TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND RISK MANAGEMENT
COMMITTEE

Committee Meeting: 5/3/2023
Board Meeting: 5/4/2023
Austin, Texas

Nolan Perez, Chairman
Christina Melton Crain
Jodie Lee Jiles
Janiece Longoria
Kelcy L. Warren
Rad Weaver

Committee Meeting | Board Meeting | Page
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Convene | 2:15 p.m. Chairman Perez | 27
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**


Adjourn | 2:45 p.m. | 28
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

No Consent Agenda items are assigned for review by this Committee.

REPORT

Vice Chancellor Safady will report on the U. T. Systemwide Endowment Compliance Program for the fiscal year ended August 31, 2022, using a PowerPoint presentation set forth on the following pages.
Systemwide Endowment Compliance Report, FY 2022

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

UT System Board of Regents Meeting
Audit, Compliance, and Risk Management Committee
May 2023
Impact of Endowment Distributions in FY 2022

Endowment distributions from these three sources provided $571.0M in support for faculty, students, research and programs.

- Held by Others: $36.1M
- Affiliated Foundations: $83.6M
- Long-term Fund: $451.3M
Purpose of Endowment Compliance Program

- UT System Board of Regents’ Rule 60102:
  “...Administration and management of the endowments are the joint responsibility of the UT System and each institution.”

- To **honor donor intent** by the appropriate use of gift funds, confirmed by timely reporting
- To **utilize endowment resources** most effectively
- To **standardize management** of endowments
- To **ensure awareness** of compliance issues across UT institutions
- To **encourage philanthropy** through donor trust
FY 2022 Total UT Systemwide Endowments

- Held by Others: 56
- Board-held: 15,910
- UT Affiliate-held: 1,858

Total Number: 17,824

Market Value:
- Held by Others: $1.9B
- UT Affiliate-held: $2.3B
- Board-held: $12.6B

Total Market Value: $16.8 billion
Total Endowments: Five-Year Trends

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Market Value</th>
<th>Number of Endowments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>$11.4B</td>
<td>15,217</td>
</tr>
<tr>
<td></td>
<td>+3.6%</td>
<td>+4.4%</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$11.8B</td>
<td>15,881</td>
</tr>
<tr>
<td></td>
<td>+14.1%</td>
<td>+3.4%</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$13.5B</td>
<td>16,427</td>
</tr>
<tr>
<td></td>
<td>+29.9%</td>
<td>+3.9%</td>
</tr>
<tr>
<td>FY 2021</td>
<td>$17.5B</td>
<td>17,062</td>
</tr>
<tr>
<td></td>
<td>-4.2%</td>
<td>+4.5%</td>
</tr>
<tr>
<td>FY 2022</td>
<td>$16.8B</td>
<td>17,824</td>
</tr>
</tbody>
</table>
Endowments typically fall into three categories: Student Support, Academic Positions, and Program/Research Support.
A total of $571.0 million* was distributed from endowments:

- $451.3 million from Board-held endowments
- $119.7 million from UT affiliate-held and held by others

* Distributions do not include amounts that were reinvested
Annual Report: Primary Risks and Activities Addressed

Annual review of between 20% to 100% of all endowments annually, with emphasis on primary risk factors and other essential activities.

Primary Risks Monitored:
- Excessive accumulation of distributions
- Incorrect spending of distributions
- Non-spending of distributions
- Fully funded academic positions unfilled for 24+ months
- Unawarded scholarships and graduate fellowships

Other Activities Addressed:
- Donor reporting
- Meetings of an internal endowment compliance committee
- Training of institution staff

Each institution submits its assessment to the UT System Administration annually, including responses to significant findings or negative trends.
Risks Monitored: Summary of Findings FY 2022

**Excessively Accumulating Endowments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent of All Endowments Excessively Accumulating</th>
<th>Percent Without a Justifiable Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>10.9%</td>
<td>10.9%</td>
</tr>
<tr>
<td>FY19</td>
<td>10.9%</td>
<td>12.8%</td>
</tr>
<tr>
<td>FY20</td>
<td>12.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>FY21</td>
<td>13.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>FY22</td>
<td>10.9%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

**Endowments with Incorrect Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Spent Incorrectly</th>
<th>Percent of All Endowments with Incorrect Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>$77.1K</td>
<td>0.8%</td>
</tr>
<tr>
<td>FY19</td>
<td>$236.7K</td>
<td>0.8%</td>
</tr>
<tr>
<td>FY20</td>
<td>$135.9K</td>
<td>0.6%</td>
</tr>
<tr>
<td>FY21</td>
<td>$297.1K</td>
<td>0.8%</td>
</tr>
<tr>
<td>FY22</td>
<td>$103.4K</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

# reviewed: 7,787
# excessively accumulating without a justifiable reason: 199 (2.6%)*
Total accumulated balance: $19.7M

*endowments identified and being addressed by institutions
**Endowments With No Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>15.4%</td>
</tr>
<tr>
<td>FY19</td>
<td>15.5%</td>
</tr>
<tr>
<td>FY20</td>
<td>16.2%</td>
</tr>
<tr>
<td>FY21</td>
<td>18.3%</td>
</tr>
<tr>
<td>FY22</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

**Academic Positions Unfilled for 24 Months or Longer**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>5.2%</td>
</tr>
<tr>
<td>FY19</td>
<td>5.0%</td>
</tr>
<tr>
<td>FY20</td>
<td>5.8%</td>
</tr>
<tr>
<td>FY21</td>
<td>6.5%</td>
</tr>
<tr>
<td>FY22</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

- **# reviewed**: 7,787
- **# unspent without a justifiable reason**: 132 (1.7%)*
- **Total annual distributions**: $1.2M

*endowments identified and being addressed by institutions

**Total # fully funded academic positions**: 3,175

**# unfilled for 2+ years**: 180 (5.7%)*
Risks Monitored: Summary of Findings FY 2022 (cont.)

Awarded: 6,889
Scholarships: 679
Grad. Fellowships: 136
Dual Scholarships/Graduate Fellowships: 31
Not Awarded: 846

Fiscal Year | % Unawarded
--- | ---
FY 2020 | 12.3%
FY 2021 | 12.3%
FY 2022 | 10.9%
Other Activities Addressed in FY 2022

Donor Reporting:
• 99.9% of known endowment donors or honorees received an annual report detailing the use of the endowment’s distributions and a comprehensive financial statement (13,398 endowments)

Institutional Endowment Compliance Committee:
• Each institution maintains an internal committee charged with overseeing endowment compliance from an institutional perspective
• The committees include representation from the offices of development, compliance and/or audit, business, financial aid, and various academic and health departments

Staff Training
• Institution staff members with endowment administration responsibilities at any level are expected to receive training on endowment administration and compliance at least every two years