233	1,849,411	254,027
Turkish Lira		3,892,426	-	289,319	165,978
UK Pound		-	234,931,544	3,009,010	1,794,241
TOTAL	$	388,614,535	3,819,223,012	34,163,161	33,866,400

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2021 was an increase in the amount of $296,761, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated statement of net position in investment derivatives-liability positions. The following discloses the fair values of the outstanding written call options contracts as of August 31, 2022 and 2021:

		Fair Value at August 31, 2022	
Type		**Assets**	**Liabilities**
Currency	$	-	56
Equity		149	7,571,904
Interest Rate Swap		34,518	151,178
Other		75	15,559
	$	34,742	7,738,697

The change in fair value of open call options for the year ending August 31, 2022, was an increase in the amount of $15,866,628, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

		Fair Value at August 31, 2021	
Type		**Assets**	**Liabilities**
Currency	$	-	152,293
Interest Rate Swap		-	10,538
	$	-	162,831

The change in fair value of open call options for the year ending August 31, 2021, was an increase in the amount of $79,775, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the fair values of the outstanding written put options contracts as of August 31, 2022 and 2021:

		Fair Value at August 31, 2022	
Type		**Assets**	**Liabilities**
Currency	$	-	6,806
Equity		-	197,706
Interest Rate Swap		-	6,296,157
Other		-	37,804
	$	-	6,538,473

The change in fair value of open put options for the year ending August 31, 2022, was a decrease in the amount of $5,199,202, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

		Fair Value at August 31, 2021	
Type		**Assets**	**Liabilities**
Equity	$	-	272,099
Credit Default Swap		-	85,079
Interest Rate Swap		-	715,212
Other		-	69
	$	-	1,072,459

The change in fair value of open put options for the year ending August 31, 2021, was an increase in the amount of $96,926, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2022:

			Fair Value at August 31, 2022	
Type		**USD Notional Value**	**Assets**	**Liabilities**
Interest Rate (Pay-Fixed Receive-Variable)	$	1,619,776,728	9,376,149	93,188,565
Interest Rate (Pay-Variable Receive-Fixed)		1,115,286,562	38,599,479	-
Commodity		71,259,311	-	152,024
Credit Default		189,099,349	2,486,471	470,216
Currency		30,478,920	1,817,226	2,044,696
Equity		991,170,297	5,779,299	34,293,071
Fixed Income		6,451,743	639,269	6,625
Inflation		8,959,720	-	1,874,916
Volatility		141,588,641	1,456,581	1,639,564
Total	$	4,174,071,271	60,154,474	133,669,677

The change in fair value of open swap positions for the year ending August 31, 2022, was a decrease in the amount of $73,297,468, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2021:

			Fair Value at August 31, 2021	
Type		**USD Notional Value**	**Assets**	**Liabilities**
Interest Rate (Pay-Fixed Receive-Variable)	$	1,174,137,123	5,512,976	4,499,186
Interest Rate (Pay-Variable Receive-Fixed)		525,574,901	8,781,452	6,671,015
Commodity		21,000,000	-	-
Credit Default		267,496,990	6,558,881	802,143
Currency		31,475,520	1,996,880	2,061,543
Equity		1,218,627,731	43,741,408	10,291,813
Inflation		43,179,051	1,776,993	2,109,744
Volatility		156,314,852	370,364	240,787
Total	$	3,437,806,168	68,738,954	26,676,231

The change in fair value of open swap positions for the year ending August 31, 2021, was an increase in the amount of $49,617,932, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

7. Derivative Instruments

Derivative instruments are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivative instruments include forwards, futures, options and swaps. Hedging derivative instrument contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivative instruments primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative instrument contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivative instruments are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivative instruments.

All derivative instruments are categorized as Level 2 in the fair value hierarchy, except for futures contracts and some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. The following disclosures summarize the System’s derivative instrument activity, in both the System’s enterprise and fiduciary funds, as reported in the consolidated financial statements.

	Change in Fair Value (FV) 8/31/21 to 8/31/22		Fair Value at 8/31/22		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Cash Flow-Interest Rate Swaps					
Hedging Derivative Instrument Assets					
Pay-Fixed Receive-Variable	Def Inflows	$ 107,491,753	Hedging Derivative Instrument Asset	$ 125,007,462	740,340,000
Hedging Derivative Instrument Liabilities					
Pay-Fixed Receive-Variable	Def Outflows	205,849,951	Hedging Derivative Instrument Liab	(87,510,811)	1,024,660,000
Investment Derivative Instrument Assets					
Basis Swaps	Net Incr. (Decr.) in FV of Invest	9,460,411	Investments	27,670,355	631,590,000
Investment Derivative Instrument Liabilities					
Basis Swaps	Net Incr. (Decr.) in FV of Invest	(442,173)	Invest Deriv Instrument – Liab Positions	(974,081)	206,010,000
Investment Derivative Instruments					
Investment Derivative Instrument Assets:					
Swaps:					
Pay-Fixed Receive-Variable		8,897,765		9,376,149	413,469,720
Pay-Variable Receive-Fixed		37,943,540		38,599,479	1,115,286,562
Credit Default		1,716,803		2,486,471	146,040,517
Currency		(179,654)		1,817,226	9,254,925
Equity		5,779,299		5,779,299	206,681,360
Fixed Income		639,269		639,269	211,743
Inflation		-		-	-
Volatility		1,456,581		1,456,581	63,070,029
Total Swaps	Net Incr. (Decr.) in FV of Invest	56,253,603	Investments	60,154,474	1,954,014,856
Futures	Net Incr. (Decr.) in FV of Invest	6,411,249	Other Accounts Receivable	6,411,249	1,703,964,972
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	93,728,070	Investments	93,728,070	2,967,604,449
Purchased Options	Net Incr. (Decr.) in FV of Invest	9,436,135	Investments	32,481,867	111,480,027
Investment Derivative Instrument Liabilities:					
Swaps:					
Pay-Fixed Receive-Variable		(91,786,346)		(93,188,565)	1,206,307,008
Pay-Variable Receive-Fixed		-		-	-
Commodity		(152,024)		(152,024)	71,259,311
Credit Default		(236,369)		(470,216)	43,058,832
Currency		16,847		(2,044,696)	21,223,995
Equity		(34,293,071)		(34,293,071)	784,488,937
Fixed Income		(6,625)		(6,625)	6,240,000
Inflation		(1,453,919)		(1,874,916)	8,959,720
Volatility		(1,639,564)		(1,639,564)	78,518,612
Total Swaps	Net Incr. (Decr.) in FV of Invest	(129,551,071)	Invest Deriv – Liab Positions	(133,669,677)	2,220,056,415
Futures	Net Incr. (Decr.) in FV of Invest	(7,411,028)	Current Accounts Payable	(7,411,028)	2,212,788,749
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(35,036,846)	Invest Deriv – Liab Positions	(35,036,846)	1,615,656,135
Options Written	Net Incr. (Decr.) in FV of Invest	10,667,426	Invest Deriv – Liab Positions	(14,242,427)	797,770,648

	Change in Fair Value (FV) 8/31/20 to 8/31/21		Fair Value at 8/31/21		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Cash Flow-Interest Rate Swaps					
Hedging Derivative Instrument Assets Pay-Fixed Receive-Variable	Def Inflows	$ 17,101,256	Hedging Derivative Instrument Asset	$ 17,515,709	240,340,000
Hedging Derivative Instrument Liabilities Pay-Fixed Receive-Variable	Def Outflows	119,714,388	Hedging Derivative Instrument Liab	(293,360,762)	1,571,085,000
Investment Derivative Instrument Assets Basis Swaps	Net Incr. (Decr.) in FV of Invest	10,236,097	Investments	18,209,944	638,515,000
Investment Derivative Instrument Liabilities Basis Swaps	Net Incr. (Decr.) in FV of Invest	58,986,157	Invest Deriv Instrument – Liab Positions	(531,908)	233,345,000
Investment Derivative Instruments					
Investment Derivative Instrument Assets:					
Swaps:					
Pay-Fixed Receive-Variable		6,968,460		5,512,976	524,415,768
Pay-Variable Receive-Fixed		9,657,892		8,781,452	242,952,745
Credit Default		6,645,650		6,558,881	221,754,135
Currency		1,876,394		1,996,880	9,866,475
Equity		43,741,408		43,741,408	899,744,787
Inflation		1,776,993		1,776,993	15,516,423
Volatility		370,364		370,364	36,883,500
Total Swaps	Net Incr. (Decr.) in FV of Invest	71,037,161	Investments	68,738,954	1,951,133,833
Futures	Net Incr. (Decr.) in FV of Invest	3,681,441	Other Accounts Receivable	3,681,441	1,883,008,164
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	34,163,161	Investments	34,163,161	3,625,211,390
Purchased Options	Net Incr. (Decr.) in FV of Invest	52,870,151	Investments	98,170,744	470,025,061
Investment Derivative Instrument Liabilities:					
Swaps:					
Pay-Fixed Receive-Variable		(4,201,053)		(4,499,186)	649,721,355
Pay-Variable Receive-Fixed		(2,735,369)		(6,671,015)	282,622,156
Commodity		-		-	21,000,000
Credit Default		90,370		(802,143)	45,742,855
Currency		(1,930,833)		(2,061,543)	21,609,045
Equity		(10,291,813)		(10,291,813)	318,882,944
Inflation		(2,109,744)		(2,109,744)	27,662,628
Volatility		(240,787)		(240,787)	119,431,352
Total Swaps	Net Incr. (Decr.) in FV of Invest	(21,419,229)	Invest Deriv – Liab Positions	(26,676,231)	1,486,672,335
Futures	Net Incr. (Decr.) in FV of Invest	(2,003,043)	Current Accounts Payable	(2,003,043)	1,268,212,630
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(33,866,400)	Invest Deriv – Liab Positions	(33,866,400)	3,489,134,494
Options Written	Net Incr. (Decr.) in FV of Invest	176,701	Invest Deriv – Liab Positions	(1,235,290)	686,090,654

Fiduciary fund investment derivative instrument assets of $719,630 and $846,701 as of August 31, 2022 and 2021, respectively, are included in the numbers in the tables above. Fiduciary fund investment derivative instrument liabilities of $726,153 and $264,168 as of August 31, 2022 and 2021, respectively, are included in the numbers in the tables above.

See Note 13 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 6 for more information on Investment Derivative Instruments.

8. Endowments

Investments include $57,204,588,630 and $56,539,219,451 of endowment funds as of August 31, 2022 and 2021, respectively. The net position classifications on the statement of net position related to endowment funds as of August 31, 2022 and 2021 are as follows:

Net Position Classification of Endowments		**2022**	**2021**
Restricted, nonexpendable	$	36,029,323,644	31,083,186,882
Restricted, expendable:			
Net Appreciation on True Endowments		17,343,207,979	21,868,458,887
Funds Functioning as Endowments		983,968,501	1,018,286,399
Book Value of Term Endowments		43,040,932	55,730,424
Net Appreciation on Term Endowments		58,063,077	64,407,796
Unrestricted:			
Funds Functioning as Endowments		1,319,166,760	1,043,046,230
Total	$	55,776,770,893	55,133,116,618

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the U. T. System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the U. T. System Board of Regents may distribute net appreciation, realized and unrealized, in the fair value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System's policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System's endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. The University of Texas System administers the PHF and the distributions from the PHF benefit the System's health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Article 7, Section 11 of the Texas Constitution of 1876 through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a "prudent investor" rather than a "prudent person" standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The U. T. System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the Texas Education Code. Certain funds created by this statute were transferred to the U. T. System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the U. T. System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The U. T. System Board of Regents determines the amount of distributions to support the programs on an annual basis.

The annual payout of the PHF is determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the PHF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the U. T. System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. The annual payout of the LTF is also determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the LTF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

The funds are subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Permanent Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, the AUF may be appropriated for the support and maintenance of U. T. Austin and U. T. System Administration.

9. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2022, is presented below.

	Balance 09/01/21	Adjustments	Reclassifications Completed CIP
Nondepreciable Assets:			
Land and Land Improvements	$ 997,515,696	-	2,950
Construction in Progress (CIP)	1,497,415,939	-	(1,291,484,206)
Nondepreciable Collections	714,510,491	-	1,638,459
Nonamortizable Intangible Assets	24,597,868	-	-
Total Nondepreciable/Nonamortizable Assets	3,234,039,994	-	(1,289,842,797)
Depreciable Assets:			
Buildings and Building Improvements	23,662,335,586	-	1,134,461,371
Infrastructure	767,127,817	-	40,689,365
Facilities and Other Improvements	1,297,961,682	-	32,275,996
Furniture and Equipment	5,134,069,554	-	15,373,578
Vehicles, Boats and Aircraft	101,129,516	-	106,132
Other Depreciable Assets (including Library Books)	992,355,249	-	39,987,457
Total Depreciable Assets at Historical Cost	31,954,979,404	-	1,262,893,899
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(12,324,633,166)	-	-
Infrastructure	(316,790,369)	-	-
Facilities and Other Improvements	(664,223,150)	-	-
Furniture and Equipment	(3,661,348,777)	-	-
Vehicles, Boats and Aircraft	(74,133,435)	-	-
Other Depreciable Assets (including Library Books)	(663,498,728)	-	-
Total Accumulated Depreciation	(17,704,627,625)	-	-
Depreciable Assets, net	14,250,351,779	-	1,262,893,899
Amortizable Intangible Assets:			
Computer Software	1,312,700,009	-	26,948,898
Other Intangibles	700,000	-	-
Right-of-Use Land	85,396,848	-	-
Right-of-Use Building	821,065,758	-	-
Right-of-Use Equipment	71,834,784	-	-
Right-of-Use Infrastructure	1,486,381	-	-
Total Amortizable Intangible Assets	2,293,183,780	-	26,948,898
Less Accumulated Amortization for:			
Computer Software	(1,097,273,683)	-	-
Other Intangibles	(280,000)	-	-
Right-of-Use Land	(1,471,723)	-	-
Right-of-Use Building	(82,028,020)	-	-
Right-of-Use Equipment	(27,155,598)	-	-
Right-of-Use Infrastructure	(191,791)	-	-
Total Accumulated Amortization	(1,208,400,815)	-	-
Intangible Capital Assets, net	1,084,782,965	-	26,948,898
Capital Assets, net	$ 18,569,174,738	-	-

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/22
-	-	131,615,420	-	1,129,134,066
-	-	1,028,347,223	(1,390,855)	1,232,888,101
-	-	86,770,009	(89,712)	802,829,247
-	-	-	(925)	24,596,943
-	-	1,246,732,652	(1,481,492)	3,189,448,357
-	-	198,237,931	(14,103,533)	24,980,931,355
-	-	18,124	-	807,835,306
-	-	11,327,801	(31,417,056)	1,310,148,423
904,703	(554,150)	433,977,331	(154,278,962)	5,429,492,054
-	-	5,417,529	(3,572,523)	103,080,654
-	-	42,455,955	(15,187,984)	1,059,610,677
904,703	(554,150)	691,434,671	(218,560,058)	33,691,098,469
-	-	(950,636,441)	11,117,810	(13,264,151,797)
-	-	(30,729,662)	-	(347,520,031)
-	-	(60,195,006)	31,287,866	(693,130,290)
(836,648)	424,532	(426,885,955)	132,946,898	(3,955,699,950)
-	-	(7,591,366)	3,416,483	(78,308,318)
-	-	(44,605,784)	15,185,234	(692,919,278)
(836,648)	424,532	(1,520,644,214)	193,954,291	(19,031,729,664)
68,055	(129,618)	(829,209,543)	(24,605,767)	14,659,368,805
-	-	18,144,588	(18,762,052)	1,339,031,443
-	-	-	-	700,000
-	-	139,422	-	85,536,270
-	-	172,272,301	(17,794,445)	975,543,614
-	-	24,120,847	(21,084,352)	74,871,279
-	-	228,977	-	1,715,358
-	-	214,906,135	(57,640,849)	2,477,397,964
-	-	(98,156,336)	18,573,491	(1,176,856,528)
-	-	(140,000)	-	(420,000)
-	-	(1,578,176)	-	(3,049,899)
-	-	(97,567,410)	13,124,302	(166,471,128)
-	-	(26,552,738)	16,953,699	(36,754,637)
-	-	(201,817)	-	(393,608)
-	-	(224,196,477)	48,651,492	(1,383,945,800)
-	-	(9,290,342)	(8,989,357)	1,093,452,164
68,055	(129,618)	408,232,767	(35,076,616)	18,942,269,326

A summary of changes in the capital assets for the year ended August 31, 2021, is presented below and includes adjustments made for GASB Statement No. 87. See Note 4 for further details on the restatements.

	Balance 09/01/20	Adjustments	Reclassifications Completed CIP
Nondepreciable Assets:			
Land and Land Improvements	$ 949,755,153	-	50,000
Construction in Progress (CIP)	1,588,594,554	-	(1,129,379,168)
Nondepreciable Collections	694,943,187	-	300,000
Nonamortizable Intangible Assets	22,536,258	-	-
Total Nondepreciable/Nonamortizable Assets	3,255,829,152	-	(1,129,029,168)
Depreciable Assets:			
Buildings and Building Improvements	22,620,337,898	-	974,648,979
Infrastructure	731,587,543	-	35,353,249
Facilities and Other Improvements	1,236,118,514	-	56,479,442
Furniture and Equipment	4,878,063,442	-	23,848,143
Vehicles, Boats and Aircraft	99,097,184	-	1,024,281
Other Depreciable Assets (including Library Books)	959,976,932	-	2,539,935
Total Depreciable Assets at Historical Cost	30,525,181,513	-	1,093,894,029
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(11,377,719,328)	-	-
Infrastructure	(288,244,689)	-	-
Facilities and Other Improvements	(602,912,687)	-	-
Furniture and Equipment	(3,382,189,609)	-	-
Vehicles, Boats and Aircraft	(70,385,244)	-	-
Other Depreciable Assets (including Library Books)	(623,873,585)	-	-
Total Accumulated Depreciation	(16,345,325,142)	-	-
Depreciable Assets, net	14,179,856,371	-	1,093,894,029
Amortizable Intangible Assets:			
Computer Software	1,299,798,705	-	35,135,139
Other Intangibles	700,000	-	-
Right-of-Use Land	81,420,047	-	-
Right-of-Use Building	1,023,118,158	-	-
Right-of-Use Equipment	62,275,211	-	-
Right-of-Use Infrastructure	1,655,798	-	-
Total Amortizable Intangible Assets	2,468,967,919	-	35,135,139
Less Accumulated Amortization for:			
Computer Software	(1,073,292,118)	-	-
Other Intangibles	(140,000)	-	-
Right-of-Use Land	-	-	-
Right-of-Use Building	-	-	-
Right-of-Use Equipment	-	-	-
Right-of-Use Infrastructure	-	-	-
Total Accumulated Amortization	(1,073,432,118)	-	-
Intangible Capital Assets, net	1,395,535,801	-	35,135,139
Capital Assets, net	$ 18,831,221,324	-	-

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/21
-	-	49,198,058	(1,487,515)	997,515,696
-	-	1,039,840,957	(1,640,404)	1,497,415,939
-	-	19,633,901	(366,597)	714,510,491
-	-	2,061,610	-	24,597,868
-	-	1,110,734,526	(3,494,516)	3,234,039,994
-	-	97,134,499	(29,785,790)	23,662,335,586
-	-	429,560	(242,535)	767,127,817
-	-	8,234,395	(2,870,669)	1,297,961,682
154,207	(835,750)	418,723,740	(185,884,228)	5,134,069,554
-	(88,598)	5,167,557	(4,070,908)	101,129,516
-	-	32,740,605	(2,902,223)	992,355,249
154,207	(924,348)	562,430,356	(225,756,353)	31,954,979,404
-	-	(967,423,033)	20,509,195	(12,324,633,166)
-	-	(28,788,215)	242,535	(316,790,369)
-	-	(63,109,482)	1,799,019	(664,223,150)
(128,659)	693,806	(435,508,533)	155,784,218	(3,661,348,777)
-	57,036	(7,131,394)	3,326,167	(74,133,435)
-	-	(42,527,366)	2,902,223	(663,498,728)
(128,659)	750,842	(1,544,488,023)	184,563,357	(17,704,627,625)
25,548	(173,506)	(982,057,667)	(41,192,996)	14,250,351,779
-	-	44,574,578	(66,808,413)	1,312,700,009
-	-	-	-	700,000
-	-	3,976,801	-	85,396,848
-	-	14,070,343	(216,122,743)	821,065,758
-	-	10,377,191	(817,618)	71,834,784
-	-	265,457	(434,874)	1,486,381
-	-	73,264,370	(284,183,648)	2,293,183,780
-	-	(90,783,698)	66,802,133	(1,097,273,683)
-	-	(140,000)	-	(280,000)
-	-	(1,471,723)	-	(1,471,723)
-	-	(84,586,350)	2,558,330	(82,028,020)
-	-	(27,820,536)	664,938	(27,155,598)
-	-	(619,104)	427,313	(191,791)
-	-	(205,421,411)	70,452,714	(1,208,400,815)
-	-	(132,157,041)	(213,730,934)	1,084,782,965
25,548	(173,506)	(3,480,182)	(258,418,446)	18,569,174,738

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, requires the disclosure of impairment losses and associated insurance recoveries.

The System reported no impairment of capital assets for the years ended August 31, 2022 and 2021. In February 2021, U. T. System institutions experienced significant property damage and business income losses as a result of *Winter Storm Uri*, which resulted in insurance recoveries totaling $24 million for the year ended August 31, 2022.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the disclosure of asset retirement obligations resulting from Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252, Licensing of Radioactive Material. The liabilities were measured using best estimates of current values of outlays expected. The Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252 (gg)(6)(D) exempts State licenses from providing financial assurances and no assets have been restricted for payment of the liability.

The Asset Retirement Obligation as of August 31, 2022 is presented below (remaining life of the corresponding Deferred Outflows in months):

Asset Retirement Obligation		**Amount**	**Life**
Broadscope	$	9,285,751	0-53 months
Cyclotron		2,060,663	0 months
Gamma Knife		2,346,043	0-43 months
Proton Therapy		1,289,963	0 months
Gamma Pod		334,753	24 months
Irradiator		51,097	0 months
Nuclear Engineering Teaching Lab		4,140,670	39 months
Total	$	19,508,940	

The Asset Retirement Obligation as of August 31, 2021 is presented below:

Asset Retirement Obligation		**Amount**	**Life**
Broadscope	$	8,078,863	0-65 months
Cyclotron		2,060,663	0 months
Gamma Knife		2,346,043	0-55 months
Proton Therapy		1,289,963	0 months
Gamma Pod		334,753	36 months
Irradiator		51,097	0 months
Nuclear Engineering Teaching Lab		4,017,135	0 months
Total	$	18,178,517	

10. Short-Term Debt

The System had RFS Commercial Paper Notes and PUF Commercial Paper Notes outstanding at August 31, 2022 and 2021. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Short-term debt activity for the year ended August 31, 2022, is summarized below:

		Balance 09/01/21	**Additions**	**Reductions [1]**	**Balance 8/31/22**
Commercial Paper Notes:					
Permanent University Fund CP Notes	$	1,095,000,000	280,000,000	542,700,000	832,300,000
Revenue Financing System CP Notes		796,053,000	603,388,000	442,991,000	956,450,000
Total Commercial Paper Notes	$	1,891,053,000	883,388,000	985,691,000	1,788,750,000

[1] Reductions of short-term debt include $417,700,000 of PUF commercial paper notes reclassified to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds. See note 24 for details on the subsequent events.

Short-term debt activity for the year ended August 31, 2021, is summarized below:

		Balance 09/01/20	Additions	Reductions	Balance 8/31/21
Commercial Paper Notes:					
Permanent University Fund CP Notes	$	860,000,000	335,000,000	100,000,000	1,095,000,000
Revenue Financing System CP Notes		553,698,000	629,015,000	386,660,000	796,053,000
Total Commercial Paper Notes	$	1,413,698,000	964,015,000	486,660,000	1,891,053,000

General information related to the commercial paper notes at August 31, 2022, is summarized as follows:

- Note or loan payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
  Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases
  Issue Date: September 1, 2021 through August 31, 2022
  Authorized Amount: Aggregate principal amount not to exceed $1.25 billion
  Source of revenue for debt service: Available University Fund
  Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

- Note or loan payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
  Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases
  Issue Date: September 1, 2021 through August 31, 2022
  Authorized Amount: Aggregate principal amount not to exceed $1.25 billion
  Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the U. T. System Board of Regents and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the U. T. System Board of Regents for payments on parity debt.
  Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

11. Leases

LEASES WHERE THE SYSTEM IS THE LESSEE

The System entered into various leases for land, building, equipment, and infrastructure. Of these leases, some agreements call for payments that are partially or completely variable and therefore were not included in ROU assets or lease liabilities. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of $3,406,107 and $3,361,632 as expenses from these variable payments for the years ended August 31, 2022 and 2021, respectively.

See Note 9 for a summary of changes in the ROU assets, displayed by the nature of underlying assets, for the years ended August 31, 2022 and 2021. See Note 12 for the lease liability activity for the years ended August 31, 2022 and 2021.

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

Fiscal Year		Principal	Interest	Total
2023	$	107,368,206	12,505,840	119,874,046
2024		97,786,472	11,455,875	109,242,347
2025		90,824,737	10,454,708	101,279,445
2026		85,704,688	9,470,857	95,175,545
2027		81,169,882	8,492,905	89,662,787
2028 – 2032		283,193,987	29,689,457	312,883,444
2033 – 2037		111,194,841	15,676,706	126,871,547
2038 – 2042		35,246,397	10,410,408	45,656,805
2043 – 2047		10,903,995	8,758,891	19,662,886
2048 – 2052		5,419,473	8,000,978	13,420,451
2053 – 2057		3,843,942	7,430,924	11,274,866
2058 – 2062		2,621,825	7,084,207	9,706,032
2063 – 2067		1,154,418	6,807,909	7,962,327
2068 – 2072		2,223,642	6,567,411	8,791,053
2073 – 2077		3,551,154	6,154,878	9,706,032
2078 – 2082		2,227,692	5,734,635	7,962,327
2083 – 2087		3,463,157	5,327,895	8,791,052
2088 – 2092		4,982,660	4,723,372	9,706,032
2093 – 2097		3,880,925	4,081,402	7,962,327
2098 – 2102		5,372,462	3,418,591	8,791,053
2103 – 2107		7,187,699	2,518,334	9,706,033
2108 – 2112		6,427,506	1,534,821	7,962,327
2113 – 2117		7,308,118	491,507	7,799,625
Total Requirements	$	963,057,878	186,792,511	1,149,850,389

FUTURE LEASES

The System entered into additional leases that have not yet commenced as of August 31, 2022, including leases for building and equipment, with both fixed and variable payments required. Terms range from 2023 to 2041 with a total future commitment of $41,797,951.

SUBLEASES

The System subleases certain portions of various Right-of-Use building assets to third parties. Since the System is both a lessee and a lessor in these sublease arrangements, the System's lessor transactions are included within lessor disclosures, separately from the System's lessee transactions related to the original leases which are included within the lessee disclosures.

LEASES WHERE THE SYSTEM IS THE LESSOR

For the years ended August 31, 2022 and 2021, the System earned a total of $26,833,195 and $22,970,346 in lease revenue and $5,344,277 and $4,888,162 in lease interest revenue, respectively, from arrangements meeting the definition of a lease.

The System entered into some leases which call for payments that are partially or completely variable and therefore were not included in lease receivables or deferred inflows of resources. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of $2,293,757 and $2,216,763 as revenue from these variable payments for the years ended August 31, 2022 and 2021, respectively.

12. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2022, is summarized as follows:

	Balance 09/01/21	Additions	Reductions	Balance 08/31/22	Amounts due within one year
Bonds Payable:					
Permanent University Fund	$ 2,307,025,000	-	58,935,000	2,248,090,000	386,695,000
Revenue Financing System	6,702,085,000	256,395,000	413,940,000	6,544,540,000	1,224,490,000
Subtotal Bonds Payable – Par	9,009,110,000	256,395,000	472,875,000	8,792,630,000	1,611,185,000
Unamortized Net Premiums	677,676,799	30,320,873	91,988,009	616,009,663	88,111,681
Total Bonds Payable	9,686,786,799	286,715,873	564,863,009	9,408,639,663	1,699,296,681
Notes, Loans and Leases Payable:					
Notes and Loans Payable	19,000,000	417,700,000 [1]	-	436,700,000	19,000,000
Notes from Direct Borrowings	17,678,505	16,519,598	2,477,640	31,720,463	6,443,614
Lease Obligations	888,343,155	196,761,546	122,046,823	963,057,878	107,368,206
Total Notes, Loans and Leases Payable	925,021,660	630,981,144	124,524,463	1,431,478,341	132,811,820
Total OPEB Liability	11,931,417,814	2,945,429,208	181,252,716	14,695,594,306	243,697,144
Net Pension Liability	4,805,427,562	-	2,504,716,063	2,300,711,499	-
Total Pension Liability	1,026,357,235	66,700,741	47,005,635	1,046,052,341	-
Hedging Derivative Liability	293,360,762	-	205,849,951	87,510,811	-
Employee Compensable Leave	819,809,713	460,625,101	425,010,102	855,424,712	445,635,293
Incurred But Not Reported Self-Insurance Claims	177,110,866	1,753,641,214	1,709,032,839	221,719,241	187,951,915
Asset Retirement Obligation	18,178,517	1,330,423	-	19,508,940	-
Total	$ 29,683,470,928	6,145,423,704	5,762,254,778	30,066,639,854	2,709,392,853

[1] Additions of Notes and Loans Payable include $417,700,000 of commercial paper notes reclassified from short-term debt to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds. See note 10 related to short-term debt and note 24 for details on the subsequent events.

Long-term liability activity for the year ended August 31, 2021, as restated for GASB Statement No. 87 and 97 and correction of OPEB errors is summarized as follows:

		Balance 09/01/20	Additions	Reductions	Balance 08/31/21	Amounts due within one year
Bonds Payable:						
Permanent University Fund	$	2,363,190,000	-	56,165,000	2,307,025,000	391,020,000
Revenue Financing System		6,745,455,000	381,865,000	425,235,000	6,702,085,000	1,267,740,000
Subtotal Bonds Payable – Par		9,108,645,000	381,865,000	481,400,000	9,009,110,000	1,658,760,000
Unamortized Net Premiums		732,934,161	36,216,421	91,473,783	677,676,799	90,471,966
Total Bonds Payable		9,841,579,161	418,081,421	572,873,783	9,686,786,799	1,749,231,966
Notes, Loans and Leases Payable:						
Notes and Loans Payable		19,000,000	-	-	19,000,000	-
Notes from Direct Borrowings [1]		647,906	17,319,510	288,911	17,678,505	1,832,284
Lease Obligations [1]		1,168,469,214	28,689,792	308,815,851	888,343,155	97,183,848
Total Notes, Loans and Leases Payable [1]		1,188,117,120	46,009,302	309,104,762	925,021,660	99,016,132
Total OPEB Liability [3]		9,683,463,315	2,401,612,496	153,657,997	11,931,417,814	211,485,527
Net Pension Liability		4,517,470,315	658,160,396	370,203,149	4,805,427,562	-
Total Pension Liability [2]		943,633,204	131,973,287	49,249,256	1,026,357,235	-
Hedging Derivative Liability		413,075,150	-	119,714,388	293,360,762	-
Employee Compensable Leave		760,239,420	373,615,500	314,045,207	819,809,713	416,089,651
Incurred But Not Reported Self-Insurance Claims		162,558,112	1,586,624,988	1,572,072,234	177,110,866	143,923,066
Asset Retirement Obligation		26,309,187	453,247	8,583,917	18,178,517	-
Total [1 2 3]	$	27,536,444,984	5,616,530,637	3,469,504,693	29,683,470,928	2,619,746,342

[1] Includes retroactive restatements related to GASB Statement No. 87. See Note 4 for further details.
[2] Includes retroactive restatements related to GASB Statement No. 97. See Note 4 for further details.
[3] Includes retroactive restatements related to correction of OPEB errors. See Note 4 for further details.

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

Fiscal Year		Principal	Interest	Total
2023	$	1,611,185,000	329,527,535	1,940,712,535
2024		332,600,000	312,879,330	645,479,330
2025		323,785,000	296,483,398	620,268,398
2026		355,110,000	280,515,006	635,625,006
2027		267,400,000	263,045,170	530,445,170
2028 – 2032		1,341,590,000	1,124,663,447	2,466,253,447
2033 – 2037		990,573,000	829,905,783	1,820,478,783
2038 – 2042		913,107,000	608,713,426	1,521,820,426
2043 – 2047		1,693,335,000	412,714,018	2,106,049,018
2048 – 2052		963,945,000	79,932,542	1,043,877,542
Total Requirements	$	8,792,630,000	4,538,379,655	13,331,009,655

The System's variable rate demand bonds mature at various dates through August 1, 2045. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities. Although it is the System's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have "take-out" agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled $1,274,660,000 and $1,321,085,000 at August 31, 2022 and 2021, respectively.

PLEDGED FUTURE REVENUES

The following table provides the pledged future revenue information for the System's bonds:

		2022	*** Restated 2021**
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	$	13,331,009,655	13,770,988,843
Term of Commitment Year Ending 8/31		2052	2051
Percentage of Specific Revenues Pledged		100%	100%
Current Year Pledged Revenue	$	14,994,269,165	13,924,479,360
Current Year Principal and Interest Paid	$	768,817,572	760,700,874

*August 31, 2021 pledged revenue was restated as a result of implementing GASB Statement No. 87. See Note 4 for further details.

Notes and loans payable obligations are due in annual installments through 2023. General information related to notes and loans payable at August 31, 2022, which in substance are not bonds, is summarized as follows:

Fiscal Year		**Principal**	**Interest**	**Total**
2023	$	19,000,000	340,000	19,340,000
Total Requirements	$	19,000,000	340,000	19,340,000

The table above does not include the principal for $417,700,000 of commercial paper notes reclassified from short-term debt to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds.

General information related to notes and loans payable at August 31, 2022, is summarized as follows:

- Note or Loan Payable issue name: JP Morgan Private Bank, Client Services
  Purpose: To provide financing for the construction of the Moncrief Cancer Center building
  Component Unit: U. T. Southwestern Medical Center's Blended Component Unit
  Issue Date: August 8, 2011, Renewed on October 06, 2021
  Authorized Amount: $19,000,000
  Source of revenue for debt service: Assets of Luther King Capital Management
  Terms: Fixed rate of 1.79% Per Annum. Interest is paid monthly. Renewal on August 31, 2023
  In the event of a default, the note, including principal and accrued interest, shall bear interest at a default rate of 3.00% Per Annum above the Note Rate of 1.79%, at the bank's option, upon the occurrence of any default under this note, and continue as an obligation until such overdue amount and such interest shall be paid in full.

DIRECT BORROWINGS

Certain direct borrowings to finance the purchase of property are capitalized at the present value of future minimum direct borrowing payments. The original capitalized cost of all such property financed with direct borrowings as of August 31, 2022 and 2021 is as follows:

Assets - Direct Borrowings		**2022**	*** Restated 2021**
Furniture and Equipment	$	25,099,067	8,683,512
Less: Accumulated Depreciation		(1,331,329)	(2,649,221)
Buildings		13,581,387	14,812,473
Less: Accumulated Depreciation		(775,287)	(125,292)
Nondepreciable Collections		407,712	763,025
Total	$	36,981,550	21,484,497

*August 31, 2021 furniture and equipment held for direct borrowings was restated as a result of implementing GASB Statement No. 87. See Note 4 for further details.

Direct borrowing obligations are due in annual installments through 2046. The following is a schedule of the future minimum payments for direct borrowings at August 31, 2022.

Fiscal Year		**Principal**	**Interest**	**Total**
2023	$	6,443,614	877,616	7,321,230
2024		3,356,821	711,546	4,068,367
2025		3,392,238	676,128	4,068,366
2026		3,407,390	638,091	4,045,481
2027		2,004,583	602,145	2,606,728
2028-2032		2,887,611	2,647,965	5,535,576
2033-2037		2,967,365	2,032,635	5,000,000
2038-2042		3,742,321	1,257,679	5,000,000
2043-2047		3,518,520	314,813	3,833,333
Total Minimum Payments	$	31,720,463	9,758,618	41,479,081

POLLUTION REMEDIATION OBLIGATION

The University of Texas System Administration purchased contaminated land with plans to remediate. The estimated outlays for the pollution remediation are $3,500,000 using the expected cash flow technique. These pollution remediation outlays qualify for capitalization and $3,148,595 and $3,091,909 were capitalized through August 31, 2022 and 2021 respectively. The purchase price of $213,584,352 and total expected outlays did not exceed the fair market value of the uncontaminated property of $232,290,000, and as such, no pollution remediation liability was established.

EMPLOYEES' COMPENSABLE LEAVE

Employees' compensable leave is the System's liability for accrued compensable absences. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

13. Bonded Indebtedness

At August 31, 2022 and 2021, the System had outstanding bonds payable of $8,792,630,000 and $9,009,110,000, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

Bonded Indebtedness	Interest Rates	Maturity Dates		Outstanding Principal
Permanent University Fund	1.61%-5.262%	2023-2047	$	2,248,090,000
Revenue Financing System	1.50%-5.375%	2023-2052		6,544,540,000

As of August 31, 2022, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of $750 million and Revenue Financing System bonds up to a maximum aggregate amount of $850 million, each authorized to be issued on or before August 31, 2023. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2022, is summarized in the following table.

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Refunding Bonds Series 2006B	To refund $85,545,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund $172,985,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund $51,905,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035	January 24, 2007	$284,065,000
Taxable Bonds Series 2009A	To refund $250,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	September 17, 2009	250,000,000
Bonds Series 2014A	To refund $252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	February 10, 2014	240,340,000
Bonds Series 2014B	To refund $17,240,000 principal amount of Permanent University Fund Bonds, Series 2004A, maturing on July 1 in the years 2015 and 2016; and to refund $223,535,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2024, 2025, 2027 and 2033	April 2, 2014	221,580,000
Refunding Bonds Series 2015A	To refund $50,390,000 principal amount of Permanent University Fund Refunding Bonds, Series 2005A, maturing on July 1 in the years 2016 through 2019, both inclusive; to refund $72,720,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the years 2018, 2019, 2034 and 2035; and to refund $87,485,000 principal amount of Permanent University Fund Bonds, Series 2006C, maturing on July 1 in the years 2017 through 2035, both inclusive	April 2, 2015	197,970,000
Bonds Series 2015B	To refund $252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	August 25, 2015	220,565,000
Bonds Taxable Series 2015C	To refund $125,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	December 9, 2015	126,020,000
Bonds Series 2016A	To refund $137,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	January 5, 2016	117,270,000
Bonds Series 2016B	To refund $319,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A	September 1, 2016	272,350,000
Taxable Bonds Series 2017A	To refund $81,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, and to refund $220,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	November 14, 2017	302,640,000

Bond Series	Purpose	Issue Date	Amount Issued
Revenue Financing System:			
Refunding Bonds Series 2006C	To refund $177,835,000 principal amount of portions of Revenue Financing System Bonds, 2001C, 2003A and 2004C and pay the cost of issuance	January 4, 2007	175,115,000
Refunding Bonds Series 2010B	To refund $393,690,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance	April 14, 2010	385,380,000
Taxable Bonds Series 2010C	To provide new money of $600,741,596 and pay the cost of issuance	September 23, 2010	604,310,000
Taxable Bonds Series 2010D	To refund $349,415,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $163,441,000 and pay the cost of issuance	June 30, 2010	516,245,000
Refunding Bonds Series 2012A	To refund $53,990,000 principal amount of portions of Revenue Financing System Bonds, 2003A and 2004C, to refund $186,296,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	March 1, 2012	195,850,000
Bonds Series 2012B	To refund $96,542,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $184,128,000 and pay the cost of issuance	March 21, 2012	238,135,000
Bonds Series 2014A	To refund $179,411,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $103,148,328 and pay the cost of issuance	May 1, 2014	259,135,000
Refunding Bonds Series 2014B	To refund $261,840,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F, and pay the cost of issuance	November 24, 2014	250,700,000
Bonds Taxable Series 2016A	To refund $48,494,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $107,630,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, provide new money of $98,745,350 and pay the cost of issuance	January 14, 2016	255,825,000
Bonds Series 2016B	To refund $105,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $118,490,125 and pay the cost of issuance	January 22, 2016	206,040,000
Refunding Bonds Series 2016C	To refund $87,145,000 principal amount of Revenue Financing System Bonds, Series 2008A, provide new money of $64,800,000 and pay the cost of issuance	May 10, 2016	133,240,000
Bonds Series 2016D	To provide new money of $260,000,000 and pay the cost of issuance	July 1, 2016	213,180,000
Bonds Series 2016E	To provide new money of $245,000,000 and pay the cost of issuance	August 22, 2016	196,215,000
Bonds Series 2016F	To refund $465,019,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 1, 2016	376,030,000
Refunding Bonds Series 2016H	To refund $266,640,000 principal amount of portions of Revenue Financing System Bonds, 2006D and 2006F, and pay the cost of issuance	November 17, 2016	233,350,000

Bond Series	Purpose	Issue Date	Amount Issued
Revenue Financing System: (continued)			
Refunding Bonds Series 2016I	To refund $202,010,000 principal amount of portions of Revenue Financing System Bonds, 2006E and 2010A, and pay the cost of issuance	November 30, 2016	184,725,000
Bonds Series 2016J	To provide new money of $352,832,000 and pay the cost of issuance	January 4, 2017	306,925,000
Bonds Taxable Series 2017A	To refund $349,000,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	September 14, 2017	350,815,000
Bonds Series 2017B	To refund $87,455,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $191,664,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	October 24, 2017	265,490,000
Refunding Bonds Series 2017C	To refund $265,855,000 principal amount of portions of Revenue Financing System Bonds, 2009D, 2012A and 2012B, and pay the cost of issuance	December 7, 2017	258,465,000
Refunding Bonds Series 2019A	To refund $386,785,000 principal amount of portions of Revenue Financing System Bonds, 2009B and 2014B, and pay the cost of issuance	June 13, 2019	320,435,000
Bonds Series 2019B	To refund $449,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	July 18, 2019	318,715,000
Bonds Series 2020A	To refund $381,590,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $99,530,000 of Revenue Financing System Bonds, Series 2016F and pay the cost of issuance	April 14, 2020	347,580,000
Bonds Taxable Series 2020B	To refund $159,500,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $139,412,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B and pay the cost of issuance	May 29, 2020	300,805,000
Bonds Series 2020C	To refund $98,800,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $28,405,000 of Revenue Financing System Bonds, Series 2017B and pay the cost of issuance	June 16, 2020	101,065,000
Bonds Series 2021A	To refund $300,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $115,000,000 of Revenue Financing System Bonds, Series 2016B and pay the cost of issuance	May 19, 2021	381,865,000
Bonds Series 2022A	To refund $194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $11,920,000 of Revenue Financing System Bonds, Series 2012A, to refund $76,855,000 of Revenue Financing System Bonds, Series 2012B and pay the cost of issuance	May 18, 2022	256,395,000

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 1, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 1, 2039. The Revenue Financing System Bonds, Taxable Series 2016G and the corresponding swap agreements extend to August 1, 2045. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

Bond Series	Purpose	Issue Date		Amount Issued
Permanent University Fund:				
Bonds Series 2008A	To refund $400,000,000 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance	October 30, 2008	$	400,905,000
Revenue Financing System:				
Refunding Bonds Series 2007B	To refund $169,015,000 of Revenue Financing System Bonds, Series 2003B and $149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance	December 20, 2007		345,460,000
Bonds Series 2008B	To refund $461,922,000 of Revenue Financing System Commercial Paper Notes, Series A and $34,715,000 of Revenue Financing System Bonds, Series 1998B, provide $182,590,000 of new money to finance the costs of campus improvements, and pay costs of issuance	March 18, 2008		685,485,000
Bonds Taxable Series 2016G	To refund $250,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 15, 2016		250,000,000

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs reduced by the applicable federal sequestration reduction rate. The System did not issue any BABs during 2022 or 2021. The System had $1,157,030,000 and $1,187,865,000 of BABs outstanding at August 31, 2022 and 2021, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2022

Revenue Financing System Bonds, Series 2022A were issued on May 18, 2022 to current refund $194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to current refund $11,920,000 principal of RFS Bonds, Series 2012A, to current refund $76,855,000 principal amount of Revenue Financing System Bonds, Series 2012B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $285,877,754, which represents the principal amount of the 2022A Bonds of $256,395,000, plus an original issue premium of $30,320,873, less an underwriting discount of $838,119. The net proceeds along with $163,904 of System funds were used to pay costs of issuance of $297,528, to purchase $78,695,781 of eligible defeasance securities and to deposit $1 with the escrow agent for the refunded bonds, and to deposit $207,048,348 with the escrow agent for the refunded notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $1,566,031 resulted from the transaction as the reacquisition price of $285,744,130 exceeded the net carrying amount of $283,686,000 par value and $492,099 unamortized original issue premium.
- As a result of this refunding, the System reduced its future debt service payments by $24,940,493 from closing through August 15, 2043, and an economic gain from the transaction resulted in a net present value savings of $18,824,826 between the old and new debt service payments.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2021

Revenue Financing System Bonds, Series 2021A were issued on May 19, 2021 to current refund $300,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to current refund $115,000,000 principal amount of Revenue Financing System Bonds, Series 2016B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $416,892,423, which represents the principal amount of the 2021A Bonds of $381,865,000, plus an original issue premium of $36,216,421, less an underwriting discount of $1,188,998. The net proceeds were used to pay costs of issuance of $383,659, to purchase $116,434,695 of eligible defeasance securities for the refunded bonds, and to deposit $300,074,069 with the escrow agent for the refunded notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $1,508,764 resulted from the transaction as the reacquisition price of $416,508,764 exceeded the net carrying amount of $415,000,000 par value.
- As a result of this refunding, the System reduced its future debt service payments by $40,688,153 from closing through August 15, 2046, and an economic gain from the transaction resulted in a net present value savings of $29,304,219 between the old and new debt service payments.

CASH FLOW DERIVATIVE INSTRUMENTS – HEDGING DERIVATIVE INSTRUMENT INTEREST RATE SWAPS

All interest rate swaps are valued using the fair value hierarchy of level 2. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties. The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2022:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/22
Pay Fixed; receive variable	PUF Bonds 2008A	$166,042,500	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	12.2 yrs
	PUF Bonds 2008A	166,042,500	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	12.2 yrs
	PUF Bonds 2014A	240,340,000	6/30/2023	7/1/2041	Pay 0.720%; receive 80% of Fed Funds	No	No	Aa3/A+	18.3 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	9.1 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/A-	9.1 yrs
	RFS Bonds 2008B	191,060,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	8.7 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 1M LIBOR	No	No	Aa3/A+	22.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 1M LIBOR	No	No	Aa3/A+	26.9 yrs
TOTAL		**$1,765,000,000**							

*London Interbank Offer Rate (LIBOR)
*Securities Industry and Financial Markets Association (SIFMA)
*USD-Federal Funds-H.15 (Fed Funds)

The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2021:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/21
Pay Fixed; receive variable	PUF Bonds 2008A	$169,505,000	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	13.0 yrs
	PUF Bonds 2008A	169,505,000	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	13.0 yrs
	PUF Bonds 2014A	240,340,000	6/30/2023	7/1/2041	Pay 0.720%; receive 80% of Fed Funds	No	No	Aa3/A+	19.3 yrs
	RFS Bonds 2007B	160,992,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	7.2 yrs
	RFS Bonds 2007B	160,992,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	7.2 yrs
	RFS Bonds 2008B	103,385,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	9.7 yrs
	RFS Bonds 2008B	103,385,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/BBB+	9.7 yrs
	RFS Bonds 2008B	203,320,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	9.1 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 1M LIBOR	No	No	Aa3/A+	23.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 1M LIBOR	No	No	Aa3/A+	27.9 yrs
TOTAL		**$1,811,425,000**							

*London Interbank Offer Rate (LIBOR)
*Securities Industry and Financial Markets Association (SIFMA)
*USD-Federal Funds-H.15 (Fed Funds)

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2022 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/22)	Fair Value as of 8/31/22	Fair Value as of 8/31/21	Change in Fair Value 8/31/21 - 8/31/22	Change in Fair Value Recorded as
Hedging Derivative Assets	PUF Bonds 2014A	240,340,000	-	44,006,224	17,515,709	26,490,515	Def Inflow
	RFS Bonds 2016G	250,000,000	(92,215)	32,631,844	-	32,631,844	Def Inflow
	RFS Taxable CP	250,000,000	(180,549)	48,369,394	-	48,369,394	Def Inflow
		740,340,000	(272,764)	125,007,462	17,515,709	107,491,753	
Hedging Derivative Liabilities	PUF Bonds 2008A	166,042,500	782,720	(17,120,521)	(50,525,255)	33,404,734	Def Outflow
	PUF Bonds 2008A	166,042,500	772,065	(16,511,329)	(49,765,271)	33,253,942	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	191,060,000	299,131	(13,309,037)	(44,294,009)	30,984,972	Def Outflow
	RFS Bonds 2016G	-	-	-	(24,977,781)	24,977,781	Def Outflow
	RFS Taxable CP	-	-	-	(5,455,366)	5,455,366	Def Outflow
		1,024,660,000	2,734,640	(87,510,811)	(293,360,762)	205,849,951	
Investment Derivatives- Asset Positions	RFS Bonds 2008B	90,270,000	(99,158)	5,528,660	3,862,789	1,665,871	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(86,256)	2,716,535	1,672,858	1,043,677	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(130,183)	6,512,577	4,263,564	2,249,013	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	166,042,500	(152,361)	4,697,372	3,230,931	1,466,441	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	166,042,500	103,345	8,215,211	5,179,802	3,035,409	Incr./Decr. in Fair Value of Inv
		631,590,000	(364,613)	27,670,355	18,209,944	9,460,411	
Investment Derivatives- Liability Positions	PUF Bonds 2006B	206,010,000	(46,130)	(974,081)	(531,908)	(442,173)	Incr./Decr. in Fair Value of Inv
		206,010,000	(46,130)	(974,081)	(531,908)	(442,173)	
TOTAL		**2,602,600,000**	**2,051,133**	**64,192,925**	**(258,167,017)**	**322,359,942**	

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2021 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/21)	Fair Value as of 8/31/21	Fair Value as of 8/31/20	Change in Fair Value 8/31/20 - 8/31/21	Change in Fair Value Recorded as
Hedging Derivative Assets	PUF Bonds 2014A	$ 240,340,000	-	17,515,709	414,453	17,101,256	Def Inflow
		240,340,000	-	17,515,709	414,453	17,101,256	
Hedging Derivative Liabilities	PUF Bonds 2008A	169,505,000	1,041,364	(50,525,255)	(61,832,024)	11,306,769	Def Outflow
	PUF Bonds 2008A	169,505,000	1,030,488	(49,765,271)	(61,030,797)	11,265,526	Def Outflow
	RFS Bonds 2007B	160,992,500	490,818	(32,529,951)	(40,756,136)	8,226,185	Def Outflow
	RFS Bonds 2007B	160,992,500	490,818	(32,529,951)	(40,756,136)	8,226,185	Def Outflow
	RFS Bonds 2008B	103,385,000	323,102	(26,641,589)	(32,844,045)	6,202,456	Def Outflow
	RFS Bonds 2008B	103,385,000	323,102	(26,641,589)	(32,844,045)	6,202,456	Def Outflow
	RFS Bonds 2008B	203,320,000	588,579	(44,294,009)	(55,792,651)	11,498,642	Def Outflow
	RFS Bonds 2016G	250,000,000	384,126	(24,977,781)	(52,562,720)	27,584,939	Def Outflow
	RFS Taxable CP	250,000,000	298,737	(5,455,366)	(34,656,596)	29,201,230	Def Outflow
		1,571,085,000	4,971,134	(293,360,762)	(413,075,150)	119,714,388	
Investment Derivatives-Asset Positions	RFS Bonds 2008B	90,270,000	(8,286)	3,862,789	1,869,882	1,992,907	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(7,814)	1,672,858	670,042	1,002,816	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(10,820)	4,263,564	2,064,266	2,199,298	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	169,505,000	(33,112)	3,230,931	1,131,646	2,099,285	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	169,505,000	-	5,179,802	2,238,011	2,941,791	Incr./Decr. in Fair Value of Inv
		638,515,000	(60,032)	18,209,944	7,973,847	10,236,097	
Investment Derivatives-Liability Positions	PUF Bonds 2006B	233,345,000	(10,801)	(531,908)	(1,678,035)	1,146,127	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2016A	-	-	-	(21,714,253)	21,714,253	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2016A	-	-	-	(18,683,075)	18,683,075	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2016A	-	-	-	(17,442,702)	17,442,702	Incr./Decr. in Fair Value of Inv
		233,345,000	(10,801)	(531,908)	(59,518,065)	58,986,157	
TOTAL		**$ 2,683,285,000**	**4,900,301**	**(258,167,017)**	**(464,204,915)**	206,037,898	

Derivative Instrument Objectives

Derivative Instruments by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/22	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	$166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2014A	240,340,000	Hedge changes in cash flows on Series 2014A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	191,060,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	206,010,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		**$2,602,600,000**			

Derivative Instrument Objectives

Derivative Instruments by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/21	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	$169,505,000	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	169,505,000	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2014A	240,340,000	Hedge changes in cash flows on Series 2014A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	160,992,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	160,992,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	103,385,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	103,385,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	203,320,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	233,345,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	169,505,000	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	169,505,000	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		**$2,683,285,000**			

The fair value of interest rate swaps reported as investment derivative instruments-asset positions of $27,670,355 and $18,209,944 as of August 31, 2022 and 2021, respectively, is included on the consolidated statement of net position as noncurrent unrestricted investments and in the summary of investments in Note 6. The fair value of interest rate swaps reported as investment derivative instruments-liability positions of $974,081 and $531,908 as of August 31, 2022 and 2021 is included on the consolidated statement of net position as investment derivative instruments-liability positions. The change in fair value of interest rate swaps reported as investment derivative instruments are included in investment income on the consolidated statement of revenues, expenses and changes in net position. For the years ending August 31, 2022 and 2021, the change in fair value of interest rate swaps reported as investment derivative instruments was an increase in the amount of $9,018,238 and a decrease in the amount of $69,222,254, respectively.

Hedging Derivative Instrument and Investment Derivative Instrument Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive value before considering nonperformance risk of the parties exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2022, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements unless the System does not have a credit rating or the System commits a specified event of default and the event of default is continuing. As of August 31, 2022, the maximum loss due to credit risk was $16,532,667. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Although collateral posted can be in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System, collateral posted is currently only in the form of cash held directly by the System. The System has not entered into master netting arrangements.

Bankruptcy Risk: The System is exposed to bankruptcy risk of its swap counterparties. The amount of any termination the System would receive, if a termination payment is owed, would be subject to the swap counterparty's ability to make the required payment. Upon the swap counterparty's bankruptcy, the System's obligation to make payments, the timing of termination, and the valuation of the swap upon termination may be affected by relevant bankruptcy law.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (LIBOR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Index Risk: The System is exposed to risk that the method of establishing LIBOR, the Thomson Municipal Market Data (MMD) or the SIFMA index could change over time. A change in LIBOR, MMD or the SIFMA index may affect the rate that the System pays or receives on certain interest rate swaps.

LIBOR Discontinuation Risk: In addition, on July 27, 2017, the Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021 (the "FCA Announcement"). In addition, on March 5, 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, for 1-week and 2-month US dollar settings; and immediately after June 30, 2023, in the case of the remaining US dollar settings. A portion of the System's swaps use a LIBOR-based rate as a reference rate for determining payments to be received or payments to be made thereunder. It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which LIBOR rates are determined, or any other reforms to LIBOR that may be enacted, any of which may adversely affect the determination of LIBOR rates or result in the phasing out of LIBOR as a reference rate. Any such effects could result in a sudden or prolonged increase or decrease in reported LIBOR rates or result in the replacement of LIBOR with other reference rates and could have a negative impact on the market value of the System's swaps and the payment obligations of the System thereunder.

Liquidity Risk: The System is exposed to risk that, under certain market conditions, the System may be unable to terminate, assign or novate an interest rate swap. The System may not amend, assign or novate a swap without the swap counterparty's consent. There can be no assurance that another party will be willing to accept an assignment or novation of the System's interest rate swap.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System's interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap's fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap's fair value.

Amortization Risk: Amortization risk is the risk caused by a mismatch between the amortization of a derivative instrument contract and the underlying hedged bonds. The System is not exposed to amortization risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2022, the System had market access risk associated with $1,274,660,000 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2022, the System's variable rate bonds carried the highest short-term ratings from Moody's and S&P of VMIG1 and A-1+, respectively.

Hedging Derivative Instrument Swap Scheduled Payments

The following tables reflect the scheduled payments on the hedging derivative instrument swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds and commercial paper. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2023 because the bonds are supported by internal liquidity.

As of August 31, 2022

		Associated Variable Rate Bonds and Commercial Paper		Pay-Fixed Receive-Variable Interest Rate	
Fiscal Year		Principal[1]	Interest[2]	Swaps[3]	Total
2023	$	48,185,000	27,428,430	17,447,007	93,060,437
2024		49,785,000	26,673,896	16,443,353	92,902,249
2025		57,325,000	25,894,157	15,405,760	98,624,917
2026		50,360,000	24,993,281	14,207,854	89,561,135
2027		59,605,000	24,206,295	13,159,334	96,970,629
2028 – 2032		307,955,000	106,816,027	46,863,944	461,634,971
2033 – 2037		339,775,000	82,917,837	15,355,796	438,048,633
2038 – 2042		111,670,000	57,494,992	(16,738,574)	152,426,418
2043 – 2047		250,000,000	43,961,250	(16,368,600)	277,592,650
2048 – 2052		250,000,000	10,639,500	(4,887,150)	255,752,350

[1]Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes $250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.

[2]Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2022 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.

[3]Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2022 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2021

		Associated Variable Rate Bonds and Commercial Paper		Pay-Fixed Receive-Variable Interest Rate	
Fiscal Year		Principal[1]	Interest[2]	Swaps[3]	Total
2022	$	46,425,000	504,859	48,414,477	95,344,336
2023		48,185,000	500,216	46,681,647	95,366,863
2024		49,785,000	495,398	44,882,940	95,163,338
2025		57,325,000	490,419	43,023,894	100,839,313
2026		50,360,000	484,686	40,880,127	91,724,813
2027 – 2031		302,680,000	2,338,125	172,499,075	477,517,200
2032 – 2036		305,815,000	2,188,689	116,437,408	424,441,097
2037 – 2041		210,510,000	2,021,892	54,552,658	267,084,550
2042 – 2046		250,000,000	1,863,750	37,722,700	289,586,450
2047 – 2051		250,000,000	818,250	11,160,900	261,979,150

[1]Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes $250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.

[2]Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2021 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.

[3]Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2021 and applied on the respective notional amounts of the swaps through their respective termination dates.

14. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

15. Risk Management and Related Insurance

The System has eight funded self-insurance/high retention plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices and cyber liability, construction contractor insurance, and automobile, property and liability.

<u>EMPLOYEE AND RETIREE INSURANCE BENEFITS</u>

The U. T. System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its thirteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. The System's OEB program was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statues pertinent to employee benefits for the System.

<u>UNEMPLOYMENT COMPENSATION INSURANCE</u>

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to qualified former employees paid from general revenue funds and 100% of the unemployment benefits paid from local funds.

<u>WORKERS' COMPENSATION INSURANCE</u>

The Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its thirteen institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the systemwide program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code.*

<u>PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN</u>

The coverage provided under the Professional Medical Liability Benefit Plan (the "Plan") is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all the System staff physicians, dentists, residents, fellows, and medical and dental students who have been enrolled. Effective July 1, 2020, healthcare professional staff members and faculty who are licensed, certified, or registered to provide patient care have Plan coverage. The limits of liability of the Plan include an annual policy aggregate of $30 million, an annual aggregate of $1.5 million for each staff physician, resident, fellow and healthcare professional ($500,000 per claim), and a $75,000 annual aggregate for each medical and dental student ($25,000 per claim). Additional coverage is available outside of Texas and for approved international activities. Liability is limited to $2 million per claim, regardless of the number of claimants or plan participants involved in an incident.

The limits of liability are prescribed by law as $100,000 per health care liability claim per physician determined to be a public servant. U. T. institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a U. T. institution is limited by law to $250,000 per person injured and $500,000 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a $1.3 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a seven percent (7%) quota share of the $75 million layer excess of the $25 million layer of commercial insurance coverage. Deductibles for Fire and AOP increased in April 2021 to $10 million per occurrence with a $20 million annual aggregate limit; institutions have a $500,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a $250 million per occurrence limit with the System participating in a seven percent (7%) quota share of the $75 million layer excess of the $25 million layer. M. D. Anderson purchases a dedicated $100 million policy excess of the $250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are $100 million per occurrence for U. T. Medical Branch - Galveston (locations in Galveston only), $50 million per occurrence for U. T. Health Science Center - Houston (locations in Texas Medical Center only) and M. D. Anderson (locations in Texas Medical Center Only), 5% of affected values in other Tier 1 counties subject to a $10 million minimum, and AOP deductibles for all other locations. Tier 1 counties include counties along the Texas coast plus parts of Harris County.

Primary insurance policies are purchased on certain flood and wind exposed properties to partially offset the large deductibles. These policies provide underlying limits (up to $4.4 million per building/contents for wind and $1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) for facilities in Tier 1 seacoast territories and the National Flood Insurance Program (NFIP) for properties located in higher risk flood zones. U. T. Medical Branch - Galveston purchases a $50 million Named Windstorm buydown policy to reduce the $100 million Wind and Flood deductible for locations in Galveston only. M. D. Anderson purchases a $25 million Named Windstorm Multi Year Single Limit (MYSL) buydown policy to reduce the $50 million Wind and Flood deductible; they have a 25% share of the $25 million to $50 million layer. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution’s deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY PLAN AND CYBER LIABILITY PROGRAM

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Plan (the “Plan”) provides coverage for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries and for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline.

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and U. T. System Administration. The limit of liability is a $15 million annual aggregate (Coverages A, B and C combined), with an additional $5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a $5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a U. T. institution that is required to indemnify a covered individual with deductibles of $100,000 per individual and $300,000 per occurrence. Coverage C applies to a U. T. institution with a $300,000 deductible. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

The Cyber Liability Program provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-DSS). Each claim is subject to a $5 million self-insured retention; institutions have a $500,000 per occurrence deductible. In the $20 million excess of $5 million layer, there is a $10 million institution quota share and a $5 million self-insured quota share.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital improvement projects. This program provides workers' compensation, employers' liability and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a $250,000 per occurrence deductible with a maximum $375,000 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund. The self-insurance fund also pays portions of certain Builder's Risk deductibles applicable to water damage and delay in completion claims.

AUTOMOBILE, PROPERTY & LIABILITY PLAN

The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. All auto liability and general liability coverages are subject to a self-insured retention of $100,000 with a corridor endorsement for an additional layer of up to $100,000 per occurrence with an aggregate limit of $200,000 applicable to losses over $100,000 subject to a $970,000 annual aggregate stop loss for the fiscal year 2022 policy term. Physical Damage claims are subject to a $25,000 deductible per occurrence. Institution deductibles are $2,500 per occurrence for liability, $1,000 per vehicle for physical damage, and $5,000 per vehicle for physical damage for vehicles valued over $100,000.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for self-funded employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

Changes in the System's claims liabilities for the various self-insurance plans during fiscal years 2022 and 2021 were as follows:

Fiscal Year 2022 **Plan**		**IBNR Liability 09/01/21**	**Current Year Claims and Changes in Estimates**	**Claims Payments**	**IBNR Liability 08/31/22**
Employee Health and Dental	$	134,300,000	1,750,116,117	(1,705,416,117)	179,000,000
Workers' Compensation		3,486,000	4,973,970	(4,314,970)	4,145,000
Professional Medical Liability		20,973,497	3,766,215	(4,289,070)	20,450,642
Property Protection – Fire & AOP		10,047,571	(9,113,950)	6,662,591	7,596,212
Directors and Officers/EPL/Cyber		3,340,089	2,612,969	(200,000)	5,753,058
ROCIP		4,442,581	700,545	(862,759)	4,280,367
Automobile, Property & Liability		521,128	585,348	(612,514)	493,962
TOTAL	$	177,110,866	1,753,641,214	(1,709,032,839)	221,719,241

Fiscal Year 2021 **Plan**		**IBNR Liability 09/01/20**	**Current Year Claims and Changes in Estimates**	**Claims Payments**	**IBNR Liability 08/31/21**
Employee Health and Dental	$	108,300,000	1,573,823,232	(1,547,823,232)	134,300,000
Workers' Compensation		4,253,000	2,299,314	(3,066,314)	3,486,000
Professional Medical Liability		19,612,039	4,351,021	(2,989,563)	20,973,497
Property Protection – Fire & AOP		6,800,000	7,750,213	(4,502,642)	10,047,571
Property Protection – Wind & Flood		16,710,342	(5,850,408)	(10,859,934)	-
Directors and Officers/EPL/Cyber		2,293,017	1,107,072	(60,000)	3,340,089
ROCIP		3,960,670	2,724,469	(2,242,558)	4,442,581
Automobile, Property & Liability		629,044	420,075	(527,991)	521,128
TOTAL	$	162,558,112	1,586,624,988	(1,572,072,234)	177,110,866

16. Postemployment Health Care and Life Insurance Benefits

OPEB ERROR CORRECTIONS

As discussed in Note 4, the System has restated fiscal year 2021 information within this disclosure to correct for the effects of the census data errors and resultant changes to actuarial assumptions used to calculate the total OPEB liability. Specifically, the employees covered by the benefit terms has been adjusted for errors in the census data. Further, the Last State Employer Assumption (described below), representing the assumed rates of participation by eligible terminated employees, was added to restate the total OPEB liability as of September 1, 2020.

HEALTH AND LIFE INSURANCE BENEFITS FOR RETIRED EMPLOYEES

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. For the years ended August 31, 2022 and 2021, the State and retiree contribution rates for the self-funded plan per full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the State contributions.

Level of Coverage		2022 Employer	2022 Retiree		2021 Employer	2021 Retiree
Retiree Only	$	628.06	-	$	628.06	-
Retiree/Spouse		957.26	270.42		957.26	270.42
Retiree/Children		838.70	282.82		838.70	282.82
Retiree/Family		1,169.88	532.52		1,169.88	532.52

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is reporting a proportionate share. Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) Contributions. The State's proportion was 18.06 and 18.26 percent of the collective OPEB-related liabilities, deferred outflows and inflows and expense based on HEGI contributions by the State to total contributions as of August 31, 2022 and 2021. The System's proportion as of August 31, 2022 and 2021 was 81.94 and 81.74 percent. At August 31, 2022 and 2021, the amount of the total OPEB liability related to the System reported by the State was $3,239,950,544 and $2,666,184,108, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts for OPEB on the System's behalf.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS

The benefits provided are discussed in Note 15. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*. At the respective measurement dates, the following employees were covered by the benefit terms:

	Measurement Date 12/31/2021	Measurement Date 12/31/2020
a. Inactive employees or beneficiaries currently receiving benefit payments	31,104	30,057
b. Inactive employees entitled to but not yet receiving benefit payments	15,091	13,089
c. Active employees	104,546	99,474
d. Total	150,741	142,620

TOTAL OPEB LIABILITY

The System has elected to use a measurement date that is eight months in advance of the fiscal year end. The System's proportionate share of the total OPEB liability of $14,695,594,306, current portion of $243,697,144 and a noncurrent portion of $14,451,897,162, reported for the fiscal year ended August 31, 2022 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that same date. The System's proportionate share of the total OPEB liability of $11,931,417,814, current portion of $211,485,527 and a noncurrent portion of $11,719,932,287, reported for the fiscal year ended August 31, 2021 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019 and rolled forward twelve months to December 31, 2020.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability as of December 31, 2021 was determined by an actuarial valuation as of that same date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases	3.05% to 9.05% (includes inflation)
Discount rate	2.06% for December 31, 2021; 2.12% for December 31, 2020;
Healthcare cost trend rates	
Medical	6.00% for calendar year (CY)23, 5.50% for CY24, 5.25% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years
Pharmacy	10.50% for CY23, 10.00% for CY24, 9.50% for CY25, 9.00% for CY26, 8.00% for CY27, 7.00% for CY28, 6.00% for CY29, 5.00% for CY30 and 4.30% for CY31 and later years
Retiree contributions and opt-out credit trend rates	7.50% for CY23, 6.90% for CY24, 6.60% for CY25, 6.25% for CY26, 5.80% for CY27, 5.35% for CY28, 4.95% for CY29, 4.60% for CY30 and 4.30% for CY31 and later years

Mortality:

a. Service Retirees, Survivors and other Inactive Members:
Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.

b. Disability Retirees:
Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.

c. Active Members:
Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Discount Rate

a. For fiscal year ended August 31, 2022: The discount rate used to measure the total OPEB liability as of December 31, 2021 was 2.06%. The discount rate used to determine the total OPEB liability as of December 31, 2020 was 2.12%.

b. For fiscal year ended August 31, 2021: The discount rate used to measure the total OPEB liability as of December 31, 2020 was 2.12%. The discount rate used to measure the total OPEB liability as of December 31, 2019 was 2.74%.

c. Municipal Bond Rate: 2.06% as of December 31, 2021 and 2.12% as of December 31, 2020; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Last State Employer Assumption

Members who terminate employment are assumed to participate in the EGIP (i.e., as a result of UT System being their last State employer), provided all other eligibility requirements are satisfied, according to the following schedule:

Age at Termination Rate	Participation
<20	20%
20-24	20%
25-34	20%
35-44	40%
45-54	40%
≥55	40%

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary as of August 31, 2017.

The following assumptions or other inputs were changed since the previous measurement date:

i. **Economic Assumptions**

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

- The expenses directly related to the payment of EGIP health benefits have been updated since the previous valuation.

- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.

ii. **Other Inputs**

- The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

As of the measurement date of December 31, 2021, no changes in benefit terms have occurred. Accordingly, the benefit terms used in this valuation have not been changed since the prior valuation.

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

	1% Decrease (1.06%)	**FY22 Discount Rate (2.06%)**	**1% Increase (3.06%)**
Total OPEB Liability	$17,933,558,969	$14,695,594,306	$12,207,045,887

	1% Decrease (1.12%)	**FY21 Discount Rate (2.12%)**	**1% Increase (3.12%)**
Total OPEB Liability	$14,524,276,413	$11,931,417,814	$9,934,794,401

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease[1]	**FY22 Healthcare Cost Trend Rates[1]**	**1% Increase[1]**
Total OPEB Liability	$11,924,338,193	$14,695,594,306	$18,456,093,101

	1% Decrease[2]	**FY21 Healthcare Cost Trend Rates[2]**	**1% Increase[2]**
Total OPEB Liability	$9,617,508,776	$11,931,417,814	$15,081,680,136

[1]Healthcare Cost Trend Rates used for fiscal year 2022 are shown below:

Calendar Year	Medical 1% Decrease	Medical Healthcare Cost Trend Rates	Medical 1% Increase	Pharmacy 1% Decrease	Pharmacy Healthcare Cost Trend Rates	Pharmacy 1% Increase
2023	5.00%	6.00%	7.00%	9.50%	10.50%	11.50%
2024	4.50%	5.50%	6.50%	9.00%	10.00%	11.00%
2025	4.25%	5.25%	6.25%	8.50%	9.50%	10.50%
2026	4.00%	5.00%	6.00%	8.00%	9.00%	10.00%
2027	3.75%	4.75%	5.75%	7.00%	8.00%	9.00%
2028	3.60%	4.60%	5.60%	6.00%	7.00%	8.00%
2029	3.50%	4.50%	5.50%	5.00%	6.00%	7.00%
2030	3.40%	4.40%	5.40%	4.00%	5.00%	6.00%
2031 and beyond	3.30%	4.30%	5.30%	3.30%	4.30%	5.30%

[2]Healthcare Cost Trend Rates used for fiscal year 2021 are shown below:

Calendar Year	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2022	6.50%	7.50%	8.50%
2023	6.00%	7.00%	8.00%
2024	5.50%	6.50%	7.50%
2025	5.00%	6.00%	7.00%
2026	4.50%	5.50%	6.50%
2027	4.00%	5.00%	6.00%
2028	3.75%	4.75%	5.75%
2029 and beyond	3.30%	4.30%	5.30%

CHANGES IN THE SYSTEM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY

		Increase (Decrease) in Total OPEB Liability	
		For Measurement Year from 12/31/2020 to 12/31/2021	**For Measurement Year from 12/31/2019 to 12/31/2020**
Balance at Beginning of Measurement Year	$	11,931,417,814	9,683,463,315
Changes for the year:			
Service cost		708,022,293	572,677,209
Interest		266,654,173	286,398,460
Differences between expected and actual experience		160,861,824	-
Changes of assumptions or other inputs		1,780,677,623	1,269,349,798
Benefit payments (employer)		(181,252,716)	(153,657,997)
Net changes		2,734,963,197	1,974,767,470
Changes in Proportional Share		29,213,295	273,187,029
Balance at End of Measurement Year	$	14,695,594,306	11,931,417,814

The System recognized OPEB expense of $1,150,530,177 for the fiscal year ended August 31, 2022 and $804,811,075 for the fiscal year ended August 31, 2021.

The changes in the total OPEB liability, including both the System's and the State's portion, are shown in the table below.

		Increase (Decrease) in Total OPEB Liability	
		For Measurement Year from 12/31/2020 to 12/31/2021	**For Measurement Year from 12/31/2019 to 12/31/2020**
Balance at Beginning of Measurement Year	$	14,597,601,922	12,181,554,654
Changes for the year:			
Service cost		864,120,588	700,647,153
Interest		325,443,652	350,396,808
Differences between expected and actual experience		196,327,171	-
Changes of assumptions or other inputs		2,173,265,178	1,552,997,585
Benefit payments (employer)		(221,213,661)	(187,994,278)
Net changes		3,337,942,928	2,416,047,268
Balance at End of Measurement Year	$	17,935,544,850	14,597,601,922

At each fiscal year-end, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below.

		As of 8/31/2022		As of 8/31/2021	
		Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$	142,025,545	110,741,721	-	140,063,249
Changes of assumptions or other inputs		2,871,138,715	1,184,874,462	1,499,141,490	1,496,220,811
Change in proportion and contribution difference		500,240,792	20,218,595	565,104,293	27,517,727
Contributions subsequent to the measurement date		140,874,223	-	120,356,800	-
Total	$	3,654,279,275	1,315,834,778	2,184,602,583	1,663,801,787

Amounts reported as Deferred Outflows/(Inflows) of Resources will be recognized in OPEB expense as follows:

For the Fiscal Year ended August 31, 2022:

Fiscal Year Ended August 31		Amount
2023	$	173,626,465
2024		173,626,465
2025		218,079,710
2026		330,405,643
2027		373,670,988
Thereafter		928,161,003
Total	$	2,197,570,274

CHANGES IN THE TOTAL OPEB LIABILITY BETWEEN THE MEASUREMENT DATE AND AUGUST 31, 2022

The employer adopted the following changes to the OPEB plan between the December 31, 2021 measurement date of the Total OPEB Liability and the Employer's fiscal year 2022 reporting date of August 31, 2022:

- Effective September 1, 2022, EGIP benefits for retirees for whom Medicare is not primary will reflect increases in retiree cost sharing as compared to benefits in effect prior to September 1, 2022.

- Effective January 1, 2023, for retirees for whom Medicare is primary, medical benefits will be provided through UTCare, a fully insured Medicare Advantage Plan, and

- For retirees who do not opt-out of EGIP health coverage upon retirement, the employer funded life insurance coverage of $6,000 will increase to $10,000 in fiscal year 2023.

The System estimates that the above changes would reduce the Total OPEB Liability, including both the System's and the State's portion, to $11.5 billion as of December 31, 2021, using the current discount rate of 2.06%.

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 8.0 percent of gross earnings for 2022, and 7.7 percent of gross earnings for 2021 and 2020. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 7.75 percent of annual compensation for 2022, 7.5 percent of annual compensation for 2021 and 2020. The System's actual contributions excluding the State match to TRS for the years ended August 31, 2022, 2021 and 2020 were $439,933,274, $381,611,428, and $366,510,043, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2021 and August 31, 2020 measurement dates.

Summary of Actuarial Methods and Assumptions – TRS Plan	
Actuarial Valuation Date	Aug 31, 2020 rolled forward to Aug 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2021*	1.95%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

Summary of Actuarial Methods and Assumptions – TRS Plan	
Actuarial Valuation Date	Aug 31, 2019 rolled forward to Aug 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2020*	2.33%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

Notes:

*Source for the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ending August 31, 2017 and adopted July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates were based on the 2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.

The actuarial assumptions used in the determination of the total pension liability as of the August 31, 2021 measurement date are the same assumptions used in the actuarial valuation as of August 31, 2020, with no changes since the prior measurement date. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 7.25% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 8.50% of payroll for the measurement period ending August 31, 2020, gradually increasing to 9.55% over the next several years. This includes a factor for all employer and State contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2021, measurement date are presented below:

Asset Class	**Target Allocation***	**Long-Term Expected Geometric Real Rate of Return****
Global Equity		
U.S.	18.0%	3.6%
Non-U.S. Developed	13.0%	4.4%
Emerging Markets	9.0%	4.6%
Private Equity	14.0%	6.3%
Stable Value		
U.S. Treasury	16.0%	(0.2%)
Absolute Return	-	1.1%
Stable Value Hedge Funds	5.0%	2.2%
Real Return		
Real Assets	15.0%	4.5%
Energy, Natural Resources, and Infrastructure	6.0%	4.7%
Commodities	-	1.7%
Risk Parity		
Risk Parity	8.0%	2.8%
Asset Allocation Leverage Cash	2.0%	(0.7%)
Asset Allocation Leverage	(6.0%)	(0.5%)
Total	100.0%	

Notes:

*Target allocations are based on fiscal year 2021 policy model.

**Capital Market assumptions come from Aon Hewitt (as of 08/31/2021).

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2020, measurement date are presented below:

Asset Class	**Target Allocation***	**Long-Term Expected Geometric Real Rate of Return****
Global Equity		
U.S.	18.0%	3.9%
Non-U.S. Developed	13.0%	5.1%
Emerging Markets	9.0%	5.6%
Private Equity	14.0%	6.7%
Stable Value		
U.S. Treasury	16.0%	(0.7%)
Absolute Return	-	1.8%
Stable Value Hedge Funds	5.0%	1.9%
Real Return		
Real Assets	15.0%	4.6%
Energy, Natural Resources, and Infrastructure	6.0%	6.0%
Commodities	-	0.8%
Risk Parity		
Risk Parity	8.0%	3.0%
Asset Allocation Leverage Cash	2.0%	(1.5%)
Asset Allocation Leverage	(6.0%)	(1.3%)
Total	100.0%	

Notes:
*Target allocations are based on fiscal year 2020 policy model.
**Capital Market assumptions come from Aon Hewitt (as of 08/31/2020).

Sensitivity analysis was performed on the impact of changes in the discount rate on the System's proportionate share of the net pension liability. The result of the analysis is presented in the table below:

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY22

1% Decrease 6.25%	**Current Discount Rate 7.25%**	**1% Increase 8.25%**
$5,027,419,794	$2,300,711,499	$88,523,417

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY21

1% Decrease 6.25%	**Current Discount Rate 7.25%**	**1% Increase 8.25%**
$7,409,883,303	$4,805,427,562	$2,689,364,330

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2021 Annual Comprehensive Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the TRS' annual financial report, which may be obtained from the TRS website at www.trs.state.tx.us.

As of August 31, 2022 and 2021, respectively, the System reported a liability of $2,300,711,499 and $4,805,427,562 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 and 2019, respectively, and rolled forward to the measurement date. The System's proportion as of the August 31, 2021 and 2020 measurements dates was 9.0342804 and 8.9723873 percent, respectively. The System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the periods September 1, 2020 through August 31, 2021 and September 1, 2019 through August 31, 2020. At August 31, 2022 and 2021, respectively, the amount of the net pension liability related to the System reported by the State was $729,928,272 and $1,587,993,294. The amount reported by the State is related to the on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

For the years ending August 31, 2022 and 2021, the System recognized pension expense of $125,990,889 and $677,070,777, respectively. At August 31, 2022 and 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		2022	
		Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$	3,850,171	161,971,911
Changes of assumptions		813,256,571	354,510,118
Net diff between projected and actual investment return		-	1,929,116,735
Change in proportion and contribution difference		404,726,884	242,046,563
Contributions subsequent to the measurement date		439,933,273	-
Total	$	1,661,766,899	2,687,645,327

		2021	
		Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$	8,774,327	134,106,727
Changes of assumptions		1,115,030,164	474,103,049
Net diff between projected and actual investment return		97,281,764	-
Change in proportion and contribution difference		412,994,718	246,511,619
Contributions subsequent to the measurement date		381,611,428	-
Total	$	2,015,692,401	854,721,395

The $439,933,273 and $381,611,428 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the years ending August 31, 2023 and 2022, respectively.

Amounts reported as deferred outflows and inflows of resources related to pensions as of August 31, 2022 will be recognized in pension expense in the following years:

Fiscal Year		Increase (Reduction) of Pension Expense
2023	$	(224,413,518)
2024		(250,204,892)
2025		(422,609,753)
2026		(560,524,649)
2027		(5,050,799)
Thereafter		(3,008,090)
Total	$	(1,465,811,701)

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65 percent of annual compensation) and the System (6.6 percent State base rate plus any local supplement for a maximum of 8.5 percent) for the fiscal years ended August 31, 2022, 2021 and 2020, respectively, are provided in the following table.

		2022	**2021**	**2020**
Participant Contributions	$	194,384,449	183,972,473	179,904,852
System Contributions		248,522,747	235,157,931	229,656,329
Total	$	442,907,196	419,130,404	409,561,181

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at U. T. Medical Branch - Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the year beginning September 1, 2015, the required contributions for the State and the employee are each 9.5 percent of pay. For Law Enforcement and Custodial Officers Supplemental Retirement Fund eligible employees, the State and the employee contribution is an additional 0.50 percent of pay, respectively.

The Texas State Comptroller's Office has decided not to allocate ERS pension to proprietary funds due to immateriality, as a result, there is no ERS pension net pension liability reported in the System's financial statements. Additional information can be obtained from the separately issued ERS *Annual Comprehensive Financial Report* which can be obtained from the Employees Retirement System of Texas, 200 East 18th Street, Austin, Texas 78701 or found on the ERS website at www.ers.texas.gov.

PHYSICIANS REFERRAL SERVICE (PRS) SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

M. D. Anderson has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans (the SRP/RBP Plans). The SRP/RBP Plans are nonqualified plans described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The assets of the SRP/RBP Plans of approximately $585 million and $667 million at August 31, 2022 and 2021, respectively, are measured at fair value and presented as restricted investments in the System's statement of net position. SRP/RBP deferred compensation plan assets remain subject to the claims of the general creditors of M. D. Anderson.

PRS offers eligible employees participation in one of two nonqualified retirement plans based on date of employment. The assets in the SRP/RBP trust can be used to pay the benefits of either plan's participants. The PRS Executive Council and Retirement Board members have the authority to administer the Plans under the terms that are established and may approve amendments to the Plans. The PRS Bylaws establish the PRS Retirement Board and Executive Council. Per the PRS Bylaws, one of the standing committees for the Physicians Referral Service Faculty Practice Plan (Plan) is the PRS Retirement Board. A chair is appointed, and elections are held every two years for committee membership. There are both voting members and non-voting ex-officio members. The PRS Retirement Board is advisory to the PRS Executive Council which is chaired by the President. The PRS Executive Council also has committee membership elections every three years and includes voting and ex-officio members. The President is the head of the Plan and has the ultimate decision authority.

Employees Covered by Benefit Terms

At the respective measurement dates, the following employees of M. D. Anderson were covered by the benefit terms:

	Measurement Dates 9/1/2021 and 9/1/2020
a. Inactive employees or beneficiaries receiving benefit payments	508
b. Inactive employees entitled to but not yet receiving benefit payments	279
c. Active employees	1,597
d. Total	2,384

SRP of the Anderson Hospital

Eligible employees of M. D. Anderson prior to July 1, 1986 may participate in the SRP, a single-employer nonqualified noncontributory defined benefit pension plan. Eligible employees include physicians with a license to practice medicine in the state of Texas; any individual with a Ph.D. rank of assistant or higher; D.D.S. with the rank of clinical instructor or higher; D.V.M. degree or equivalent having attained the rank of assistant or higher; and individuals elected to membership by the Executive Council of PRS as an administrative staff officer. No new members have been admitted to the SRP since May 31, 1989 as the SRP is closed to new entrants. In general, participants are fully vested in the SRP after five years of credited service. Former participants not in active service on January 1, 1985, require ten years of credited service as required by previous plan provisions. An active member receives full retirement benefits based on the SRP payment formula at age 65, age 60 with 20 years of credited service, or age 55 with 25 years of credited service. A vested member who becomes inactive for any reason other than death or retirement is entitled to an earned retirement allowance. This is a deferred allowance with benefit payments beginning at the former participant's normal retirement age. Participants in the SRP are not taxed on the employer's contributions made until benefits are paid since the SRP is grandfathered under the provisions of Section 457 of the Internal Revenue Code.

PRS RBP

On September 1, 1990, PRS established the RBP, a single-employer nonqualified noncontributory defined benefit plan. Eligible employees may participate in the RBP upon the later of their employment date or September 1, 1990. Employees who were eligible for the SRP because of their employment date had a one-time option to become members of the RBP and forego membership in the SRP.

The amount of a participant's benefit is equal to each participant's account balance, as outlined in the RBP provisions. In general, a participant's account balance is equal to a stated percentage of annual compensation for each year of service plus a provision for annual interest credits. The earnings credit percentage is equal to the Moody's Average

Corporate Bond yield determined as of the first day of such plan year.

Participants are taxed on the employer's contributions made when the contributions become vested. Participants become vested in their account balances after five years of service. Any vested member who becomes inactive for any reason other than death or retirement and has not attained the age of 55 will have his or her account maintained under RBP until retirement and earn half the interest credits of active participants.

Federal income and Social Security taxes resulting from annual benefits earned in the RBP are reimbursed by the Plans to the Employer, who pays the taxes to, or on behalf of, participants at the time participants vest in their contributions and are reflected as a liability in the trust's financial statements.

Total Pension Liability for SRP/RBP Plans

The total pension liability for the SRP/RBP Plans is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the September 1, 2021 and 2020 measurement dates.

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan
Actuarial Assumptions:	
Discount Rate*	2.14%
Rate of Compensation increase	4.00%
Mortality:	The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales. The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2020
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan
Actuarial Assumptions:	
Discount Rate	2.20%
Rate of compensation increase	4.00%
Mortality:	The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales. The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Notes:

* The discount rates used in these valuations were determined using the 20-year yields on the Bond Buyer 20 Index as of August 31, prior to the measurement date.

The total pension liability for September 1, 2021 was determined based on an actuarial valuation as of the date. The total pension liability for measurement dates September 1, 2020 and 2019 were based on a rollback of the September 1, 2021 results reflecting the following adjustments:

- Benefit payments used in the rollback were based on actual payments during each period.
- Benefit accruals during each period were estimated by calculating the accruals as a percentage of payroll for September 1, 2021 and then applying that percentage to the expected payroll for measurement dates September 1, 2020 and 2019.

The deferred outflows (inflows) included in the expense each year for assumption changes reflect the impact of the changes in discount rates noted above.

The deferred outflows (inflows) included in the expense each year do not include any difference in actual and expected demographic experience which will be measured in future years.

The valuation does not include any assets since the assets are not in a trust that is protected from creditors and thus, the plan is considered unfunded under GASB 73.

Sensitivity analysis was performed on the impact of changes in the discount rate on M. D. Anderson's total pension liability. The result of the analysis is presented in the table below:

Sensitivity of Total Pension Liability to Changes in the Discount Rate FY22

1% Decrease 1.14%	Current Discount Rate 2.14%	1% Increase 3.14%
$1,150,980,528	$1,046,052,341	$955,425,484

Sensitivity of Total Pension Liability to Changes in the Discount Rate FY21

1% Decrease 1.20%	Current Discount Rate 2.20%	1% Increase 3.20%
$1,132,159,184	$1,026,357,235	$935,191,845

At August 31, 2022 and 2021, M. D. Anderson reported a total pension liability of $1,046,052,341 and $1,026,357,235 respectively, for the SRP/RBP Plans.

		Increase (Decrease) in Total Pension Liability	
		For Measurement Year from 09/01/2020 to 8/31/2021	For Measurement Year from 09/01/2019 to 8/31/2020
Balance at beginning of measurement year	$	1,026,357,235	943,633,204
Changes for the year:			
Service cost		37,988,952	32,367,864
Interest		22,898,554	28,255,880
Changes of assumptions or other inputs		5,813,235	71,349,543
Benefit payments (employer)		(47,005,635)	(49,249,256)
Net changes		19,695,106	82,724,031
Balance at end of measurement year	$	1,046,052,341	1,026,357,235

For the years ended August 31, 2022 and 2021, M. D. Anderson recognized pension expense of $70,309,660 and $69,346,753, respectively. At August 31, 2022 and 2021, M. D. Anderson reported deferred outflows of resources and deferred inflows of resources related to the PRS RBP and SRP from the following sources:

		As of 8/31/2022		As of 8/31/2021	
		Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes of assumptions	$	58,641,508	-	62,268,067	-
Benefit payments subsequent to the measurement date		51,531,436	-	47,816,467	-
Administrative costs subsequent to the measurement date		376,107	-	358,467	-
Total	$	110,549,051	-	110,443,001	-

The $51,531,436 and $47,816,467 reported as deferred outflows of resources resulting from benefit payments subsequent to the measurement date will be recognized as a reduction in the total pension liability for the years ending August 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows and inflows of resources related to the SRP/RBP Plans as of August 31, 2022 will be recognized in pension expense in the following years:

Fiscal Year Ended August 31		Increase (Reduction) of Pension Expense
2023	$	9,910,639
2024		9,046,047
2025		9,046,047
2026		9,046,047
2027		9,046,047
Thereafter		12,922,788
Total	$	59,017,615

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System’s retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee’s 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is an excess benefit plan established by the System, via Section 415(m) of the Internal Revenue Code, to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the $61,000 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC) for calendar year 2022 ($58,000 for calendar year 2021). As of August 31, 2022 and 2021, there were 577 and 589 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the $61,000 cap under IRC Section 415(c) for calendar year 2022 ($58,000 for calendar year 2021), defer 6.65 percent of their excess compensation while the System contributes between 6.58 percent and 8.5 percent depending upon the institution and the date of employment. The System contributed $3,449,994 for the year ended August 31, 2022 and $3,283,946 for the year ended August 31, 2021. The participants contributed $2,699,113 for the year ended August 31, 2022 and $2,569,205 for the year ended August 31, 2021. Plan provisions are established and may be amended at any time by the U. T. System Board of Regents.

Plan assets are recorded at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System’s general creditors. Participant’s rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant’s account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA’s assets will be used to satisfy the claims of general creditors in the future.

19. Commitments and Contingent Liabilities

On August 31, 2022, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System’s management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its $6.0 billion capital improvement program, planned for fiscal years 2023 through 2028, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System’s intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

20. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2022, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses		Instruction	Research	Public Service	Hospitals and Clinics	Academic Support
Cost of Goods Sold	$	799,837	12,128	2,194,377	48,003,377	207,588
Salaries and Wages		3,691,024,775	1,614,723,226	171,477,922	3,733,806,074	685,470,954
Payroll Related Costs		708,833,299	368,942,811	41,451,040	878,059,737	181,526,258
Membership Dues		12,650,721	3,221,002	322,854	9,275,833	4,148,496
Registration Fees/ Meetings/Conferences		16,451,823	8,995,993	3,048,853	4,627,887	8,141,991
Professional Fees and Services		48,516,378	125,669,001	33,448,808	341,898,048	34,317,593
Other Contracted Services		59,346,409	320,552,302	69,164,901	389,394,653	65,606,635
Fees and Other Charges		12,192,030	17,184,984	4,263,336	21,823,975	3,767,387
Travel		18,167,180	25,094,058	2,813,703	9,417,650	8,724,588
Materials and Supplies		103,072,680	272,023,247	48,618,132	2,531,516,144	107,566,635
Utilities		655,296	1,286,279	263,294	12,450,950	132,674
Communications		15,982,440	4,206,668	2,284,946	24,817,697	4,573,454
Repairs and Maintenance		13,268,913	30,535,054	7,871,256	170,621,084	15,209,517
Rentals and Leases		8,561,040	6,359,447	1,845,334	43,785,800	5,684,758
Printing and Reproduction		4,632,863	5,644,205	2,062,141	4,869,986	3,213,615
Royalty Payments		43,478	3,413,318	63	1,424,650	26,543,084
Bad Debt Expense		-	-	-	-	-
Asset Retirement Expense		-	-	-	-	-
Insurance Costs/Premiums		8,016,293	546,824	248,447	29,665,956	222,324
Claims and Losses		-	-	-	-	-
OPEB Expense		384,324,944	173,262,164	18,200,920	373,456,821	70,917,916
Pension Expense		42,086,199	18,973,387	1,993,125	111,205,725	7,765,995
Scholarships and Fellowships		15,051,259	55,161,354	2,456,992	116,775	5,484,432
Depreciation and Amortization		-	-	-	-	-
Federal Sponsored Pass-through to State Agencies		1,095,522	6,518,317	2,051,803	-	-
State Sponsored Pass-through to State Agencies		60,000	550,657	172,541	-	8,769,094
Other Operating Expenses		38,714,266	133,349,375	13,500,344	9,667,706	20,494,094
Total Operating Expenses	$	5,203,547,645	3,196,225,801	429,755,132	8,749,906,528	1,268,489,082

Student Services	Institutional Support	Operations and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
(13,868)	1,010,887	109	(55,384)	32,121,848	-	84,280,899
131,787,505	580,869,695	273,585,248	19,095,970	243,270,674	-	11,145,112,043
32,583,901	(29,869,940)	77,299,306	1,973,833	55,906,892	-	2,316,707,137
679,751	4,732,307	465,202	38,927	3,154,562	-	38,689,655
1,630,175	3,515,636	515,176	226,666	4,253,846	-	51,408,046
8,645,630	75,236,943	33,689,072	866,472	15,139,222	-	717,427,167
50,238,244	85,459,256	64,457,922	497,711	104,703,947	-	1,209,421,980
2,919,461	66,422,269	1,276,606	1,033,959	7,363,581	-	138,247,588
3,839,936	3,608,209	711,775	628,399	34,004,003	-	107,009,501
21,619,408	58,084,250	93,903,771	1,790,699	44,721,596	-	3,282,916,562
24,484	7,044,753	241,632,850	(7,489)	38,051,641	-	301,534,732
1,378,496	17,411,955	3,221,613	22,888	8,221,664	-	82,121,821
4,115,415	58,507,739	162,247,982	269,811	33,577,163	-	496,223,934
2,558,787	8,205,331	12,804,268	96,240	10,137,622	-	100,038,627
2,529,002	5,142,494	226,150	70,453	2,374,799	-	30,765,708
432	215,762	1,376	2,500	37,634	-	31,682,297
(1,578,953)	-	-	-	-	-	(1,578,953)
-	-	1,438,430	-	-	-	1,438,430
1,533,186	1,049,252	8,021,835	4,979	3,851,094	-	53,160,190
-	273,083,485	-	-	-	-	273,083,485
14,198,745	59,355,305	28,294,717	2,152,325	26,366,320	-	1,150,530,177
1,554,859	6,499,810	3,098,464	235,694	2,887,291	-	196,300,549
6,413,143	2,863,808	5,000	619,887,185	20,187,294	-	727,627,242
-	-	-	-	-	1,745,207,819	1,745,207,819
-	-	-	37,071	-	-	9,702,713
-	919,316	-	586,000	-	-	11,057,608
12,206,366	14,972,651	11,166,875	6,507,609	29,184,389	-	289,763,675
298,864,105	1,304,341,173	1,018,063,747	655,962,518	719,517,082	1,745,207,819	24,589,880,632

For the year ended August 31, 2021, the following table represents operating expenses for both natural and functional classifications for the System, with some expenses restated for GASB Statement No. 87 and 97 and correction of OPEB errors. See Note 4 for further details on the restatements:

Operating Expenses		Instruction	Research	Public Service	Hospitals and Clinics	Academic Support
Cost of Goods Sold	$	632,882	5,000	845,105	40,855,365	96,884
Salaries and Wages		3,436,210,250	1,549,119,385	162,732,575	3,339,039,451	634,069,877
Payroll Related Costs		698,211,592	353,392,122	40,064,648	822,404,297	169,495,939
Membership Dues		13,452,379	2,530,050	390,558	10,007,985	3,821,575
Registration Fees/ Meetings/Conferences		6,991,862	3,295,334	538,579	2,570,705	1,862,158
Professional Fees and Services		43,641,610	78,046,173	24,924,710	324,329,033	29,356,261
Other Contracted Services		51,877,732	283,176,740	53,591,454	305,810,519	46,323,457
Fees and Other Charges		12,022,851	16,116,293	3,413,707	21,556,868	2,331,831
Travel		1,499,037	3,012,769	921,640	4,516,123	825,652
Materials and Supplies		74,780,195	254,787,735	43,952,827	2,227,095,279	86,109,385
Utilities		732,440	1,802,902	210,091	10,618,272	116,271
Communications		14,961,922	4,092,737	5,028,986	20,906,882	4,118,387
Repairs and Maintenance		8,004,531	29,924,701	2,092,432	174,306,460	11,369,981
Rentals and Leases		9,705,496	8,006,518	1,643,820	46,562,970	4,439,314
Printing and Reproduction		3,547,719	4,936,402	1,348,986	4,130,030	2,246,744
Royalty Payments		128,793	5,790,699	384	3,621,507	10,550,555
Bad Debt Expense		-	10,503	(1,246)	-	-
Asset Retirement Expense		-	-	-	-	-
Insurance Costs/Premiums		5,831,971	488,832	154,584	24,524,837	1,013,228
Claims and Losses		-	-	-	-	-
OPEB Expense		264,939,442	120,819,288	12,640,644	259,205,514	53,114,303
Pension Expense		222,888,028	101,642,747	10,634,310	287,410,948	44,683,956
Scholarships and Fellowships		16,505,317	55,063,013	1,916,088	25,280	4,352,824
Depreciation and Amortization		-	-	-	-	-
Federal Sponsored Pass-through to State Agencies		516,611	4,817,706	2,722,810	-	-
State Sponsored Pass-through to State Agencies		1,501,173	851,536	746,783	-	-
Other Operating Expenses		25,358,725	84,224,441	10,277,408	47,742,929	16,311,963
Total Operating Expenses	$	4,913,942,558	2,965,953,626	380,791,883	7,977,241,254	1,126,610,545

Student Services	Institutional Support	Operations and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
27,324	1,184,740	48,180	4,217	18,010,559	-	61,710,256
126,949,538	530,689,748	252,980,184	19,243,718	235,738,583	-	10,286,773,309
32,827,683	16,374,952	75,233,153	2,450,452	51,810,532	-	2,262,265,370
594,509	19,700,071	484,421	44,059	2,546,349	-	53,571,956
605,850	1,933,108	416,752	87,794	2,703,310	-	21,005,452
9,119,686	67,855,081	28,400,824	787,797	14,020,295	-	620,481,470
55,964,463	57,047,587	53,160,799	986,206	59,602,783	-	967,541,740
2,430,200	86,051	708,400	1,221,152	6,229,949	-	66,117,302
361,683	775,494	255,522	(84,797)	18,050,513	-	30,133,636
14,858,543	52,298,331	74,281,196	1,294,639	34,617,481	-	2,864,075,611
18,995	10,729,648	226,754,164	(22,345)	33,369,050	-	284,329,488
1,472,794	34,815,305	2,639,459	148,861	8,947,159	-	97,132,492
2,798,552	44,480,675	122,708,135	30,224	28,784,075	-	424,499,766
1,723,759	12,354,849	11,443,523	492,377	5,877,352	-	102,249,978
2,851,101	3,884,150	260,466	42,001	1,354,744	-	24,602,343
2,606	1,310,088	16,022	3,526	67,216	-	21,491,396
(973,256)	(230)	-	-	-	-	(964,229)
-	-	(7,308,870)	-	-	-	(7,308,870)
1,146,876	1,678,038	4,374,111	9,218	2,876,042	-	42,097,737
-	112,819,424	-	-	-	-	112,819,424
9,981,979	41,977,322	21,552,363	1,594,462	18,985,758	-	804,811,075
8,397,631	35,314,646	18,131,554	1,341,387	15,972,323	-	746,417,530
2,625,466	2,056,424	17,202	669,630,421	18,003,685	-	770,195,720
-	-	-	-	-	1,750,276,956	1,750,276,956
-	(61,613)	-	-	-	-	7,995,514
-	738,724	-	638,000	-	-	4,476,216
28,615,317	9,758,631	5,787,785	3,407,128	20,535,733	-	252,020,060
302,401,299	1,059,801,244	892,345,345	703,350,497	598,103,491	1,750,276,956	22,670,818,698

21. Net Position

The System's net position at August 31, 2022 and 2021 was comprised of the following:

		2022	* Restated 2021
Net investment in capital assets	$	6,543,836,872	6,383,538,925
Restricted			
Nonexpendable		36,029,323,644	31,083,186,882
Expendable		21,146,284,170	26,068,541,738
Total restricted		57,175,607,814	57,151,728,620
Unrestricted net position:			
Unrestricted			
Reserved			
Encumbrances		1,545,150,178	1,885,021,386
Accounts receivable (less unearned revenue portion)		1,832,236,035	1,575,343,343
Inventories		229,590,521	205,311,789
Self-insurance plans		509,247,085	804,076,057
Other specific purposes:			
Notes Receivable		37,610	51,670
Deposits		1,057,339	1,418,384
Prepaid expenses		162,828,969	261,712,876
Deferred charges		50,043	-
Impress funds		891,305	866,164
Travel advances		7,943,025	2,848,562
Unreserved			
Allocated			
Funds functioning as endowment-unrestricted		1,319,166,760	1,043,046,230
Provision for operating budgets		52,904,471	47,446,185
Capital projects		5,034,070,157	4,959,441,727
Debt service		177,355,885	129,308,849
Start-up/matching		118,090,400	121,598,608
Utilities reserve		10,767,469	12,443,417
Research enhancement and support		683,630,370	582,730,191
Market adjustments		96,278,063	216,948,846
Student fees		253,016,442	184,867,793
Texas Tomorrow Fund shortfall		2,606,196	4,537,549
Instructional program support		1,306,105,922	1,222,057,235
Dean, chair and faculty recruitment packages		6,629,387	8,254,622
Self-supporting enterprises		232,208,368	236,152,052
Patient care support		2,869,014,517	2,659,964,099
Practice plan minimum operating reserve of 90 days		377,616,544	351,715,728
Unallocated		(13,877,445,439)	(13,179,991,931)
Total unrestricted		2,951,047,622	3,337,171,431
Total net position	$	66,670,492,308	66,872,438,976

*August 31, 2021 net investment in capital assets, restricted, and unrestricted net position was restated as a result of implementing GASB Statement No. 87 and 97. August 31, 2021 unrestricted net position was also restated as a result of correction of OPEB errors. See Note 4 for further details.

As of August 31, 2022 and 2021, restricted nonexpendable net position includes $28,824,603,058 and $24,242,433,549, respectively, of the Permanent University Fund corpus, and $820,000,000 for both years of the Permanent Health Fund corpus. As of August 31, 2022 and 2021, restricted expendable net position includes $12,086,454,920 and $15,359,735,023, respectively, of the Permanent University Fund appreciation, and $630,484,275 and $782,790,281, respectively, of the Permanent Health Fund appreciation.

Unrestricted net position, detailed in the table above, is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs.

The System's fiduciary fund net position at August 31, 2022 and 2021 was comprised of the following:

		2022	2021
Restricted for:			
Pooled participants	$	286,259,583	316,315,259
Individuals, organizations, and other governments		1,870,196	1,771,074
Total fiduciary fund net position	$	288,129,779	318,086,333

22. Termination Benefits

U. T. System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force. U. T. System Administration incurred expenses of $56,050 for 174 terminated employees of the System as of August 31, 2022, and $173,825 for 475 terminated employees of the System as of August 31, 2021. While U. T. System Administration contracted with NextJob, the U. T. institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2022, U. T. San Antonio had two employees who received a lump-sum payment of $120,000 and $40,600, respectively, upon separation from the University.

In 2021, U. T. Austin offered a Voluntary Exit Incentive Program (VEIP) to eligible employees. The 24 employees who elected to participate in the VEIP received a one-time cash payment equal to $17,000 or 25% of the employee's annual current base salary, whichever was greater. All VEIP terminations were effective in 2021 with payments totaling $1,569,486, of which all have been paid out as of August 31, 2022. Additionally, in 2021, U. T. Austin Intercollegiate Athletics terminated 10 employees entitled to buyout clauses. The total buyout payments of $21,564,640 span from January 1, 2021 to December 31, 2023. As of August 31, 2022, $13,954,436 in buyout payments have been made.

In November 2020, U. T. Medical Branch - Galveston offered a Voluntary Incentive Retirement Program (IRP) to eligible tenured faculty. The four tenured faculty members who elected to participate in the IRP voluntarily retired effective January 31, 2021 and received a one-time voluntary IRP payment equal to six months of their current institutional base salary as of November 2, 2020. IRP payouts, all distributed in February 2021, totaled $476,733.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. In addition, as part of the American Rescue Plan (ARP), employees who were involuntarily terminated between October 2020 and August 2021 and their covered dependents may have been eligible for reduced COBRA premiums for up to six months. COBRA benefits for the self-insured plans offered by the System for the years ended August 31, 2022 and 2021 are provided below:

		2022	2021
Total Number of Participants[1]		2,886	2,996
Premium Revenue[2]	$	5,900,342	6,878,215
2% Administrative Fee Revenue[3]		(118,934)	(138,789)
Net COBRA Premium		5,781,408	6,739,426
Less Claims Paid		(13,990,913)	(14,401,971)
Cost to System	$	(8,209,505)	(7,662,545)

[1]The participants above are for the self-insured program.
[2]The premium revenue in FY 2022 and FY 2021 include $496,490 and $670,290, respectively, of Federal COBRA subsidy funding recognized by the System under ARP for the medical, dental and vision insurance plans offered.
[3]The 2 percent administrative fee is retained by U. T. COBRA in OEB for administering the COBRA benefit and is paid by the participant.

23. Deferred Outflows of Resources and Deferred Inflows of Resources

As of August 31, 2022 and 2021, the System reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, unamortized (losses)/gains on refunding debt, the OPEB plan, the TRS and SRP/RBP pension plans, unamortized interest rate lock termination payments, asset retirement obligations, beneficial interests in irrevocable split-interest agreements, acquisitions, and lease revenues as presented in the table below:

		2022		* Restated 2021	
		Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Hedging Derivative Instruments	$	87,510,811	125,007,462	293,360,762	17,515,709
Unamortized Loss/Gain on Refunding Debt		9,724,176	3,104,870	16,983,639	4,142,070
OPEB-Related *		3,654,279,275	1,315,834,778	2,184,602,583	1,663,801,787
Pension Related *		1,772,315,950	2,687,645,327	2,126,135,402	854,721,395
Unamortized Interest Rate Lock Termination		7,769,755	-	8,087,126	-
Asset Retirement Obligation		1,180,094	-	1,288,102	-
Split-Interest Agreements		-	43,965,260	-	42,258,623
Acquisition Related		13,287,488	-	13,690,165	-
Lease Revenue Related *		-	244,616,599	-	247,069,647
Total	$	5,546,067,549	4,420,174,296	4,644,147,779	2,829,509,231

Deferred outflows of resources of $87,510,811 and $293,360,762 as of August 31, 2022 and 2021, respectively, were related to hedging derivative instruments in a liability position. Deferred inflows of resources of $125,007,462 and $17,515,709 as of August 31, 2022 and 2021, respectively, were related to hedging derivative instruments in an asset position. The hedging derivative instrument asset and liability are disclosed in Note 7.

Deferred outflows of resources of $9,724,176 and $16,983,639 as of August 31, 2022 and 2021, respectively, were related to the unamortized losses on refunding debt. Deferred inflows of resources of $3,104,870 and $4,142,070 as of August 31, 2022 and 2021, respectively, were related to the unamortized gains on refunding debt. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows.

Deferred outflows of resources of $3,654,279,275 and $2,184,602,583 and deferred inflows of resources of $1,315,834,778 and $1,663,801,787 as of August 31, 2022 and 2021, respectively, were related to the OPEB plan. August 31, 2021 deferred outflows and inflows of resources were restated as a result of correction of OPEB errors. See Note 4 and 16 for additional information.

Deferred outflows of resources of $1,661,766,899 and $2,015,692,401 and deferred inflows of resources of $2,687,645,327 and $854,721,395 as of August 31, 2022 and 2021, respectively, were related to the TRS pension plan. Deferred outflows of resources of $110,549,051 and $110,443,001 as of August 31, 2022 and 2021, respectively, were related to the SRP/RBP pension plans. These deferred outflows related to the SRP/RBP pension plans are new due to implementing GASB Statement No. 97 in 2022. August 31, 2021 balances were retroactively restated as a result of implementing this statement. See Note 4 and Note 17 for additional information.

Deferred outflows of resources of $7,769,755 and $8,087,126 as of August 31, 2022 and 2021, respectively, were related to unamortized interest rate lock termination payments.

Deferred outflows of resources of $1,180,094 and $1,288,102 as of August 31, 2022 and 2021, respectively, were related to asset retirement obligations.

Deferred outflows of resources of $13,287,488 and $13,690,165 as of August 31, 2022 and 2021, respectively, were related to unamortized excess consideration paid as a result of an asset purchase agreement with PTC- Houston Management, LP in fiscal year 2019.

Deferred inflows of resources of $43,965,260 and $42,258,623 as of August 31, 2022 and 2021, respectively, were related to the System's unconditional beneficial interests in irrevocable split-interest agreements.

Deferred inflows of resources of $244,616,599 and $247,069,647 as of August 31, 2022 and 2021, respectively, were related to future period revenues from leases in which the System is the lessor other than short term leases, regulated leases, and leases of assets classified as investments. These deferred inflows are new as a result of implementing GASB Statement No. 87 in 2022. August 31, 2021 balances were retroactively restated as a result of implementing this statement. See Note 4 for additional information.

24. Subsequent Events

On September 20, 2022, The University of Texas Health Science Center at Houston closed on the sale and transfer of an Educational Broadband Service (EBS) line (Call Sign WAU31) with Clearwire Spectrum Holdings III LLC for $42,384,000.

On September 20, 2022, the U. T. System Board of Regents used available resources to legally defease $79,675,000 of outstanding Permanent University Fund Bonds, Series 2014B. The liability for these defeased obligations has been removed from the consolidated statement of net position. An accounting loss of $2,292,061 resulted from the transaction as the reacquisition price of $81,967,061 exceeded the net carrying amount of $79,675,000 par value. As a result of this defeasance, the System reduced its future debt service payments by $106,229,750 from closing through July 1, 2032 and realized an economic gain from the transaction of $6,360,200 reflecting the difference between the net present value of the old debt service payments and the cost of the defeasance escrow.

On September 26, 2022, the U. T. System Board of Regents issued $85,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $743,450,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On October 13, 2022, the U. T. System Board of Regents issued $372,915,000 in PUF Bonds, Series 2022A to refund $417,700,000 principal amount of PUF Tax-Exempt Commercial Paper Notes, Series A and pay the cost of issuance. Following issuance of the Series 2022A Bonds, the System had $571,300,000 of PUF Tax-Exempt Commercial Paper Notes, Series A outstanding.

On October 20, 2022, the U. T. System Board of Regents issued $35,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $778,450,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On November 21, 2022, the U. T. System Board of Regents issued $54,653,000 in RFS Tax-Exempt Commercial Paper Notes, Series A and $115,897,000 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $833,103,000 of RFS Tax-Exempt Commercial Paper Notes, Series A and had $413,897,000 of RFS Taxable Commercial Paper Notes, Series B outstanding.

On December 7, 2022, the U. T. System Board of Regents issued $3,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $836,103,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On December 13, 2022, the U. T. System Board of Regents issued $200,000,000 in PUF Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $771,300,000 of PUF Tax-Exempt Commercial Paper Notes, Series A outstanding.

25. Upcoming Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*, effective 2023, provides a single method of reporting conduit debt obligations. The System is evaluating the effect that Statement 91 will have on its financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements*, effective 2023, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. The System is evaluating the effect that Statement 94 will have on its financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), is effective 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The System is evaluating the effect that Statement 96 will have on its financial statements.

Other than the portion of this statement implemented in 2022, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2023 and 2024. The requirements related to leases, PPPs, and SBITAs are effective 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective 2024. The System is evaluating the effect that Statement 99 will have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The System is evaluating the effect that Statement 100 will have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, effective 2025, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The System is evaluating the effect that Statement 101 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF CHANGES
IN THE EMPLOYER TOTAL OPEB LIABILITY AND RELATED RATIOS
December 31, 2021

Last 10 Years

		2021	2020	2019	2018	2017	2016
Total OPEB Liability							
Service Cost	$	708,022,293	572,677,209	471,785,731	548,093,347	569,296,804	584,209,916
Interest		266,654,173	286,398,460	442,516,885	394,480,742	426,298,831	384,344,675
Differences between expected and actual experience		160,861,824	-	(89,235,022)	-	(136,662,956)	-
Changes of assumptions or other inputs		1,780,677,623	1,269,349,798	478,407,758	(1,429,460,396)	(781,692,644)	(299,449,010)
Benefit payments (employer)		(181,252,716)	(153,657,997)	(152,076,995)	(153,396,451)	(137,157,472)	(147,648,350)
Net Change in Total OPEB Liability		2,734,963,197	1,974,767,470	1,151,398,357	(640,282,758)	(59,917,437)	521,457,231
Total OPEB Liability – Beginning		11,931,417,814	9,683,463,315 *	10,355,785,546	10,717,111,345	10,777,028,782	10,255,571,551
Changes in Proportionate Share		29,213,295	273,187,029	41,561,977	278,956,959	-	-
Total OPEB Liability – Ending	$	14,695,594,306	11,931,417,814	11,548,745,880	10,355,785,546	10,717,111,345	10,777,028,782

* The Beginning Total OPEB Liability for the measurement year ended December 31, 2020 was restated to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. See Notes 4 and 16 for additional details. Measurement years prior to December 31, 2020 have not been restated for the correction of the error.

Notes to Schedule:
Only six years of information is presented due to GASB Statement No. 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

Information is presented using measurement date which precedes the fiscal year end by eight months.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes in benefit terms: None

Changes in assumptions or other inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in each period:

2021	2.06%
2020	2.12%
2019	2.74%
2018	4.10%
2017	3.44%
2016	3.78%

In fiscal year 2022, amounts reflect adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions.

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
August 31, 2022

Schedule of the System's Proportionate Share of the Total OPEB Liability as of the December 31 Measurement Date

		2021	2020		2019	2018	2017	2016
System's proportion of the total OPEB liability		81.9355890%	81.7354650%		79.4928364%	79.1750747%	77.1664987%	77.1664987%
System's proportionate share of the total OPEB liability	$	14,695,594,306	11,931,417,814	*	11,548,745,880	10,355,785,546	10,717,111,345	10,777,028,782
State's proportionate share of the total OPEB liability related to System		3,239,950,544	2,666,184,108	*	2,979,287,588	2,723,817,586	3,171,184,120	3,188,913,639
Total OPEB liability related to System	$	17,935,544,850	14,597,601,922	*	14,528,033,468	13,079,603,132	13,888,295,465	13,965,942,421
System's covered payroll	$	9,457,441,724	6,791,262,006		6,425,556,183	6,062,198,170	5,820,998,450	5,987,051,307
System's proportionate share of the total OPEB liability as a percentage of its covered payroll		155.39%	175.69%	*	179.73%	170.83%	184.11%	180.01%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%	0.00%		0.00%	0.00%	0.00%	0.00%

* The Total OPEB Liability related to System as well as the State's and System's proportionate share of the Total OPEB Liability for the measurement year ended December 31, 2020 were restated to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. See Notes 4 and 16 for additional details. Measurement years prior to December 31, 2020 have not been restated for the correction of the error.

Only six years of information is presented due to GASB Statement 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
TEACHER RETIREMENT SYSTEM PENSION PLAN
August 31, 2022

Schedule of the System's Proportionate Share of the Net Pension Liability as of the August 31 Measurement Date

		2021	2020	2019	2018	2017	2016	2015	2014
System's proportion of the net pension liability		9.0342804%	8.9723873%	8.6902629%	8.9377185%	8.2879633%	8.2932305%	7.7646311%	8.6199871%
System's proportionate share of the net pension liability	$	2,300,711,499	4,805,427,562	4,517,470,315	4,919,537,167	2,650,044,162	3,133,888,495	2,744,693,745	2,302,987,541
State's proportionate share of the net pension liability related to System		729,928,272	1,587,993,294	1,898,921,776	1,355,571,593	894,941,498	893,178,321	786,436,009	892,687,939
Total net pension liability related to System	$	3,030,639,771	6,393,420,856	6,416,392,091	6,275,108,760	3,544,985,660	4,027,066,816	3,531,129,754	3,195,675,480
System's covered payroll	$	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860	4,018,776,650
System's proportionate share of the net pension liability as a percentage of its covered payroll		37.13%	80.87%	83.11%	96.34%	54.18%	67.60%	61.37%	57.31%
Plan fiduciary net position as a percentage of the total pension liability		88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Schedule of the System's Contributions as of August 31

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$	525,701,240	464,721,473	445,661,076	369,615,856	347,247,177	332,620,226	315,233,963	304,139,034
Contributions in relation to the statutorily required contributions	$	439,933,274	381,611,428	366,510,043	302,294,698	282,808,370	262,734,718	262,370,366	244,723,301
Contribution deficiency (excess)	$	85,767,966	83,110,045	79,151,033	67,321,158	64,438,807	69,885,508	52,863,597	59,415,733
System's covered payroll	$	6,783,241,812	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860
Contributions as a percentage of covered payroll		6.49%	6.16%	6.17%	5.56%	5.54%	5.37%	5.66%	5.47%

Contributions by the State of Texas on behalf of the System substantially resolve the contribution deficiency.

Only eight years of information is presented due to GASB Statement 68 being implemented in fiscal year 2015. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF M. D. ANDERSON'S PRS SRP/RBP PENSION LIABILITY
AS OF THE SEPTEMBER 1 MEASUREMENT DATE

		2021	2020	2019
1. Total Pension Liability				
Service Cost	$	37,988,952	32,367,864	
Interest		22,898,554	28,255,880	
Changes of assumptions or other inputs		5,813,235	71,349,543	
Benefit payments (employer)		(47,005,635)	(49,249,256)	
Net Change in Total Pension Liability		19,695,106	82,724,031	
Total Pension Liability - Beginning		1,026,357,235	943,633,204	
Total Pension Liability - Ending	$	1,046,052,341	1,026,357,235	943,633,204
2. Covered-Employee Payroll	$	549,500,639	520,630,549	506,351,431
3. Total Pension Liability as a Percentage of Covered-Employee Payroll		190.36 %	197.14 %	186.36 %

Only three years of information is presented due to GASB Statement No. 97 being implemented in fiscal year 2022. Additional years will be displayed as they become available.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68 to pay related benefits.