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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/18/2026

Board Meeting: 2/19/2026
Austin, Texas

Janiece Longoria, Chairman
Robert P. Gauntt
Jodie Lee Jiles
Stuart W. Stedman
Kelcy L. Warren
Rad Weaver

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A. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE	*1:15 p.m.* *Chairman Longoria*		
1. **U.T. System: Fiscal Year 2025 Consolidated Annual Financial Report, including the Independent Auditor's Report, and audits of the financial statements of U.T. Austin, U.T.M.D. Anderson Cancer Center, U.T. Southwestern Medical Center, and U.T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)**	**Report/Discussion** *Mr. Pruitt* *Mr. Peppers* *Mr. Blake Rodgers* *Deloitte & Touche*	**Report**	**28**
B. ADJOURN JOINT MEETING AND CONVENE FINANCE AND PLANNING COMMITTEE IN OPEN SESSION	*1:30 p.m.*		
2. **U.T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**	**Discussion**	**Action**	**61**
3. **U.T. System: Financial Status Presentation and Monthly Financial Report**	**Report/Discussion** *Mr. Hull*	Not on Agenda	**62**
4. **U.T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions**	**Action** *Mr. Hull*	**Action**	**89**
5. **U.T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update**	**Report/Discussion** *Mr. Hall*	Not on Agenda	**91**
C. ADJOURN	*2:00 p.m.*		

1. U.T. System: Fiscal Year 2025 Consolidated Annual Financial Report, including the Independent Auditor's Report, and audits of the financial statements of U.T. Austin, U.T.M.D. Anderson Cancer Center, U.T. Southwestern Medical Center, and U.T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)

REPORT

Executive Vice Chancellor Pruitt will discuss the Fiscal Year 2025 Consolidated Annual Financial Report (AFR) highlights. A PowerPoint presentation is included on the following pages for additional detail. The AFR is available online.

Mr. Blake Rodgers, Deloitte & Touche LLP, will report on the results of the audit of the U.T. System AFR and audits of the financial statements of U.T. Austin, U.T.M.D. Anderson Cancer Center, U.T. Southwestern Medical Center, and U.T. Medical Branch - Galveston and for the funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO) for Fiscal Year 2025. Deloitte's PowerPoint presentation with required communications to the Audit, Compliance, and Risk Management Committee is set forth following the AFR highlights presentation.

BACKGROUND INFORMATION

The AFR is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code*, Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U.T. System Consolidated Financial Statements on December 11, 2025.

U.T. System FY 2025 Consolidated Annual Financial Report (AFR) Highlights

Jonathan Pruitt, Executive Vice Chancellor & Chief Operating Officer

U.T. System Board of Regents Meeting
Joint Meeting of the Finance and Planning Committee
and Audit, Compliance, and Risk Management Committee
February 2026

The University of Texas System

FY 2025 Financial Performance

- The System's financial performance remains strong with Systemwide revenues increasing to $41 billion compared to expenses of $32 billion, resulting in a $9 billion increase in net position during the fiscal year.

Year-over-Year Trends (millions)			
Category	**2025**	**2024**	**2023**
Revenues	**$40,918**	$37,149	$31,213
Expenses	**$31,936**	$29,760	$27,100
Income before other changes in Net Position	**$8,982**	$7,389	$4,113

The University of Texas System

FY 2025 Revenues & Expenses – Key Drivers

- Key revenue sources continue to be derived from serving patients and conducting research supplemented by strong capital market returns during FY 2025.

Key Revenue Drivers (millions)			
Category	**2025**	**2024**	**2023**
Clinical – Net Patient Services Revenue	**$15,165**	$13,615	$12,216
Net Investment Income	**$10,149**	$8,822	$5,161
Govt. & Private – Sponsored Programs	**$7,230**	$6,366	$5,737

Key Expense Drivers (millions)			
Category	**2025**	**2024**	**2023**
Comp. & Benefit Expense	**$18,323**	$16,724	$14,899
Depreciation and Amortization	**$1,994**	$1,873	$1,827

The University of Texas System

FY 2025 Net Position

- During the fiscal year, assets and deferred outflows increased $11 billion while liabilities and deferred inflows increased $2 billion resulting in a $9 billion increase in net position, providing a strong foundation to permit the System to continue to make education affordable, allowing faculty to continue to teach and perform research, and continuing to serve patients.

- Of the System's FY 2025 net position, 80% is externally restricted.

Year-over-Year Performance (millions)			
Category	**2025**	**2024**	**2023**
Assets and Deferred Outflows	**$139,242**	$128,409	$119,088
Liabilities and Deferred Inflows	**$52,167**	$50,304	$48,424
Net Position	**$87,075**	$78,105	$70,664

The University of Texas System

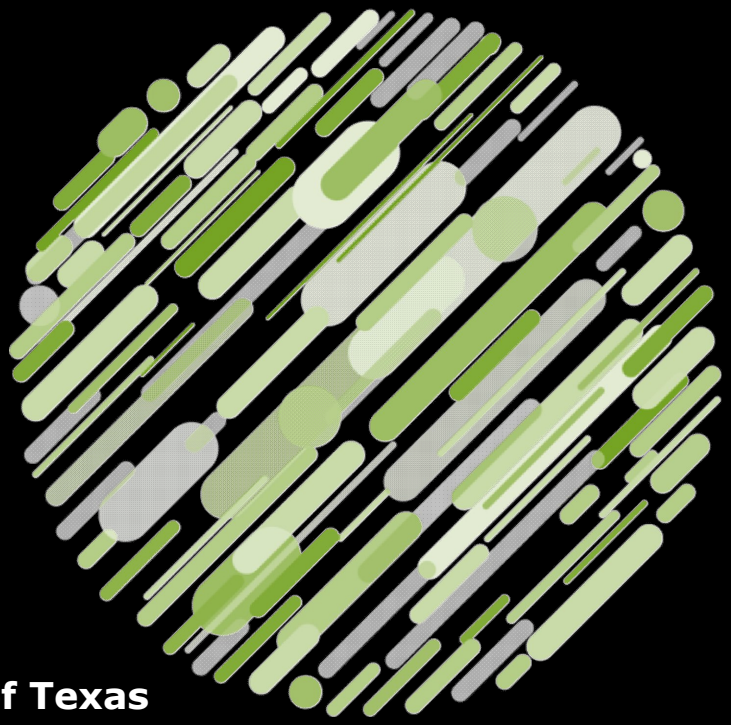
FY 2025 Assets & Liabilities

Largest Assets (millions)			
Category	**2025**	**2024**	**2023**
Unrestricted Cash and Investments	**$28,196**	$25,053	$22,578
Restricted Cash and Investments	**$72,148**	$65,656	$62,414
Other Assets and Deferred Outflows	**$38,898**	$37,699	$34,095

Largest Liabilities (millions)			
Category	**2025**	**2024**	**2023**
Total Debt (Bonds, Notes, Loans and Leases)	**$15,779**	$13,868	$13,350
Other Liabilities and Deferred Inflows	**$36,389**	$36,436	$35,074

The University of Texas System

Deloitte.



Report to The University of Texas System Board of Regents

Joint Meeting of Audit, Compliance, and Risk Management Committee and the Finance and Planning Committee

Blake Rodgers | Audit & Assurance Partner | February 2026

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Deloitte Team Leadership

Meeting with You Today

Blake Rodgers
Lead Client Service Partner
U.T. System Consolidated
U.T. Medical Branch - Galveston

Savita Raghunathan
Relationship Partner

Tracey Guidry Cooley
Managing Director
U.T. Austin,
U.T. Southwestern

Elyza Jain
Managing Director
U.T.M.D. Anderson
Cancer Center

Thomas Wagner
Partner
UTIMCO

Randall Brown
Managing Director
Information
Technology Controls
Specialist

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February 18, 2026

Audit, Compliance, and Risk Management Committee of
The University of Texas System Board of Regents (the "Committee")
210 West 7th Street
Austin, Texas

Dear Committee:

We have performed an audit of the consolidated financial statements of The University of Texas System ("U.T. System") as of and for the year ended August 31, 2025 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and the standards applicable to financial audits contain in *Government Auditing Standards* ("GAGAS"), issued by the Comptroller of the United States, and have issued our report thereon dated December 11, 2025.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of U.T. System is responsible.

This report is intended solely for the information and use of the Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

cc: The Management of U.T. System

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Audit Scope

Financial Statement Audits:

- U.T. System – Consolidated
- U.T.M.D. Anderson Cancer Center
- U.T. Southwestern Medical Center
- U.T. Medical Branch - Galveston
- U.T. Austin
- UTIMCO Funds

Status:

- UTIMCO Funds audits were completed in October 2025
- All other audits were completed in December 2025

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Summary of Uncorrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

- For the year ended August 31, 2025, there were no uncorrected misstatements or disclosure items passed identified during our audit.
- For the year ended August 31, 2024, there were no uncorrected misstatements or disclosure items passed identified at the time of that audit.

However, during our audit this year, we identified a misstatement related to prior year OPEB balances due to revised demographic data used to estimate those balances. U.T. System's management did not restate the consolidated financial statements for the year ended August 31, 2024 for the effects of this OPEB misstatement of these estimates. If the consolidated financial statements for the year ended August 31, 2024 had been updated to revise the estimates, there would have been a reduction of the OPEB Liability, OPEB-related deferred inflows, and OPEB expense of $174.5 million, $114.7 million, and $289.2 million, respectively. This misstatement was corrected for the year ended August 31, 2025.

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Control-Related Matters

Based upon our procedures performed, we did not identify any adjustments as a result of our audit which gave rise to a material weakness or significant deficiency.

- A *deficiency in internal control* over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Spotlight on Certain Upcoming GASB Standards

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective 2026, establishes new accounting and financial reporting requirements (or modifies existing requirements) related to the following:

- Management's discussion and analysis
- Unusual or infrequent items
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends in the statistical section
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
  - Addition of "subsidy" categories within the operating statement

U.T. System is evaluating the effect that Statement No. 103 will have on its financial statements.

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Upcoming GASB Standards (cont.)

The following illustration from GASB 103 reflects the new format of the proprietary fund statement of revenues, expenses, and changes in fund net position.

	Public Utility
OPERATING REVENUES	
Charges for services	$ 41,003
Miscellaneous	283
Total operating revenues	41,286
OPERATING EXPENSES	
Personnel services	13,991
Contractual services	13,952
Insurance claims and expenses	-
Depreciation	11,767
Other	1,067
Total operating expenses	40,777
Operating income (loss)	509
NONCAPITAL SUBSIDIES	
Intergovernmental revenue	-
Transfers in	-
Transfers out	(1,980)
Total noncapital subsidies	(1,980)
Operating income (loss) and noncapital subsidies	(1,471)
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,496
Gain from the sale of capital assets	-
Interest expense	(1,910)
Capital contributions	2,938
Transfers in—restricted for capital assets	1,032
Total other nonoperating revenue (expenses)	3,556
Increase (decrease) in fund net position	2,085
Fund net position—beginning of period	331,657
Fund net position—end of period	$ 333,742

GASB is still developing specific application guidance for noncapital subsidies; however, it will likely include:

- State appropriations
- Transfers between U.T. System and its institutions not restricted for purposes
- Intergovernmental revenue other than revenue for patient services, research, and restricted for capital purposes
- Operating gifts

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Spotlight on Certain Upcoming GASB Standards

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective 2026, establishes certain capital assets and related depreciation/amortization to be displayed separately in the capital asset disclosures:

- Lease assets and subscription assets reported by major class of underlying asset
- Intangible assets (other than the 3 listed below) by major class of asset:
  - Leases
  - Public-Private and Public-Public Partnerships and Available Payment Arrangements, and
  - Subscription-based Information Technology Arrangements
- Definition and disclosure requirements for capital assets held for sale

The System is evaluating the effect that Statement No. 104 will have on its financial statements.

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Appendix A: Accounting Estimates

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant qualitative aspects of U.T. System's particularly sensitive accounting estimates is described in the following slides.

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Accounting Estimates—Patient Accounts Receivable—Valuation

Management's Methodology

- During FY 2025 and FY 2024, management at U.T. health institutions applied a consistent approach to estimating the allowance for doubtful accounts and contractual allowances.
- Management develops an estimate of historical and expected net collections, business and economic conditions, and other collection indicators.
- Management performs reviews of historical collections and write-offs. Adverse changes in business office operations, payor mix, and economic conditions could affect the collection of accounts receivable, cash flows, and results of operations.

(in millions)	August 31, 2025	August 31, 2024
Patient Receivables, net	$1,968	$1,734

Audit Procedures

- Tested the adequacy of certain U.T. institutions' methodologies and procedures used to establish the valuation reserves for patient accounts receivable and evaluation key assumptions used by management.
- For institutions with significant receivable balances, we computed an independent estimate of the allowance for contractual and bad debt for each significant financial class of patient receivable after independently testing the collection percentages.
- Performed testing of the adequacy of doubtful accounts allowances through the review of collections and aging statistics and a look-back analysis.
- Tested for compliance with GASB guidance on the presentation in the financial statements of allowance for doubtful accounts.

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Accounting Estimates—Fair Value of PUF Lands

Management's Methodology

- Management has a consistent methodology from FY 2024 to FY 2025 as it relates to the PUF Lands valuation, which consist of interests in Surface Land and in Oil & Gas Reserve.
- For surface land valuation, Management is using what it terms as the "comparative sales approach" based on an acreage multiplied by the per acre value/price of the land, obtained from the American Society of Farm Managers and Rural Appraisers (ASFMRA) report.
- For oil and gas reserve analysis, Management engages a third-party specialist to develop the reserves for the three categories of reserves (1) proved; (2) probable and (3) possible. Management and the specialists determine reasonable assumptions related to discount rates/factors, reserve adjustment factors, and overall valuation methodology. Management with University Lands compiles data from producers related to production and royalty percentages for submission to the third-party specialist.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the fair value of the PUF lands.

(in millions)	August 31, 2025	August 31, 2024
PUF Lands	$10,632	$10,391

Audit Procedures

For Surface Land Valuation:

- Analyzed the trend of CY surface land values compared to PY and investigate for fluctuations.
- Analyze the land evaluation supporting documents with the assistance of Deloitte fair value and real estate specialists and tested various assumptions as it relates to the valuation approach.

For Oil & Gas Reserve Valuation:

- Read the reserve study with the assistance of Deloitte fair value and oil and gas specialists and tested various assumptions as it relates to discount rates, reserve adjustment factors and valuation techniques.
- Performed testing on the accuracy and completeness of the data submitted to the third-party specialists.
- Performed a lookback analysis on current year production estimates used in the reserve methodology.

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Accounting Estimates—Investments without Readily Determinable Market Values

Management's Methodology

- Significant accounting estimates reflected in the U.T. System financial statements include valuation of certain investments which are specifically the investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient (net asset value) or certain valuations obtained from third-party investment managers.
- Management's estimates are based on financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources.

(in millions)	August 31, 2025	August 31, 2024
Investments Valued Using Net Asset Value	$63,081	$55,747

Audit Procedures

- Confirmed investment balances directly with the underlying managers and obtained the most recent audited financial statements for the underlying fund.
- Re-computed U.T. System's investment as of the most recent audit report date (for most, 12/31/2025) using the audited financial statements.
- Subjected the contribution/subscription, withdrawal, redemption, and distribution activity to the underlying funds to sampling.
- Determined an appropriate benchmark and prepared an analytical review of the year end fair values for selections (e.g. the fair value of the fund investment). Compared the expectation of the performance of the fund to the final fair value and documented our understanding of the performance.

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Accounting Estimates—Teachers' Retirement System Plan

Management's Methodology

- The Teacher Retirement System of Texas ("TRS") pension plan is a state-wide, multi-employer cost sharing plan. Using external actuaries, TRS calculates the total pension liability for the plan. Participating employers record their proportionate share of the net pension liability, pension expense, and related deferred inflows and outflows of resources.
- The State Auditor's Office ("SAO") audits the TRS plan and the proportionate share, and related net pension liability, of each employer. The SAO also audits retiree and active census data.
- U.T. System is responsible for tracking and accurately reporting census data on active participants to TRS and also for contributing the appropriate amounts to TRS.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

(in millions)	August 31, 2025	August 31, 2024
Net Pension Liability	$6,509	$6,961

Audit Procedures

- Read the TRS actuarial study with the assistance of Deloitte actuaries.
- Deloitte actuaries evaluated the methodology and significant assumptions used within the TRS actuarial study.
- Recalculated the proportionate share of U.T. System as it relates to net pension liability, deferred inflows, outflows, annual amortization, and pension expense.
- Read the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the net pension liability, pension expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.

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Accounting Estimates—U.T.M.D. Anderson Supplemental Retirement Plan

Overview

- U.T.M.D. Anderson Physicians Referral Service Supplemental Retirement Plan / Retirement Benefit Plan ("SRP/RBP Plans") are nonqualified plans described by Section 457(f) of the Internal Revenue Code of 1986, as amended. Using external actuaries, U.T.M.D. Anderson calculates the total pension liability for the SRP/RBP Plans.
- U.T.M.D. Anderson is responsible for tracking and accurately reporting census data on participants to the actuary.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

(in millions)	August 31, 2025	August 31, 2024
Total Pension Liability	$952	$926

Qualitative Assessment

- Read the actuarial study with the assistance of Deloitte actuaries.
- Deloitte actuaries evaluated the methodology and significant assumptions used within the actuarial study.
- Perform testing of census data used by U.T.M.D. Anderson to estimate the total pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense.
- Read the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the total pension liability, pension expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.

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Accounting Estimates—Other Postemployment Benefit Plan

Management's Methodology

- U.T. System's other postemployment benefit ("OPEB") plan is a single-employer plan. Management engages an external actuary to determine the liability related to the OPEB plan.
- Management within the Office of Employee Benefits ("OEB") is responsible for tracking and accurately reporting census data of participants to the actuary. This data is submitted by the individual U.T. institutions to the OEB.
- Management ensures the proper disclosures and required supplementary information for the plan are in the Annual Financial Report.

(in millions)	August 31, 2025	August 31, 2024
Total OPEB Liability	$8,894	$8,786

Audit Procedures

- Obtained the actuarial study and with the assistance of Deloitte actuaries, evaluated methodology and tested various assumptions such as discount rates and mortality assumptions.
- Perform testing of census data used by U.T. System to estimate the total OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense.
- Recalculated the proportionate share of U.T. System as it relates to total OPEB liability, deferred inflows of resources, deferred outflows of resources, annual amortization, and OPEB expense.
- Evaluated the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the total OPEB liability, OPEB expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.

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Appendix B: Other Required Communications

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Other Required Communications

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

Our responsibility under generally accepted auditing standards and generally accepted government auditing standards has been described in our agreement with the Board of Regents of U.T. System dated August 1, 2022. As described in that agreement, our responsibilities under generally accepted auditing standards and generally accepted government auditing standards include forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of the Committee are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). The audit of the financial statements does not relieve management or the Committee of their responsibilities. We considered internal control relevant to U.T. System's preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of U.T. System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of U.T. System's internal control over financial reporting.

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Other Required Communications (cont.)

Significant Accounting Policies

U.T. System's significant accounting policies are set forth in Note 4 to U.T. System's 2025 financial statements. We are aware of the following changes in previously adopted significant accounting policies:

- GASB Statement No. 101, *Compensated Absences*, became effective for fiscal years beginning after December 15, 2023. It establishes a unified model for recognizing and measuring liabilities for compensated absences. The Statement improves consistency in financial reporting by aligning recognition criteria across various leave types and clarifying measurement requirements, including salary-related payments directly and incrementally associated with leave. 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, 2024, and related disclosures.

- GASB Statement No. 102, *Certain Risk Disclosures*, became effective for fiscal years beginning after June 15, 2024. The Statement requires disclosure of vulnerabilities due to certain concentrations or constraints that could have a substantial impact on a government's ability to acquire resources or control spending, if specific criteria are met. The implementation of this Statement did not result in any note disclosures, as the System did not identify any events, associated with any concentrations or constraints, that have occurred or are more likely than not to begin occurring within 12 months that would make the System vulnerable to the risk of a substantial impact.

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Other Required Communications (cont.)

Significant Accounting Policies (Continued)

U.T. System's significant accounting policies are set forth in Note 4 to U.T. System's 2025 financial statements. We are aware of the following changes in previously adopted significant accounting policies:

- Based on new industry guidance, U.T. System changed the measurement methodology used to estimate student tuition discounts to a more preferable methodology. For the year ended August 31, 2025, student tuition discounts are being estimated by first allocating institutional aid to tuition and fee charges, then any excess aid is reported as scholarships and fellowships expense. This change in methodology resulted in an increase in student tuition discounts and a decrease in scholarships and fellowships expense when comparing the years ended August 31, 2025 and 2024. This change in methodology has no impact on the change in net position in either year.

We have evaluated the significant qualitative aspects of the U.T. System's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

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Other Required Communications (cont.)

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of U.T. System's management and staff and had unrestricted access to U.T. System's senior management in the performance of our audit.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to U.T. System's 2025 financial statements.

Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2025.

Emphasis of Matter

As discussed in Note 1, the financial statements of U.T. 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 U.T. System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2025 and 2024, 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.

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Other Required Communications (cont.)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the U.T. System's Proportionate Share of Changes in Employer Total OPEB Liability and Related Ratios, the Schedule of the U.T. System's Proportionate Share of Total OPEB Liability, the Schedule of the U.T. System's Proportionate Share of the Net Pension Liability for the Teacher Retirement System Pension Plan, the Schedule of the U.T. System's Contributions for the Teacher Retirement System Pension Plan, and the Schedule of U.T.M.D. Anderson's PRS SRP/RBP Pension Liability be presented to supplement the consolidated 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 consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise U.T. System's consolidated financial statements. The U.T. System Administration and Institution Financial Information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the U.T. System Administration and Institution Financial Information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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Appendix C: Representations from Management

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Management’s Representations

We have made specific inquiries of U.T. System’s management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations U.T. System is required to provide to its independent auditors under generally accepted auditing standards. A copy of the representation letter obtained from management was provided separately to the Board.

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2. U.T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on Page 166.

3. U.T. System: Financial Status Presentation and Monthly Financial Report

Mr. Terry Hull, Associate Vice Chancellor and Chief Financial Officer, will discuss the Financial Status Presentation, the highlights of which are set forth in the PowerPoint on the following pages and the November Monthly Financial Report, which follows the PowerPoint. The monthly financial report represents the consolidated and individual operating detail of the U.T. institutions.

U.T. System

Fiscal Year-to-Date Actuals and Projected Fiscal Year-End

Terry Hull
Associate Vice Chancellor and Chief Financial Officer

U.T. System Board of Regents Meeting
Finance and Planning Committee
February 2026

The University of Texas System

U.T. System Consolidated Summary

Fiscal Year Summary

Period Ending November 30, 2025

Revenues
$11,159.4 M

Expenses
$7,915.7 M

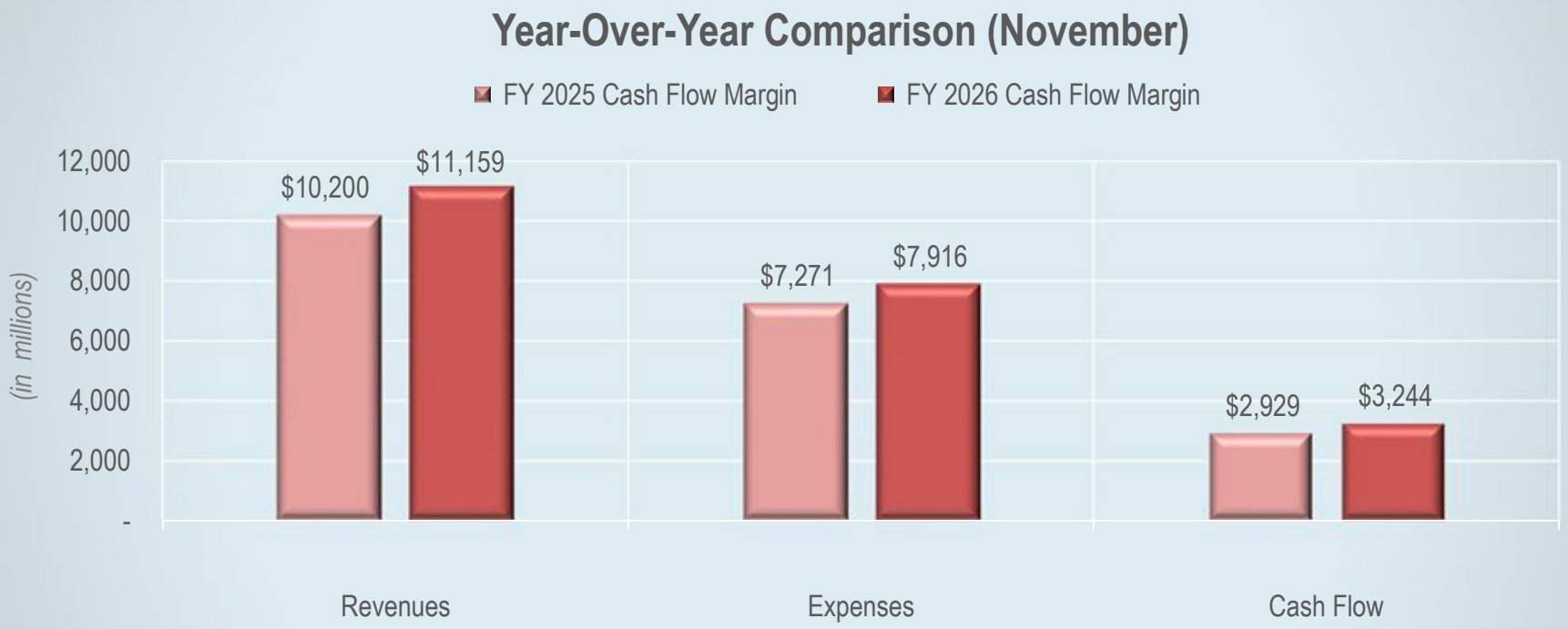
Cash Flow Margin
$3,243.7 M

FYE Projected Cash Flow
$3,963.5 M

The University of Texas System

Excludes Other Postemployment Benefits, Pension & Depreciation Expenses

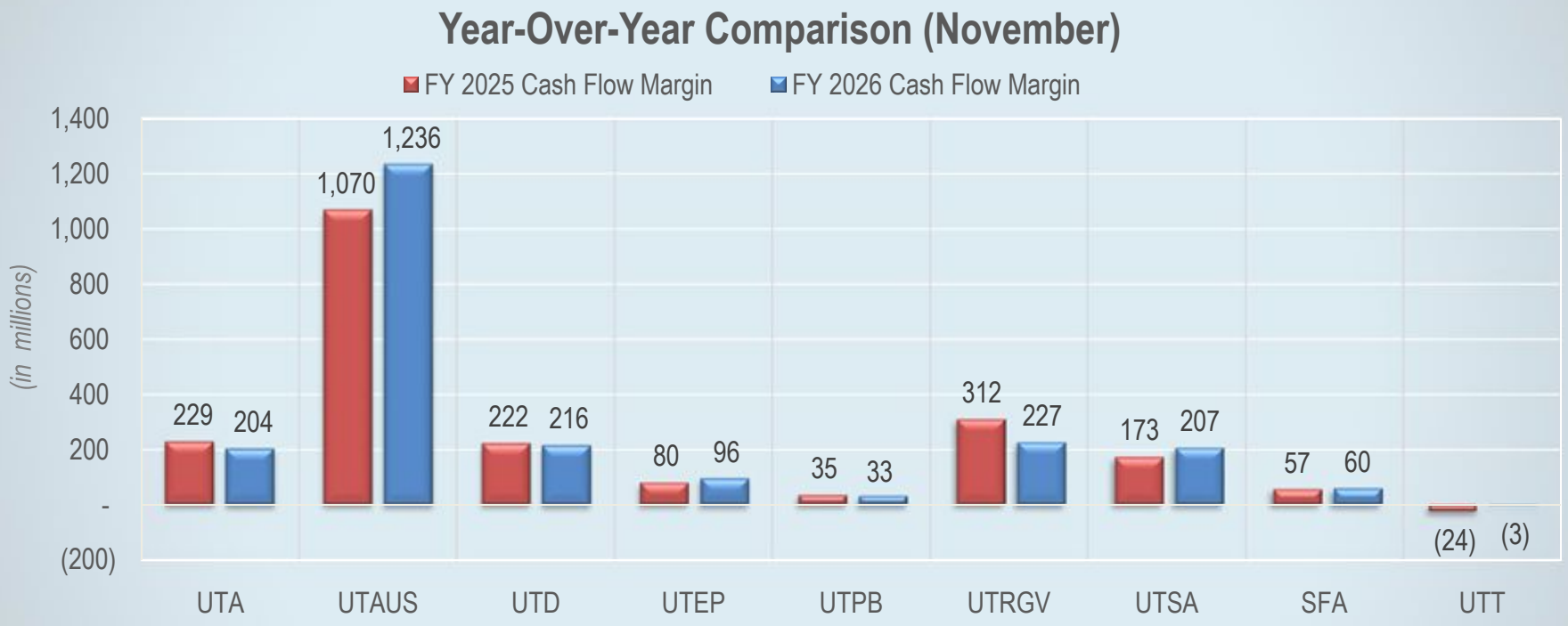
U.T. System Consolidated Revenue & Expenses



The University of Texas System

Excludes Other Postemployment Benefits, Pension & Depreciation Expenses

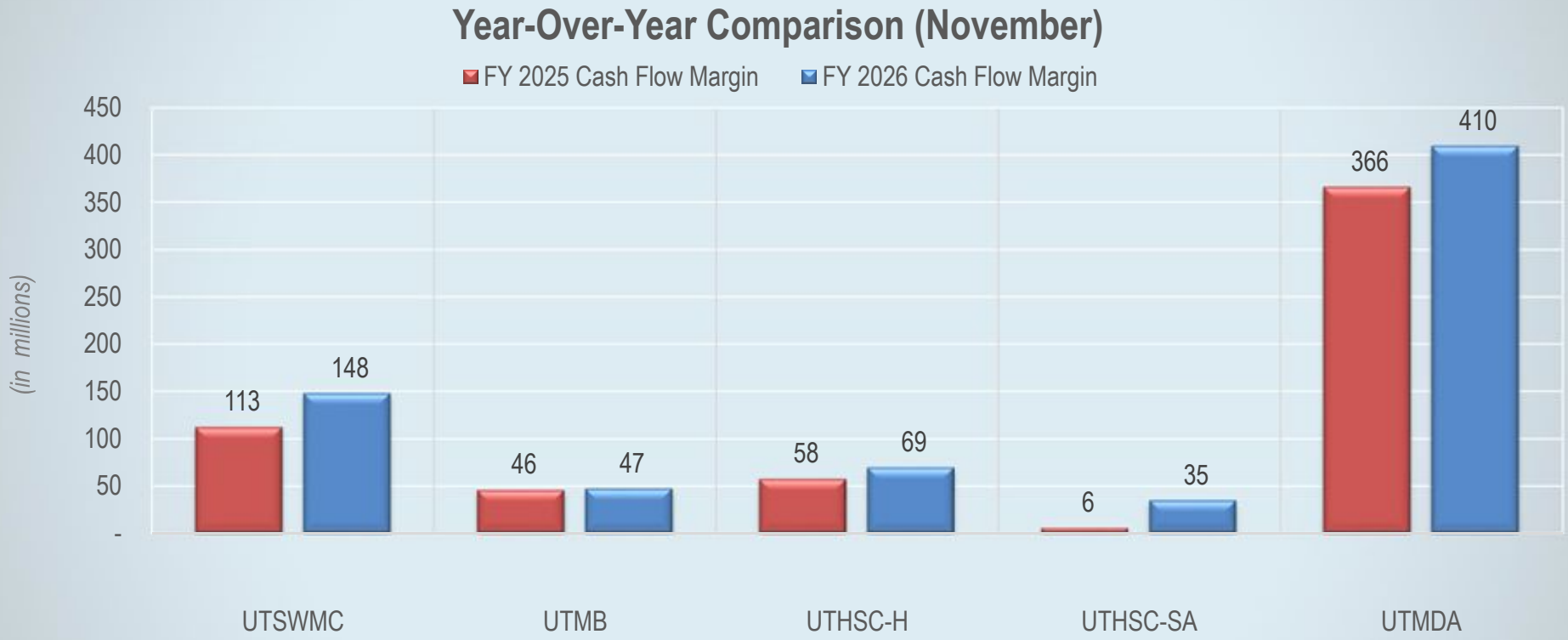
Cash Flow Margin – Academic Institutions



The University of Texas System

Excludes Depreciation Expense

Cash Flow Margin – Health Institutions



The University of Texas System

Excludes Depreciation Expense

Budget to Projected – Academic Institutions

Projected FY 2026

	Budget ($ Millions)				**Projected** ($ Millions)				
	Revenues	Expenses	Cash Flow	Cash Flow Ratio	Revenues	Expenses	Cash Flow	Cash Flow Ratio	
U.T. Arlington	$876.7	$840.5	$36.2	4.1%	$876.7	$840.5	$36.2	4.1%	▲
U.T. Austin	$4,568.6	$4,114.9	$453.7	9.9%	$4,541.2	$3,979.5	$561.7	12.4%	▲
U.T. Dallas	$907.0	$814.1	$92.9	10.2%	$927.9	$809.6	$118.3	12.7%	▲
U.T. El Paso	$563.8	$540.5	$23.3	4.1%	$566.8	$542.9	$23.9	4.2%	▲
U.T. Permian Basin	$109.6	$104.4	$5.2	4.8%	$108.6	$95.1	$13.5	12.4%	▲
U.T. Rio Grande Valley	$747.3	$727.0	$20.2	2.7%	$741.2	$722.3	$18.9	2.5%	▲
U.T. San Antonio	$816.5	$793.5	$23.1	2.8%	$857.2	$769.4	$87.8	10.2%	▲
Stephen F. Austin	$226.9	$220.9	$6.0	2.6%	$228.2	$220.9	$7.3	3.2%	▲
U.T. Tyler	$711.2	$676.2	$35.0	4.9%	$711.2	$676.2	$35.0	4.9%	▲
Total	**$9,527.5**	**$8,831.8**	**$695.7**	**7.3%**	**$9,559.0**	**$8,656.5**	**$902.6**	**9.4%**	▲

The University of Texas System

Excludes Depreciation Expense

Budget to Projected – Health Institutions

Projected FY 2026									
	Budget ($ Millions)				**Projected** ($ Millions)				
	Revenues	Expenses	Cash Flow	Cash Flow Ratio	Revenues	Expenses	Cash Flow	Cash Flow Ratio	
U.T. Southwestern Medical Center	$6,391.1	$5,974.3	$416.8	6.5%	$6,775.2	$6,308.6	$466.5	6.9%	▲
U.T. Medical Branch - Galveston	$3,703.2	$3,486.4	$216.8	5.9%	$3,701.7	$3,484.9	$216.8	5.9%	▲
U.T. Health Science Center - Houston	$2,824.5	$2,730.3	$94.1	3.3%	$2,872.7	$2,758.4	$114.3	4.0%	▲
U.T. Health Science Center - San Antonio	$1,869.3	$1,765.5	$103.8	5.6%	$1,854.4	$1,761.3	$93.1	5.0%	▲
U.T.M.D. Anderson Cancer Center	$9,375.2	$7,932.0	$1,443.1	15.4%	$9,404.7	$7,922.2	$1,482.5	15.8%	▲
Total	**$24,163.2**	**$21,888.5**	**$2,274.7**	**9.4%**	**$24,608.7**	**$22,235.5**	**$2,373.2**	**9.6%**	▲

The University of Texas System

Excludes Depreciation Expense

Financial Summary

U.T. System Administration
November 2025

U.T. System Administration	Adjusted Budget	Actuals	% of Budget
U.T. System Administration Operations (AUF)	$69,725,770	$12,321,712	18%
U.T. System Administration – University Lands (PUF)	$36,105,593	$7,683,016	21%
U.T. System Administration Service Departments & Other (Non-AUF)	$52,109,034	$10,339,400	20%
Total U.T. System Administration	**$157,940,397**	**$30,344,128**	**19%**

Excludes the following components of the U.T. Systemwide Annual Operating Budget:

- *State General Revenue Funded programs for Lone Star Stroke, Texas Child Mental Health Care Consortium, U.T. System Multi-Institution Center in Laredo, and REAL Health AI*
- *Sponsored programs from grants and federal support through the Employee Group Waiver Program for Medicare Part D retiree prescription drug coverage*
- *Capital Construction Assistance Projects and PUF Debt Service*
- *Depreciation and capitalized lease amortization*
- *Self-insurance claims activity and certain systemwide software licenses centrally negotiated and reimbursed by U.T. institutions*

The University of Texas System

The University of Texas System

OFFICE OF THE CHIEF FINANCIAL OFFICER

Budget and Planning

MONTHLY FINANCIAL REPORT

(unaudited)

NOVEMBER 2025 • FY 2026

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 ◆ Stephen F. Austin State University ◆ 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

210 West Seventh Street I Austin, Texas 78701 I 512.499.4792
www.utsystem.edu/offices/budget-and-planning

Monthly Financial Report
Comparison of Adjusted Cash Flow Margin
For the Period Ending November 30, 2025

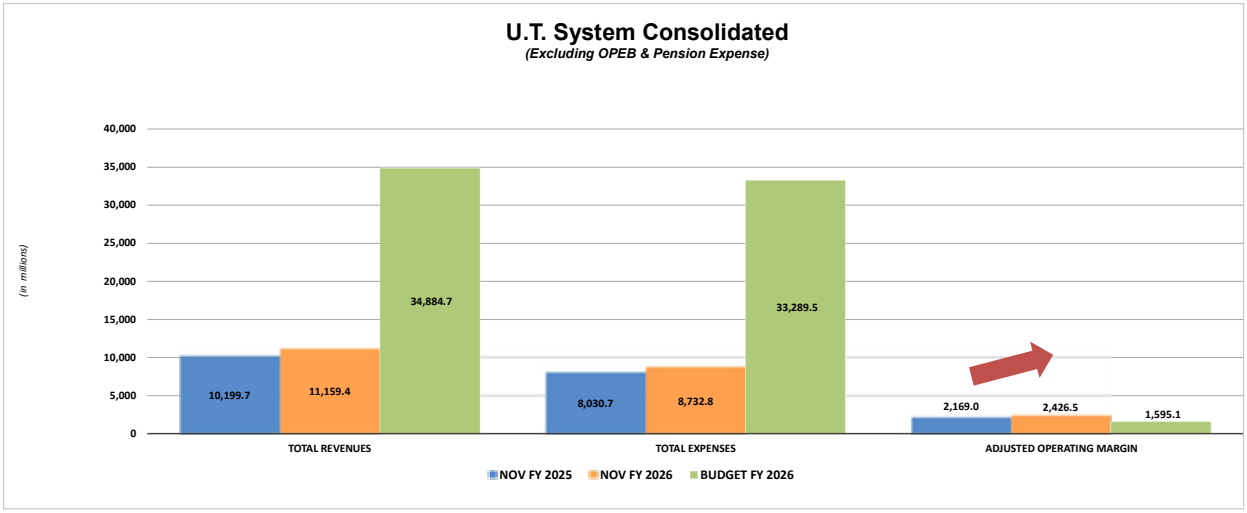
Executive Summary of Adjusted Cash Flow Margin (Loss)*

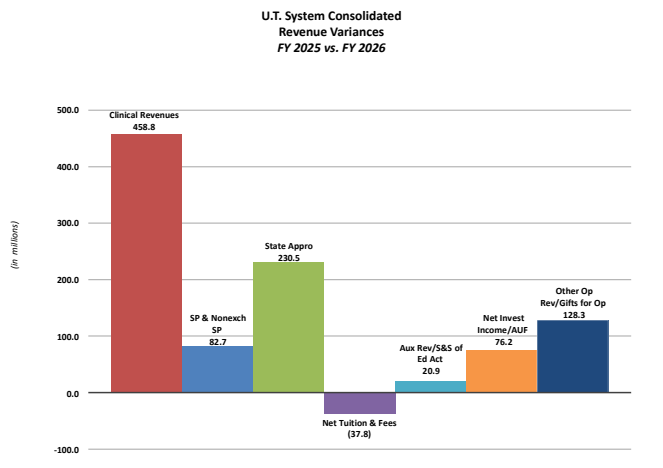
(Excludes OPEB, Pension, Depreciation and Amortization Expense)

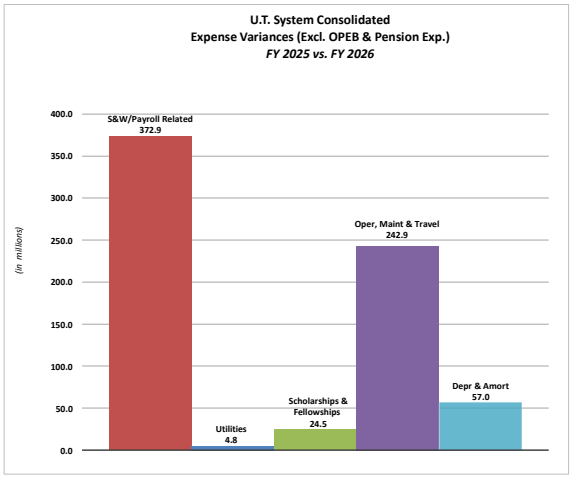
(in millions)	November FYTD 2024	November FYTD 2025	FY 2026 Budget	Annual Projected FY 2026	Variance %	Comments on Budget to Projection Variance
U.T. Arlington	229.1	204.2	36.2	36.2	0%	No significant variances in revenues or expenses; Institution remains on target to meet budget.
U.T. Austin	1,070.1	1,235.5	453.7	561.7	24%	Increase in Gift Contributions for Operations due to higher pledged donations; Increase in Net Investment Income from COVID-19 vaccine patent proceeds.
U.T. Dallas	222.5	215.7	92.9	118.3	27%	Decrease in Operations, Maintenance and Travel due to planned use of debt service and strategic funding reserves; Increase in Net Investment Income due to favorable market conditions.
U.T. El Paso	80.3	95.9	23.3	23.9	2%	Increase in Net Tuition and Fees revenue due to higher student enrollment.
U.T. Permian Basin	35.4	32.7	5.2	13.5	157%	Salaries & Wages/Payroll Related Costs savings from faculty and staff vacancies combined with planned reorganizations.
U.T. Rio Grande Valley	311.5	226.9	20.2	18.9	-7%	Decrease in Clinical Revenues due to delays in opening the new UT Health RGV Cancer and Surgery Center.
U.T. San Antonio	173.0	206.5	23.1	87.8	281%	Decrease in Operations, Maintenance and Travel due to increased inflation assumptions at time of budget development, and cost savings from in-sourcing integration activities.
Stephen F. Austin State University	56.6	59.6	6.0	7.3	22%	Increase in Net Tuition and Fees due to higher fall enrollment and projected spring enrollment growth.
U.T. Tyler	(24.4)	(2.9)	35.0	35.0	0%	No significant variances in revenues or expenses; Institution remains on target to meet budget.
U.T. Southwestern Medical Center	113.2	147.8	416.8	466.5	12%	Increase in Clinical Revenues from increased patient volume and rates; Increase in Other Operating Revenues due to growth in oncology programs.
U.T. Medical Branch - Galveston	46.1	46.8	216.8	216.8	0%	No significant variances in revenues or expenses; Institution remains on target to meet budget.
U.T. Health Science Center - Houston	57.8	69.2	94.1	114.3	21%	Increase in Sponsored Programs due to higher indirect cost rate; Increase in Net Investment Income from shifting investments.
U.T. Health Science Center – San Antonio	5.5	34.5	103.8	93.1	-10%	Decrease in State Appropriations due to deferring a portion of the TRC4 funding for use next year.
U.T.M.D. Anderson Cancer Center	366.4	409.9	1,443.1	1,482.5	3%	Increase in Net Investment Income due to improved market conditions.
U.T. System Administration (excluding OPEB & Pension Expense)	186.0	261.2	681.1	687.7	1%	Increase in State Appropriations due to full biennial amount for UT REAL AI received in the current year.
Total Adjusted Cash Flow Margin	**$ 2,929.1**	**3,243.7**	**3,651.5**	**3,963.5**	**9%**	

* For additional details on the variances, please see pages 3 through 17 of the MFR.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025





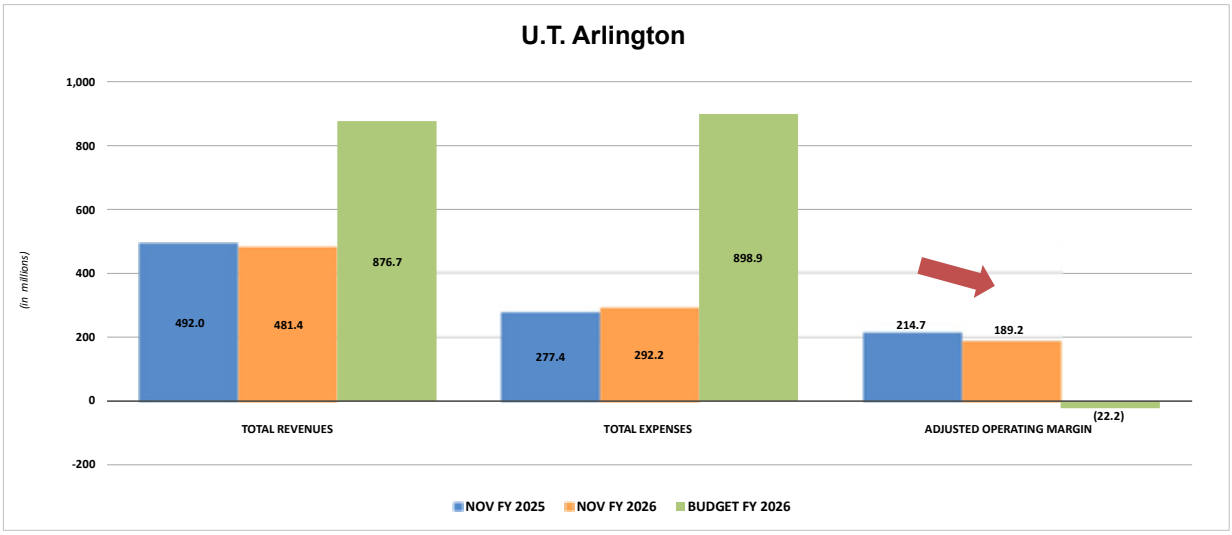


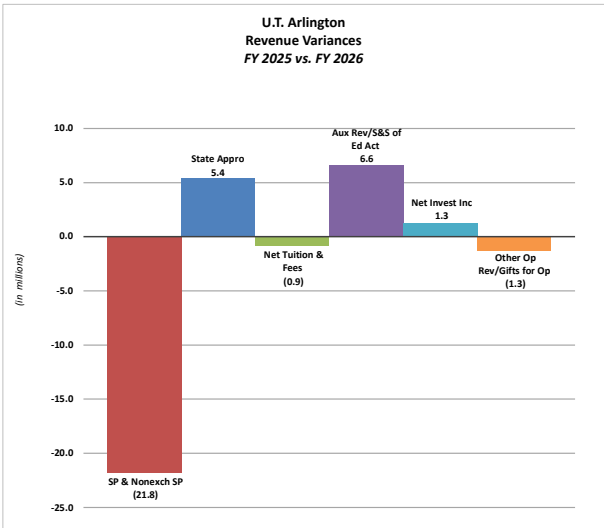
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 3,594.6	4,053.4	458.8	16,447.6	16,653.0	205.4
Sponsored Programs/Nonexchange Sponsored Programs	1,469.8	1,552.6	82.7	6,797.9	6,860.0	62.1
State Appropriations	1,507.1	1,737.7	230.5	3,194.6 *	3,185.4	(9.2)
Net Tuition and Fees	1,452.7	1,414.9	(37.8)	2,088.8	1,911.4	(177.4)
Auxiliary Revenues/Sales & Services of Educational Activities	546.7	567.6	20.9	1,582.6	1,641.0	58.5
Net Investment Income	1,279.4	1,355.6	76.2	3,263.6	3,389.3	125.7
Other Operating Revenues/Gift Contributions for Operations	349.3	477.6	128.3	1,509.6	1,728.9	219.3
Total Revenues	10,199.7	11,159.4	959.7	34,884.7	35,369.1	484.4
Salaries and Wages/Payroll Related Costs	4,545.0	4,917.9	372.9	19,504.9	19,917.7	412.8
Utilities	76.9	81.7	4.8	369.9	368.3	(1.6)
Scholarships and Fellowships	461.9	486.4	24.5	584.9	387.2	(197.7)
Operations, Maintenance and Travel	2,186.8	2,429.7	242.9	10,773.5 *	10,732.4	(41.1)
Depreciation and Amortization	760.1	817.1	57.0	2,056.4	2,080.8	24.4
Total Expenses (Excluding OPEB & Pension Exp)	$ 8,030.7	8,732.8	702.1	33,289.5	33,486.5	196.9
Adjusted Operating Margin (Excluding OPEB & Pension Exp)	2,169.0	2,426.5	257.6	1,595.1	1,882.6	287.5
Adjusted Cash Flow Margin (Excluding OPEB, Pension, Depr & Amort Exp)	2,929.1	3,243.7	314.5	3,651.5	3,963.5	311.9

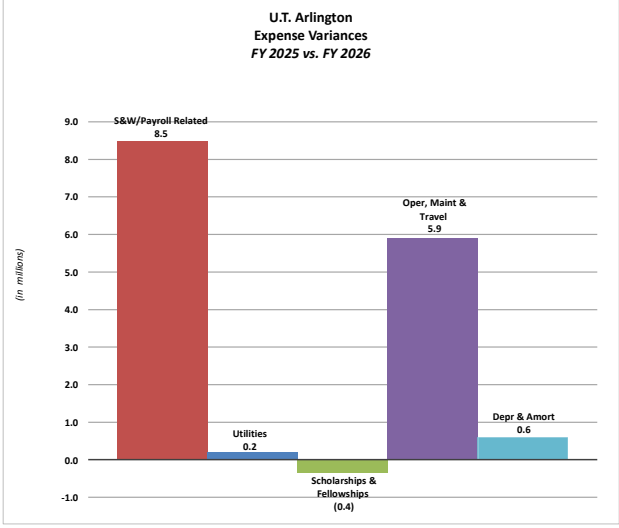
*State appropriations and corresponding expense for TRB/CCAP for all U.T. institutions have been excluded.

Excluding other postemployment benefits (OPEB), pension, and depreciation expense, U.T. System Consolidated anticipates ending the year with an adjusted cash flow margin of $3,963.5 million, which represents an increase of $311.9 million (9%) as compared to the budgeted level. The projected increase is primarily due to an increase in clinical revenues and other operating revenues associated with increased patient volumes and rates; and an increase in net investment income as a result of improved market conditions.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



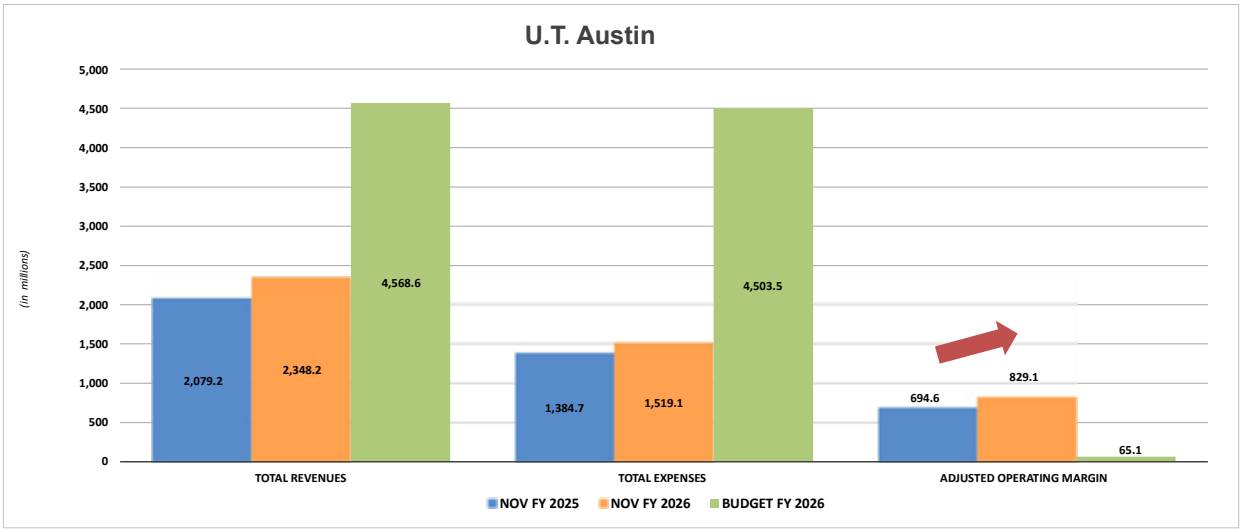


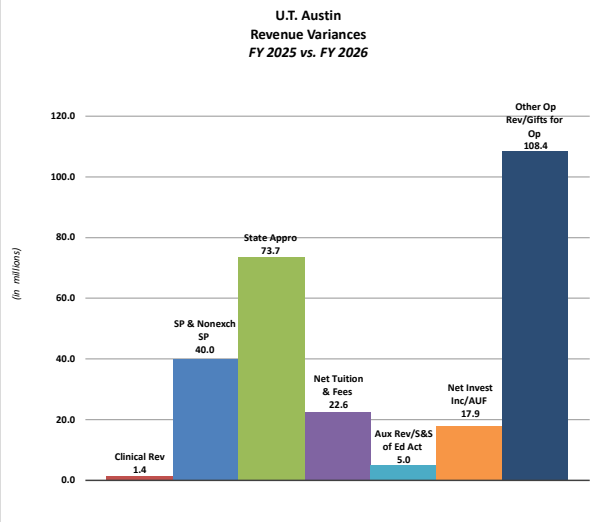


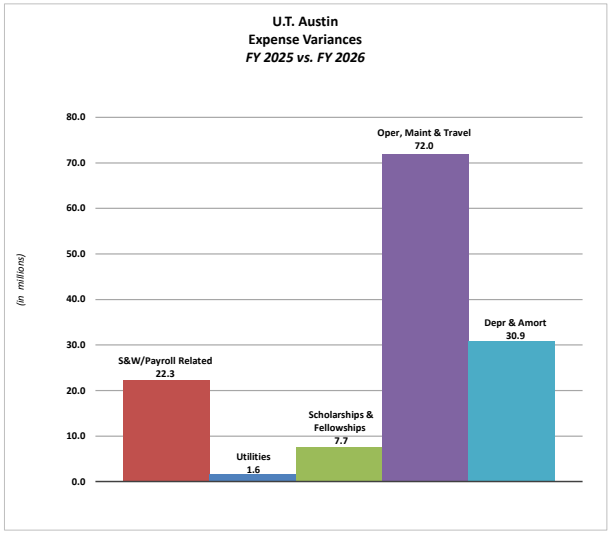
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 90.0	68.2	(21.8)	220.0	220.0	0.0
State Appropriations	146.4	151.8	5.4	182.4	182.4	0.0
Net Tuition and Fees	206.0	205.1	(0.9)	324.0	324.0	0.0
Auxiliary Revenues/Sales & Services of Educational Activities	32.8	39.4	6.6	93.0	93.0	0.0
Net Investment Income	12.5	13.8	1.3	32.1	32.1	0.0
Other Operating Revenues/Gift Contributions for Operations	4.4	3.1	(1.3)	25.1	25.1	0.0
Total Revenues	492.0	481.4	(10.7)	876.7	876.7	0.0
Salaries and Wages/Payroll Related Costs	136.8	145.3	8.5	537.9	537.9	0.0
Utilities	1.7	1.9	0.2	11.1	11.1	0.0
Scholarships and Fellowships	65.8	65.4	(0.4)	21.8	21.8	0.0
Operations, Maintenance and Travel	58.6	64.5	5.9	269.6	269.6	0.0
Depreciation and Amortization	14.5	15.1	0.6	58.4	58.4	0.0
Total Expenses	$ 277.4	292.2	14.9	898.9	898.9	0.0
Adjusted Operating Margin	214.7	189.2	(25.5)	(22.2)	(22.2)	0.0
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	229.1	204.2	(24.9)	36.2	36.2	0.0

U.T. Arlington anticipates ending the year with an adjusted cash flow margin of $36.2 million, in line with the budgeted level (0% variance). The projection reflects no material changes in revenues or expenses, and U.T. Arlington remains on track to meet budget.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



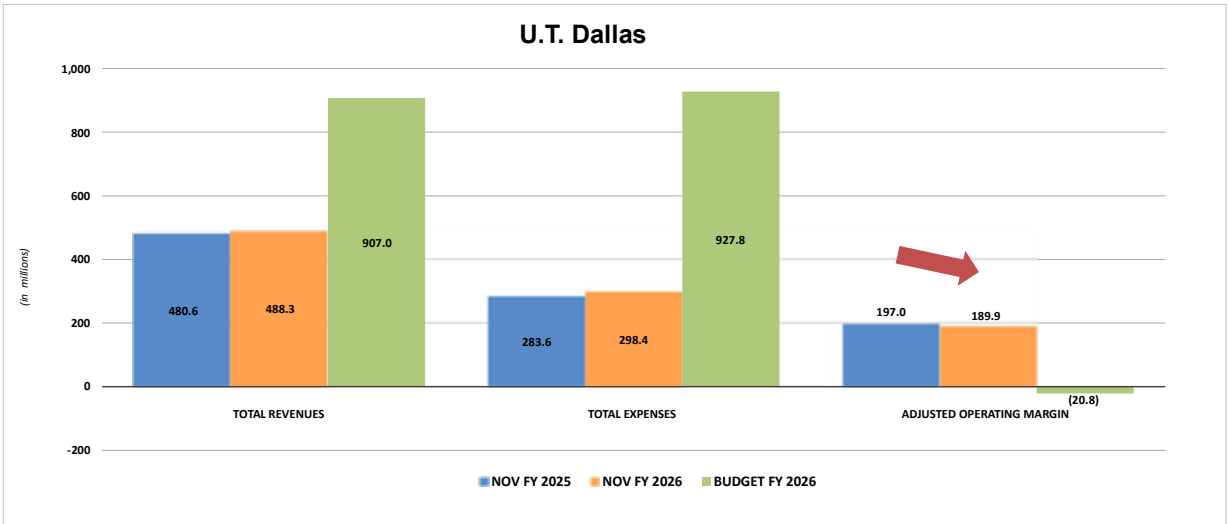


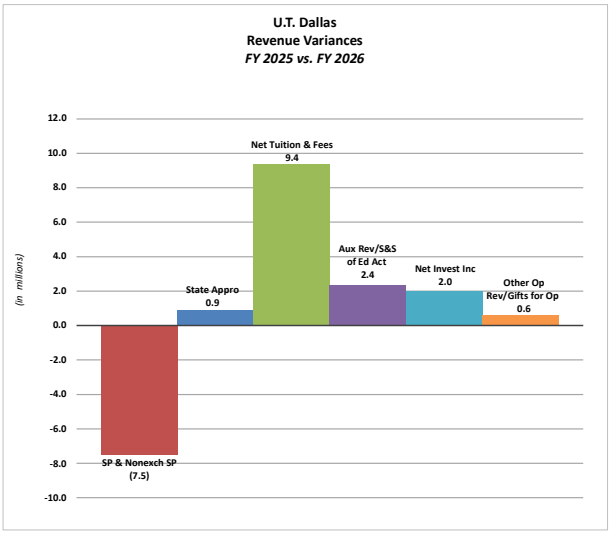


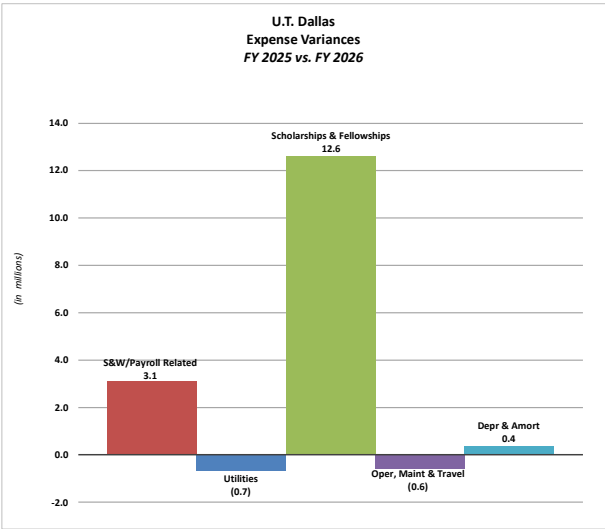
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 5.1	6.5	1.4	23.7	28.1	4.4
Sponsored Programs/Nonexchange Sponsored Programs	267.5	307.5	40.0	1,247.8	1,247.8	0.0
State Appropriations	346.7	420.4	73.7	523.0	516.1	(6.9)
Net Tuition and Fees	416.5	439.1	22.6	573.9	390.2	(183.7)
Auxiliary Revenues/Sales & Services of Educational Activities	285.3	290.2	5.0	831.9	866.3	34.4
Net Investment Income/Available University Fund (AUF)	671.1	689.1	17.9	966.4	1,017.2	50.8
Other Operating Revenues/Gift Contributions for Operations	87.1	195.5	108.4	401.8	475.5	73.7
Total Revenues	2,079.2	2,348.2	269.0	4,568.6	4,541.2	(27.4)
Salaries and Wages/Payroll Related Costs	567.7	590.0	22.3	2,515.6	2,637.6	122.1
Utilities	24.1	25.7	1.6	98.7	103.0	4.3
Scholarships and Fellowships	181.7	189.4	7.7	278.0	76.9	(201.2)
Operations, Maintenance and Travel	235.7	307.7	72.0	1,222.6	1,162.0	(60.6)
Depreciation and Amortization	375.5	406.4	30.9	388.7	406.4	17.8
Total Expenses	$ 1,384.7	1,519.1	134.5	4,503.5	4,385.9	(117.6)
Adjusted Operating Margin	694.6	829.1	134.6	65.1	155.3	90.2
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	1,070.1	1,235.5	165.4	453.7	561.7	108.0

U.T. Austin anticipates ending the year with an adjusted cash flow margin of $561.7 million, which represents an increase of $108.0 million (24%) as compared to the budgeted level. The projected increase is attributable to the following: an increase in gift contributions for operations due to an increase in pledged donations; and an increase in net investment income as a result of COVID-19 vaccine patent proceeds. The scholarships and fellowships variance reflects a change in the accounting methodology for recording scholarships and fellowships after the budget was approved.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025







(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 41.6	34.0	(7.5)	171.2	191.8	20.6
State Appropriations	151.3	152.2	0.9	180.0	180.6	0.7
Net Tuition and Fees	217.0	226.4	9.4	339.5	330.2	(9.2)
Auxiliary Revenues/Sales & Services of Educational Activities	37.4	39.8	2.4	103.6	107.8	4.2
Net Investment Income	28.2	30.2	2.0	80.8	87.8	7.0
Other Operating Revenues/Gift Contributions for Operations	5.2	5.8	0.6	31.9	29.7	(2.2)
Total Revenues	480.6	488.3	7.7	907.0	927.9	21.0
Salaries and Wages/Payroll Related Costs	141.0	144.1	3.1	542.1	563.1	21.0
Utilities	3.5	2.9	(0.7)	16.8	14.9	(1.9)
Scholarships and Fellowships	72.0	84.6	12.6	59.5	49.0	(10.5)
Operations, Maintenance and Travel	41.6	41.0	(0.6)	195.8	182.7	(13.1)
Depreciation and Amortization	25.5	25.9	0.4	113.7	104.6	(9.2)
Total Expenses	$ 283.6	298.4	14.8	927.8	914.2	(13.6)
Adjusted Operating Margin	197.0	189.9	(7.1)	(20.8)	13.7	34.6
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	222.5	215.7	(6.7)	92.9	118.3	25.4

U.T. Dallas anticipates ending the year with an adjusted cash flow margin of $118.3 million, which represents an increase of $25.4 million (27%) as compared to the budgeted level. The projected increase is due to the following: a decrease in operations, maintenance and travel expenses as a result of budgeted debt service reserves and strategic funding reserves planned for use over the next several years; and an increase in net investment income attributable to favorable market conditions.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
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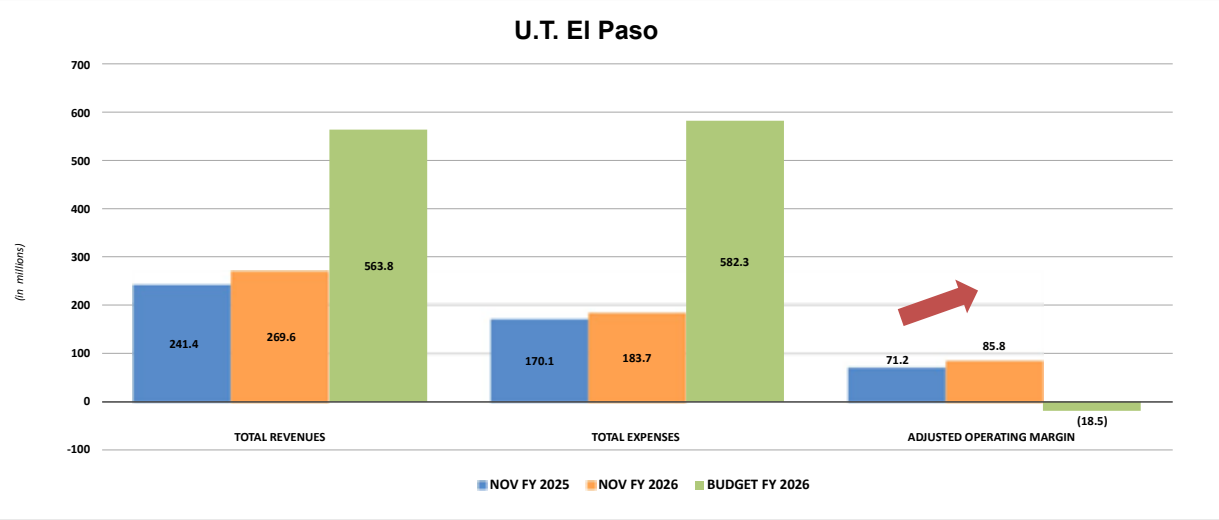
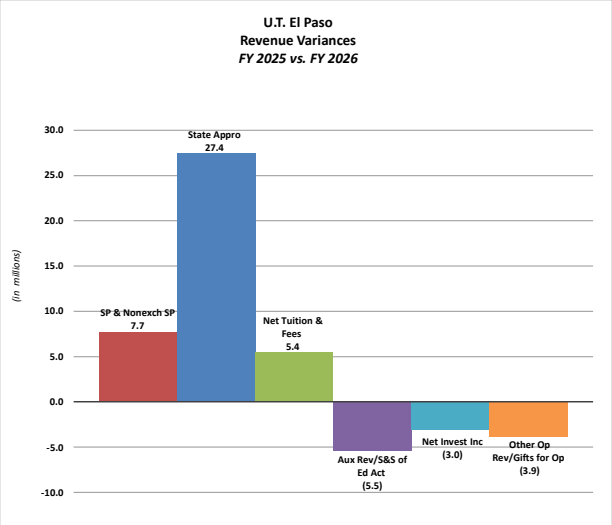
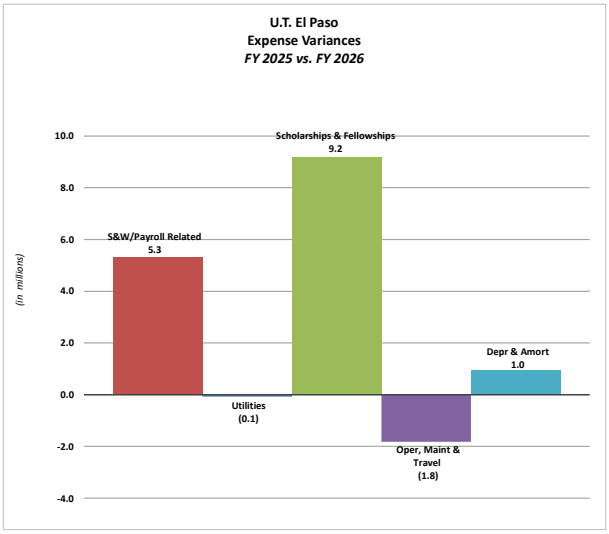


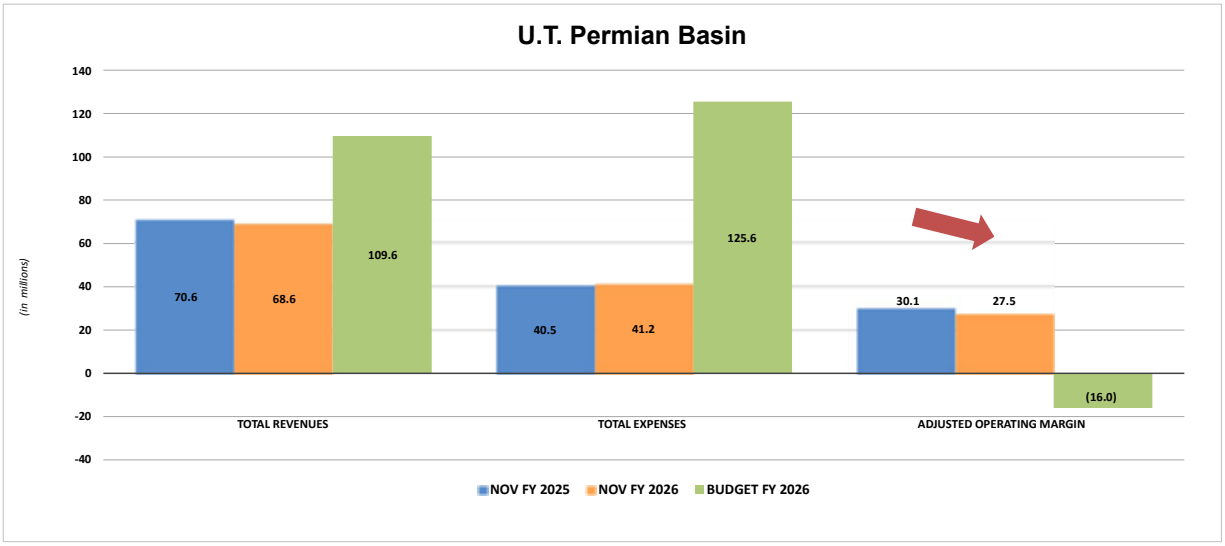


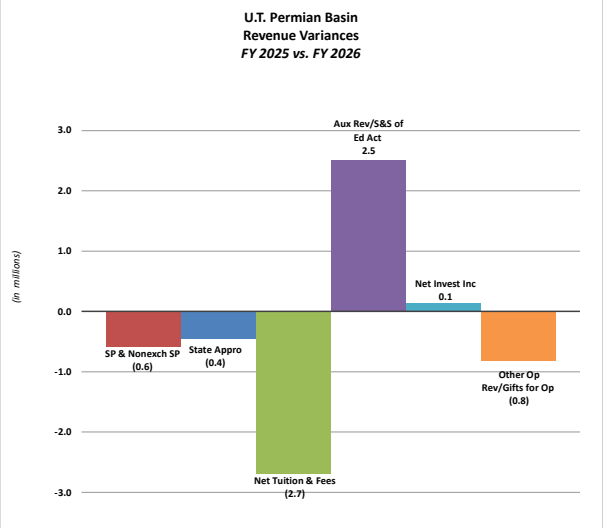


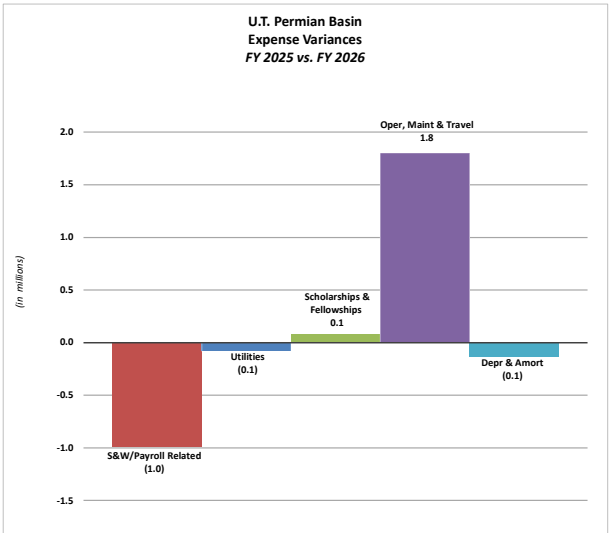
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 8.7	16.4	7.7	190.0	191.1	1.1
State Appropriations	105.4	132.9	27.4	155.0	155.0	0.0
Net Tuition and Fees	96.0	101.5	5.4	93.4	94.7	1.3
Auxiliary Revenues/Sales & Services of Educational Activities	15.7	10.2	(5.5)	68.7	68.8	0.1
Net Investment Income	10.3	7.3	(3.0)	32.5	33.0	0.5
Other Operating Revenues/Gift Contributions for Operations	5.2	1.3	(3.9)	24.2	24.2	0.0
Total Revenues	241.4	269.6	28.2	563.8	566.8	3.0
Salaries and Wages/Payroll Related Costs	90.0	95.3	5.3	326.1	328.5	2.4
Utilities	2.1	2.0	(0.1)	10.0	10.0	0.0
Scholarships and Fellowships	32.5	41.7	9.2	36.9	37.1	0.3
Operations, Maintenance and Travel	36.5	34.7	(1.8)	167.5	167.3	(0.2)
Depreciation and Amortization	9.1	10.1	1.0	41.8	41.6	(0.2)
Total Expenses	$ 170.1	183.7	13.6	582.3	584.6	2.3
Adjusted Operating Margin	71.2	85.8	14.6	(18.5)	(17.8)	0.7
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	80.3	95.9	15.6	23.3	23.9	0.5

U.T. El Paso anticipates ending the year with an adjusted cash flow margin of $23.9 million, which represents an increase of $0.5 million (2%) as compared to the budgeted level. The projected increase is primarily attributable to an increase in net student tuition and fees due to increased enrollment.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025







(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 4.5	3.9	(0.6)	26.4	26.4	0.0
State Appropriations	29.7	29.3	(0.4)	33.4	33.4	0.0
Net Tuition and Fees	28.5	25.8	(2.7)	25.1	24.1	(1.0)
Auxiliary Revenues/Sales & Services of Educational Activities	3.6	6.1	2.5	8.7	8.7	0.0
Net Investment Income	1.4	1.6	0.1	4.5	4.5	0.0
Other Operating Revenues/Gift Contributions for Operations	2.9	2.1	(0.8)	11.5	11.5	0.0
Total Revenues	70.6	68.6	(1.9)	109.6	108.6	(1.0)
Salaries and Wages/Payroll Related Costs	14.7	13.7	(1.0)	60.0	50.3	(9.8)
Utilities	0.4	0.4	(0.1)	3.3	2.7	(0.7)
Scholarships and Fellowships	12.8	12.8	0.1	12.8	12.8	0.0
Operations, Maintenance and Travel	7.3	9.1	1.8	28.3	29.4	1.2
Depreciation and Amortization	5.3	5.2	(0.1)	21.2	21.2	0.0
Total Expenses	$ 40.5	41.2	0.7	125.6	116.4	(9.2)
Adjusted Operating Margin	30.1	27.5	(2.6)	(16.0)	(7.8)	8.2
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	35.4	32.7	(2.7)	5.2	13.5	8.2

U.T. Permian Basin anticipates ending the year with an adjusted cash flow margin of $13.5 million, which represents an increase of $8.2 million (157%) as compared to the budgeted level. The projected increase is primarily due to anticipated savings in salaries and wages and payroll related costs attributable to faculty and staff vacancies, as well as planned reorganizations to enhance business needs.

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Comparison of Operating Results, Margin, Budget and Projected Year-End
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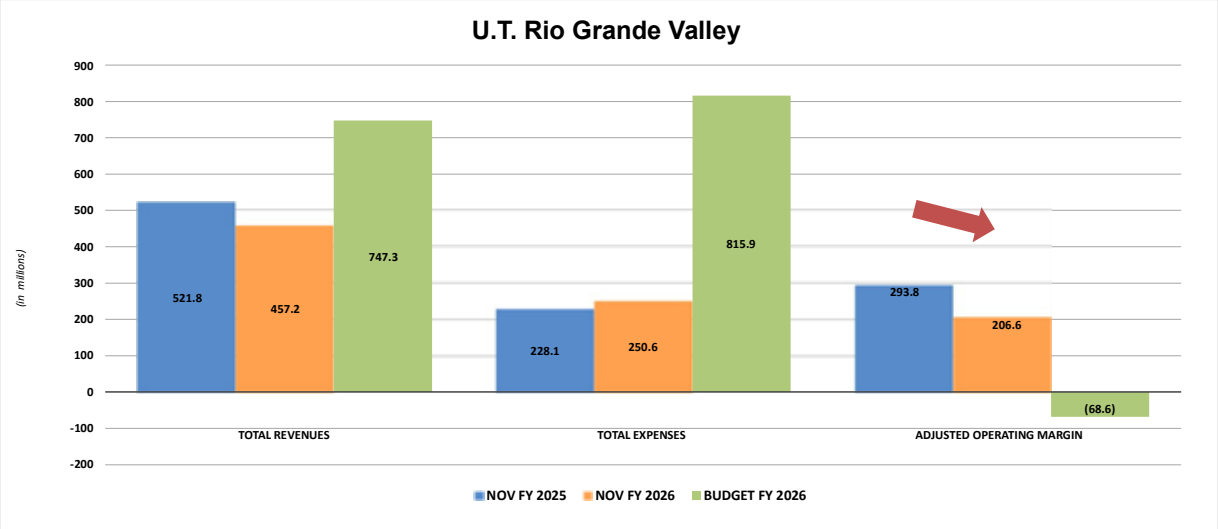

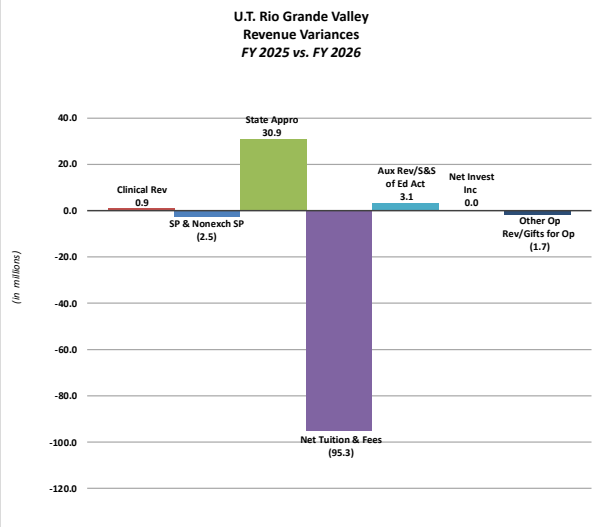

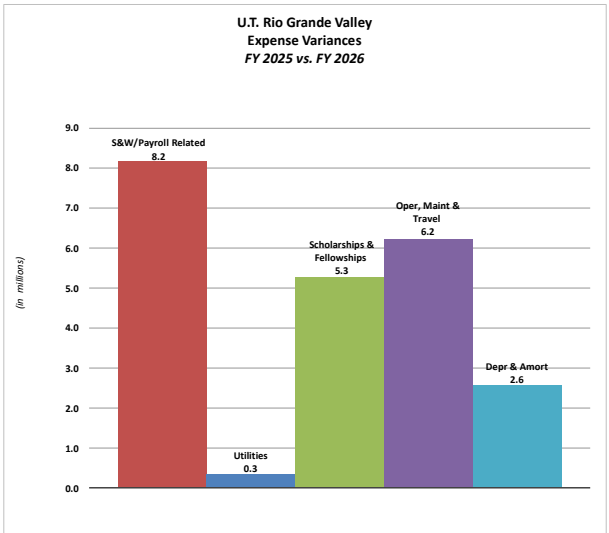

(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 4.3	5.1	0.9	32.7	20.1	(12.6)
Sponsored Programs/Nonexchange Sponsored Programs	55.0	52.5	(2.5)	292.9	304.1	11.3
State Appropriations	179.5	210.4	30.9	221.7	220.8	(0.9)
Net Tuition and Fees	255.1	159.8	(95.3)	117.4	125.3	8.0
Auxiliary Revenues/Sales & Services of Educational Activities	10.5	13.6	3.1	26.7	28.0	1.3
Net Investment Income	9.4	9.4	0.0	24.8	24.8	0.0
Other Operating Revenues/Gift Contributions for Operations	8.0	6.4	(1.7)	31.2	18.0	(13.2)
Total Revenues	521.8	457.2	(64.6)	747.3	741.2	(6.1)
Salaries and Wages/Payroll Related Costs	118.2	126.4	8.2	519.0	510.6	(8.4)
Utilities	1.6	1.9	0.3	13.6	12.4	(1.2)
Scholarships and Fellowships	59.7	65.0	5.3	44.1	57.3	13.2
Operations, Maintenance and Travel	30.7	36.9	6.2	150.3	142.0	(8.3)
Depreciation and Amortization	17.8	20.3	2.6	88.9	84.7	(4.2)
Total Expenses	$ 228.1	250.6	22.6	815.9	807.0	(8.9)
Adjusted Operating Margin	293.8	206.6	(87.2)	(68.6)	(65.8)	2.8
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	311.5	226.9	(84.6)	20.2	18.9	(1.4)

U.T. Rio Grande Valley anticipates ending the year with an adjusted cash flow margin of $18.9 million, which represents a decrease of $1.4 million (7%) as compared to the budgeted level. The projected decrease is primarily attributable to a decrease in clinical revenues due to delays in the implementation of the new UT Health RGV Cancer and Surgery Center.

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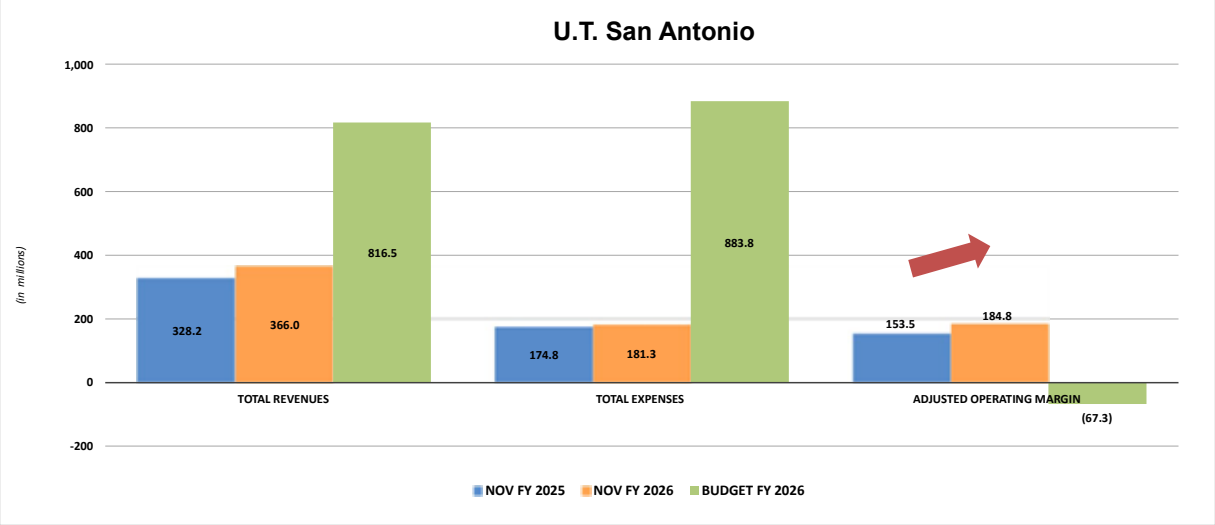

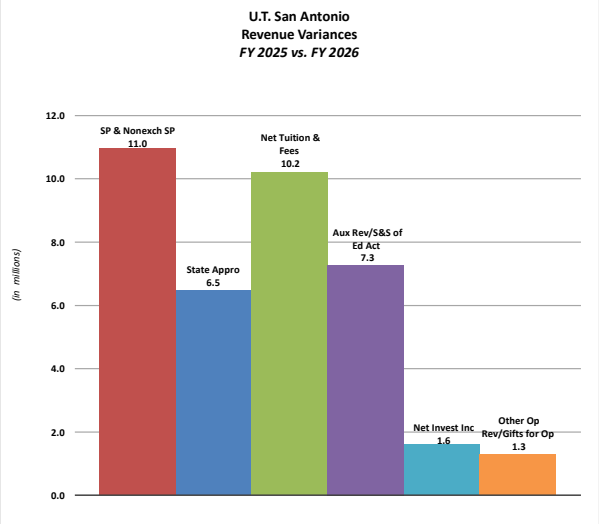

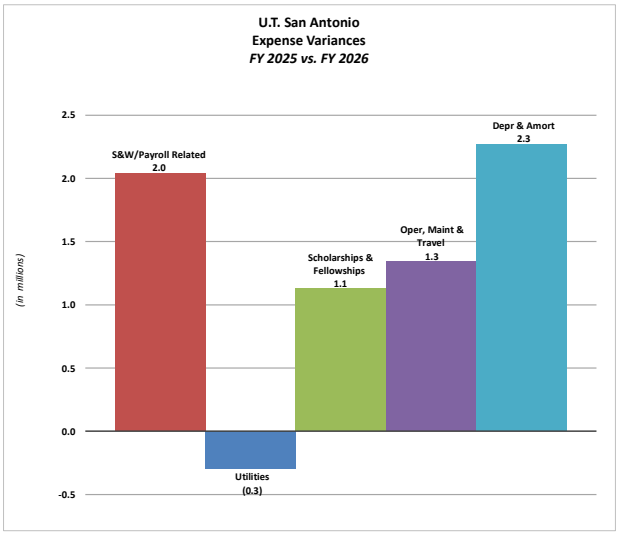

(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 12.5	23.4	11.0	234.2	235.9	1.7
State Appropriations	148.9	155.4	6.5	186.0	186.0	(0.0)
Net Tuition and Fees	102.0	112.2	10.2	248.4	260.6	12.2
Auxiliary Revenues/Sales & Services of Educational Activities	47.5	54.7	7.3	85.8	106.0	20.3
Net Investment Income	11.1	12.7	1.6	32.3	47.4	15.1
Other Operating Revenues/Gift Contributions for Operations	6.2	7.5	1.3	29.8	21.3	(8.5)
Total Revenues	328.2	366.0	37.8	816.5	857.2	40.7
Salaries and Wages/Payroll Related Costs	115.1	117.1	2.0	455.3	480.2	24.9
Utilities	3.3	3.1	(0.3)	20.7	17.8	(2.9)
Scholarships and Fellowships	(11.3)	(10.2)	1.1	67.5	75.6	8.1
Operations, Maintenance and Travel	48.1	49.5	1.3	250.0	195.8	(54.1)
Depreciation and Amortization	19.5	21.8	2.3	90.3	87.1	(3.2)
Total Expenses	$ 174.8	181.3	6.5	883.8	856.5	(27.3)
Adjusted Operating Margin	153.5	184.8	31.3	(67.3)	0.7	68.0
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	173.0	206.5	33.6	23.1	87.8	64.8

U.T. San Antonio anticipates ending the year with an adjusted cash flow margin of $87.8 million, which represents an increase of $64.8 million (281%) as compared to the budgeted level. The projected increase is primarily due to a decrease in operations, maintenance and travel attributable to elevated inflation assumptions at the time of budget development, combined with cost reductions achieved through in-sourcing integration activities.

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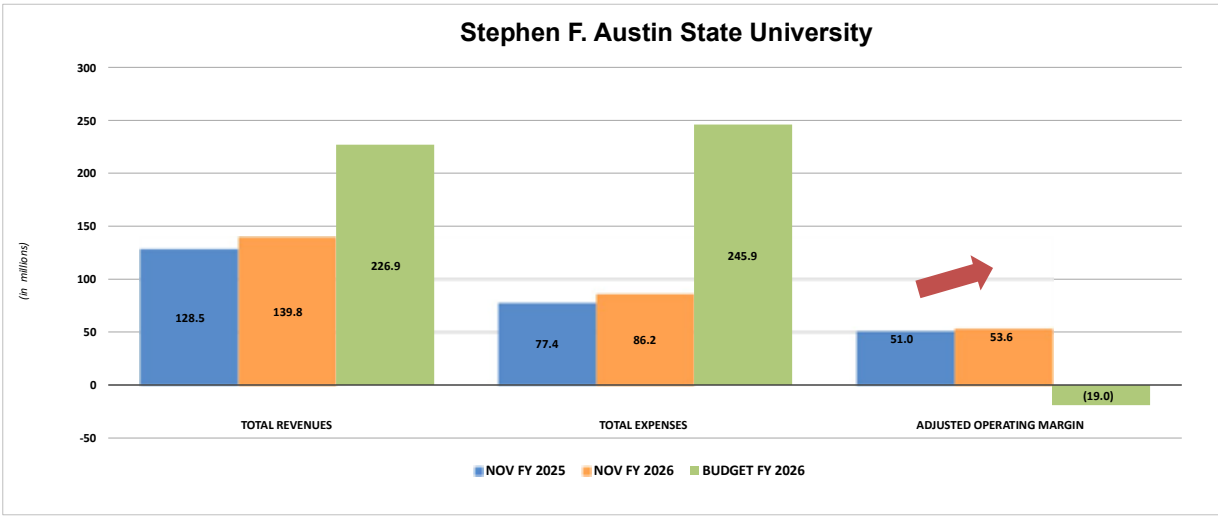

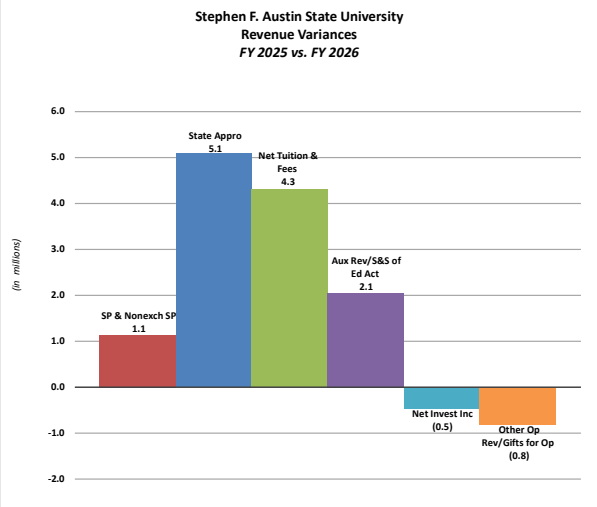

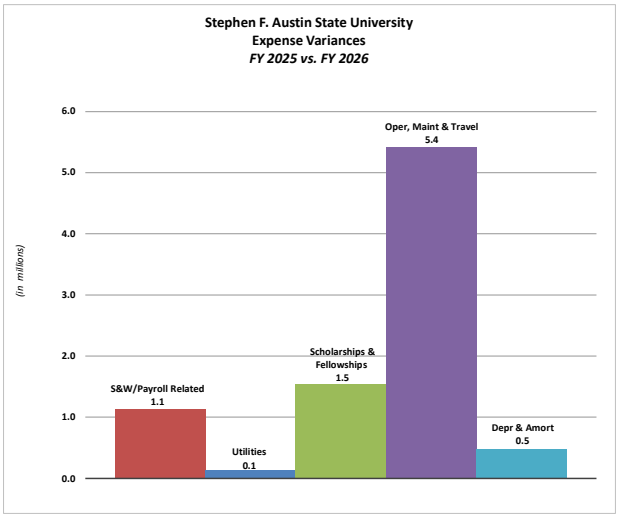

(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ 7.7	8.8	1.1	46.8	46.8	0.0
State Appropriations	42.1	47.2	5.1	51.7	51.7	0.0
Net Tuition and Fees	45.6	49.9	4.3	57.9	59.2	1.3
Auxiliary Revenues/Sales & Services of Educational Activities	23.5	25.5	2.1	41.5	41.5	0.0
Net Investment Income	7.9	7.4	(0.5)	23.8	23.8	0.0
Other Operating Revenues/Gift Contributions for Operations	1.7	0.9	(0.8)	5.2	5.2	0.0
Total Revenues	128.5	139.8	11.3	226.9	228.2	1.3
Salaries and Wages/Payroll Related Costs	39.0	40.1	1.1	154.7	154.7	0.0
Utilities	1.4	1.6	0.1	6.5	6.5	0.0
Scholarships and Fellowships	19.2	20.8	1.5	6.7	6.8	0.1
Operations, Maintenance and Travel	12.3	17.7	5.4	53.0	52.8	(0.2)
Depreciation and Amortization	5.5	6.0	0.5	25.0	25.0	0.0
Total Expenses	$ 77.4	86.2	8.7	245.9	245.8	(0.0)
Adjusted Operating Margin	51.0	53.6	2.6	(19.0)	(17.6)	1.3
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	56.6	59.6	3.0	6.0	7.3	1.3

Stephen F. Austin State University anticipates ending the year with an adjusted cash flow margin of $7.3 million, which represents an increase of $1.3 million (22%) as compared to the budgeted level. The projected increase is primarily attributable to an increase in net tuition and fees as a result of an increase in fall enrollment, as well as continued enrollment growth projected for the spring term.

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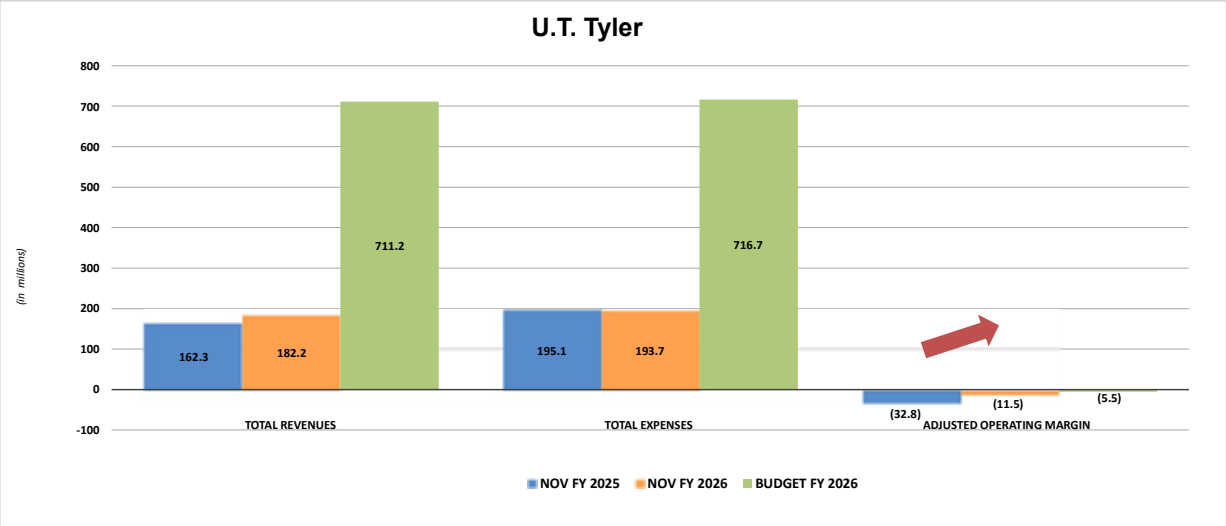

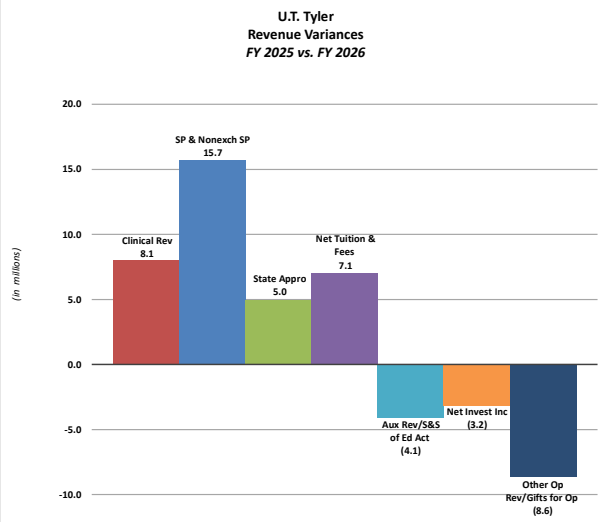

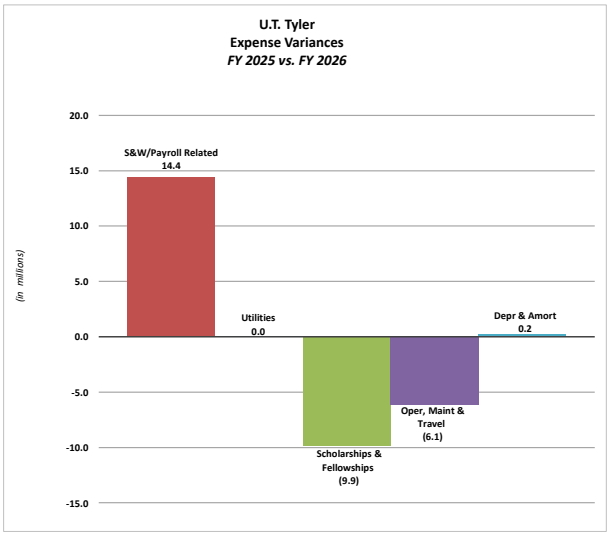

(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 51.3	59.3	8.1	223.0	223.0	0.0
Sponsored Programs/Nonexchange Sponsored Programs	30.4	46.1	15.7	205.7	205.7	0.0
State Appropriations	26.9	31.8	5.0	128.1	128.1	0.0
Net Tuition and Fees	21.6	28.7	7.1	77.5	77.5	0.0
Auxiliary Revenues/Sales & Services of Educational Activities	17.8	13.7	(4.1)	45.7	45.7	0.0
Net Investment Income	4.4	1.2	(3.2)	13.0	13.0	0.0
Other Operating Revenues/Gift Contributions for Operations	10.0	1.3	(8.6)	18.2	18.2	0.0
Total Revenues	162.3	182.2	19.9	711.2	711.2	0.0
Salaries and Wages/Payroll Related Costs	108.4	122.8	14.4	466.3	466.3	0.0
Utilities	1.0	1.0	0.0	6.9	6.9	0.0
Scholarships and Fellowships	22.8	13.0	(9.9)	17.7	17.7	0.0
Operations, Maintenance and Travel	54.5	48.3	(6.1)	185.3	185.3	0.0
Depreciation and Amortization	8.4	8.6	0.2	40.5	43.4	2.8
Total Expenses	$ 195.1	193.7	(1.4)	716.7	719.5	2.8
Adjusted Operating Margin	(32.8)	(11.5)	21.3	(5.5)	(8.3)	(2.8)
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	(24.4)	(2.9)	21.5	35.0	35.0	(0.0)

U.T. Tyler anticipates ending the year with an adjusted cash flow margin of $35.0 million, in line with the budgeted level (0% variance). The projection reflects no material changes in revenues or expenses, with U.T. Tyler remaining on track to meet budget.

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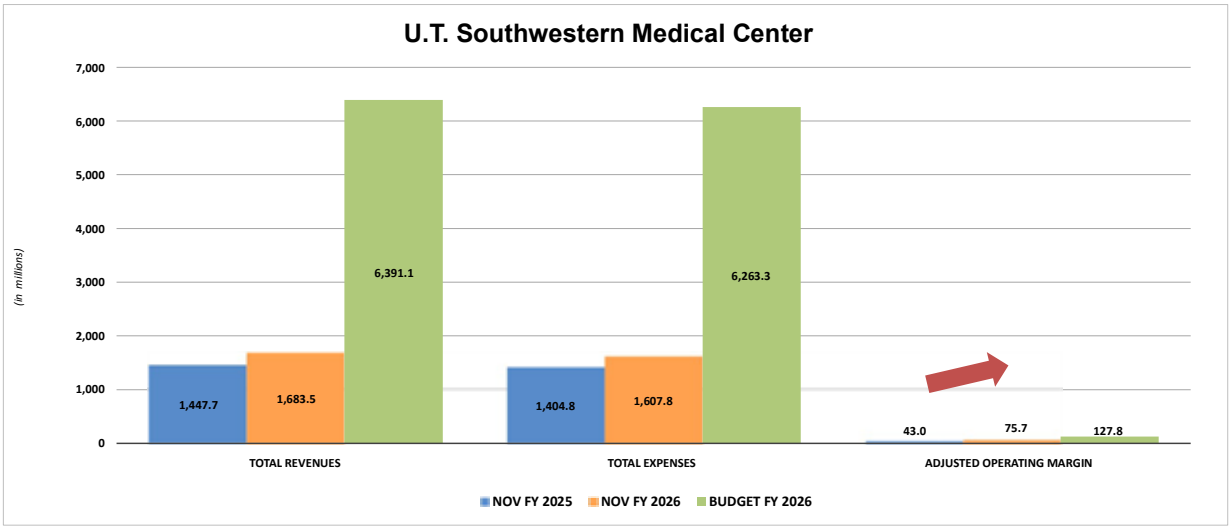
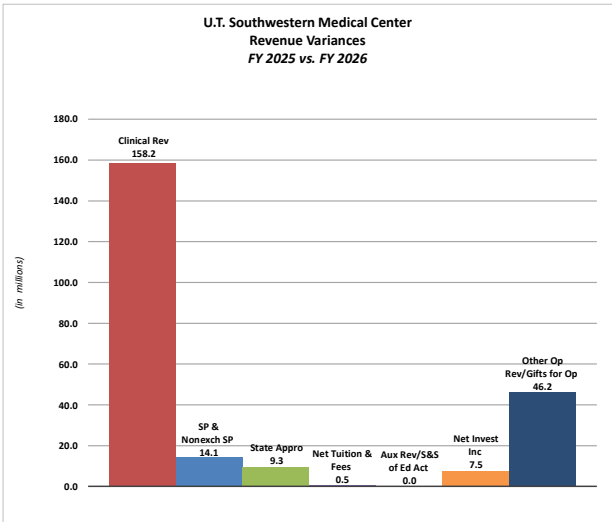
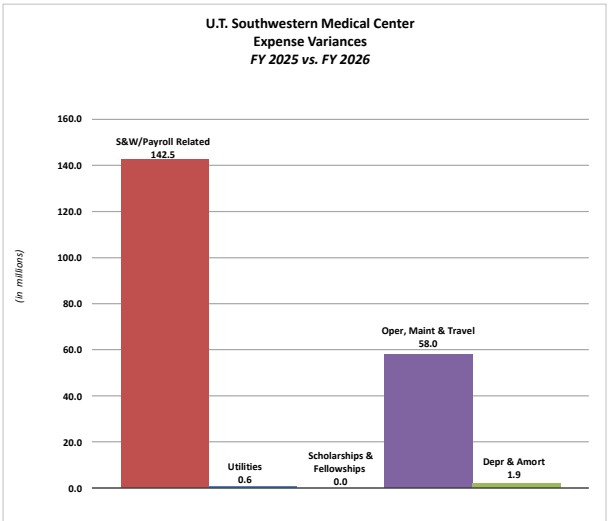


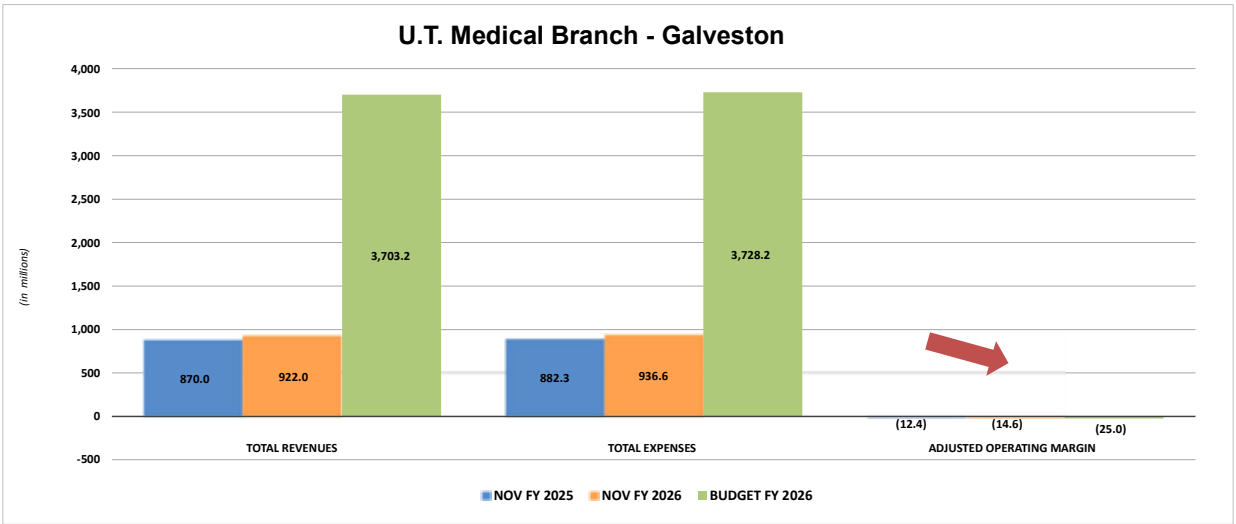


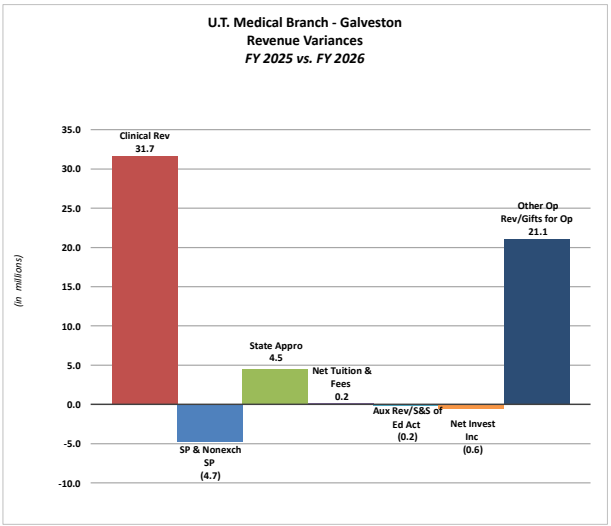


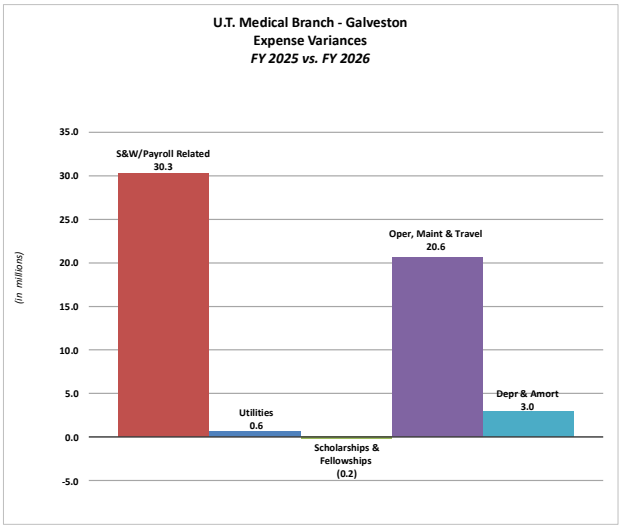
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 964.4	1,122.6	158.2	4,403.9	4,598.0	194.1
Sponsored Programs/Nonexchange Sponsored Programs	248.2	262.3	14.1	1,069.0	1,068.6	(0.4)
State Appropriations	53.9	63.2	9.3	265.7	265.7	0.0
Net Tuition and Fees	8.7	9.2	0.5	31.3	32.2	0.9
Auxiliary Revenues/Sales & Services of Educational Activities	17.1	17.1	0.0	59.4	61.8	2.4
Net Investment Income	72.0	79.5	7.5	230.1	247.0	16.9
Other Operating Revenues/Gift Contributions for Operations	83.4	129.6	46.2	331.7	501.9	170.2
Total Revenues	1,447.7	1,683.5	235.8	6,391.1	6,775.2	384.1
Salaries and Wages/Payroll Related Costs	868.9	1,011.4	142.5	3,796.0	4,064.8	268.9
Utilities	7.7	8.3	0.6	34.3	35.7	1.4
Scholarships and Fellowships	1.1	1.1	0.0	4.9	4.6	(0.3)
Operations, Maintenance and Travel	456.9	514.9	58.0	2,139.2	2,203.4	64.2
Depreciation and Amortization	70.2	72.1	1.9	289.0	288.7	(0.2)
Total Expenses	$ 1,404.8	1,607.8	203.0	6,263.3	6,597.4	334.1
Adjusted Operating Margin	43.0	75.7	32.8	127.8	177.8	50.0
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	113.2	147.8	34.7	416.8	466.5	49.7

U.T. Southwestern Medical Center anticipates ending the year with an adjusted cash flow margin of $466.5 million, which represents an increase of $49.7 million (12%) as compared to the budgeted level. The projected increase is primarily due to the following: an increase in clinical revenues driven by an increase in patient volumes and rates; and an increase in other operating revenues attributable to an increase in government program and pharmacy revenues associated with continued growth in oncology programs.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



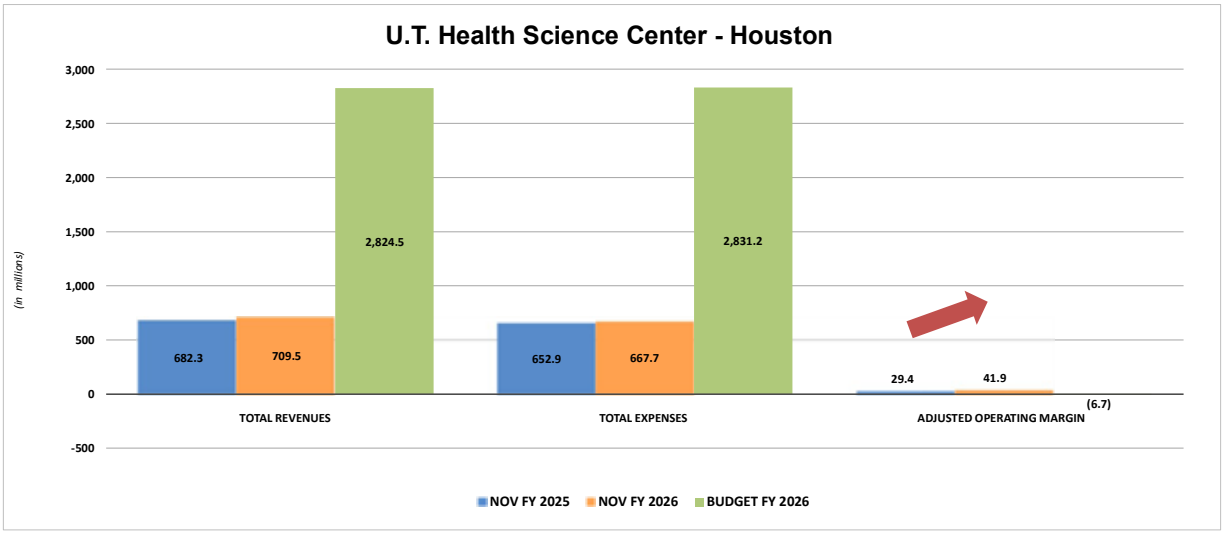


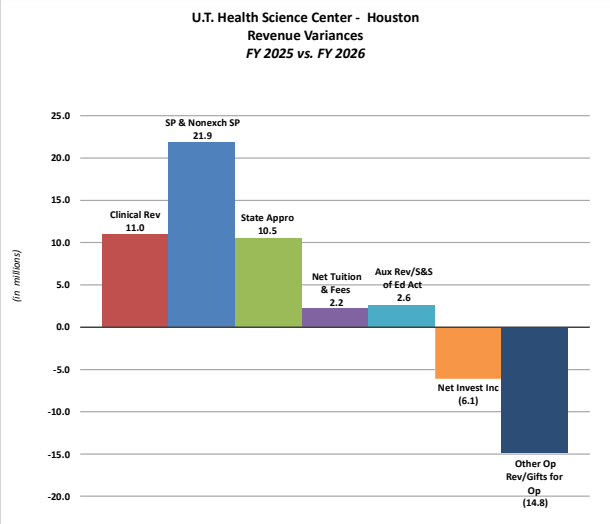


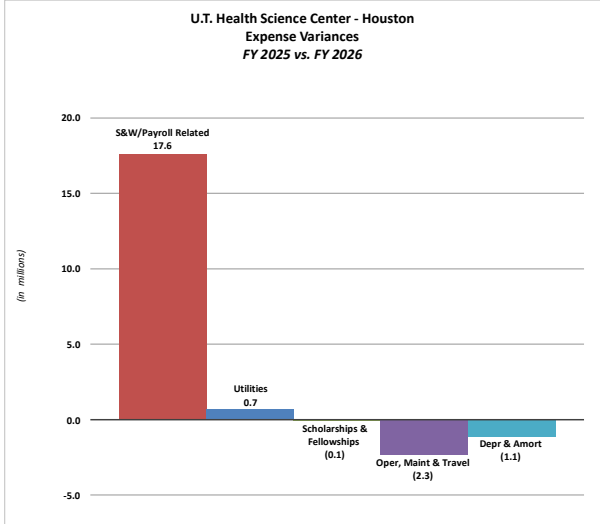
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 614.4	646.1	31.7	2,602.9	2,602.9	0.0
Sponsored Programs/Nonexchange Sponsored Programs	71.8	67.1	(4.7)	306.6	306.6	0.0
State Appropriations	97.8	102.3	4.5	411.5	411.5	0.0
Net Tuition and Fees	15.2	15.4	0.2	54.4	54.4	0.0
Auxiliary Revenues/Sales & Services of Educational Activities	7.6	7.5	(0.2)	32.8	32.8	0.0
Net Investment Income	24.1	23.6	(0.6)	85.1	84.9	(0.2)
Other Operating Revenues/Gift Contributions for Operations	39.1	60.1	21.1	209.9	208.6	(1.3)
Total Revenues	870.0	922.0	52.1	3,703.2	3,701.7	(1.5)
Salaries and Wages/Payroll Related Costs	519.9	550.2	30.3	2,210.2	2,186.3	(23.9)
Utilities	9.3	9.9	0.6	48.7	48.7	0.0
Scholarships and Fellowships	3.0	2.8	(0.2)	13.8	13.8	0.0
Operations, Maintenance and Travel	291.7	312.3	20.6	1,213.7	1,236.1	22.4
Depreciation and Amortization	58.4	61.4	3.0	241.8	241.8	0.0
Total Expenses	$ 882.3	936.6	54.3	3,728.2	3,726.7	(1.5)
Adjusted Operating Margin	(12.4)	(14.6)	(2.2)	(25.0)	(25.0)	0.0
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	46.1	46.8	0.7	216.8	216.8	0.0

U.T. Medical Branch - Galveston anticipates ending the year with an adjusted cash flow margin of $216.8 million, in line with the budgeted level (0% variance). The projection reflects no significant changes to total revenues or expenses, with U.T. Medical Branch – Galveston remaining on track to meet budget expectations.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



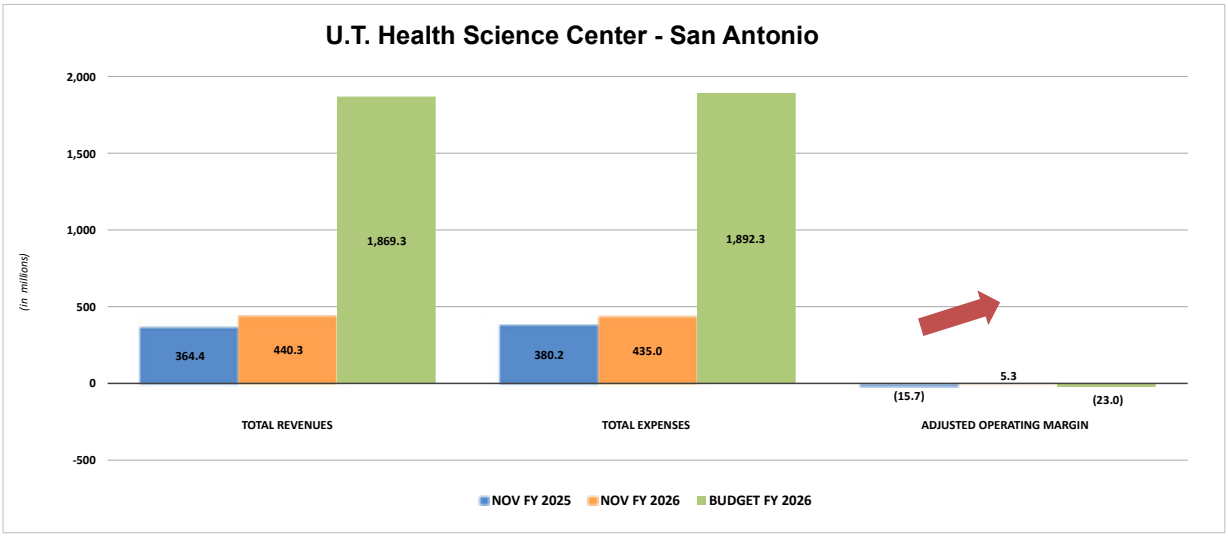


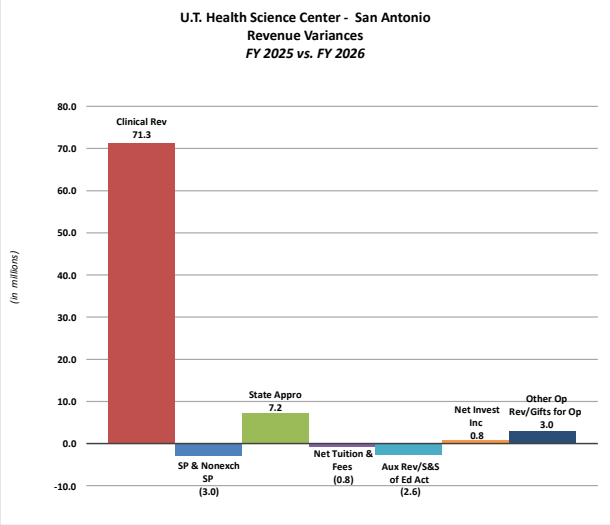


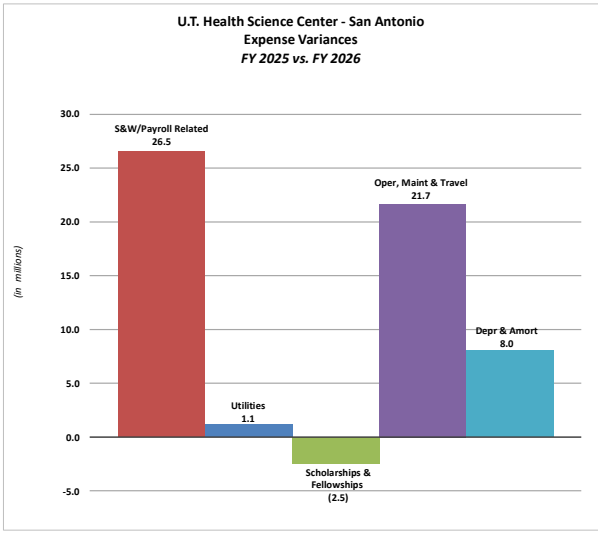
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 177.6	188.7	11.0	774.9	786.5	11.6
Sponsored Programs/Nonexchange Sponsored Programs	330.5	352.4	21.9	1,390.6	1,417.0	26.4
State Appropriations	60.5	71.0	10.5	282.7	283.0	0.4
Net Tuition and Fees	22.5	24.7	2.2	69.6	70.4	0.8
Auxiliary Revenues/Sales & Services of Educational Activities	21.9	24.5	2.6	87.8	88.9	1.1
Net Investment Income	39.7	33.6	(6.1)	122.7	129.0	6.2
Other Operating Revenues/Gift Contributions for Operations	29.5	14.7	(14.8)	96.1	97.9	1.8
Total Revenues	682.3	709.5	27.3	2,824.5	2,872.7	48.2
Salaries and Wages/Payroll Related Costs	506.1	523.7	17.6	2,259.9	2,269.9	10.1
Utilities	3.5	4.2	0.7	17.4	17.1	(0.3)
Scholarships and Fellowships	1.6	1.5	(0.1)	6.5	6.5	(0.0)
Operations, Maintenance and Travel	113.3	110.9	(2.3)	446.6	465.0	18.3
Depreciation and Amortization	28.4	27.3	(1.1)	100.8	112.3	11.5
Total Expenses	$ 652.9	667.7	14.8	2,831.2	2,870.7	39.6
Adjusted Operating Margin	29.4	41.9	12.5	(6.7)	2.0	8.7
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	57.8	69.2	11.4	94.1	114.3	20.1

U.T. Health Science Center – Houston anticipates ending the year with an adjusted cash flow margin of $114.3 million, which represents an increase of $20.1 million (21%) as compared to the budgeted level. The projected increase is primarily due to the following: an increase in sponsored programs driven by the indirect cost rate trending above the budgeted rate; and an increase in net investment income attributable to a shift in investments.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



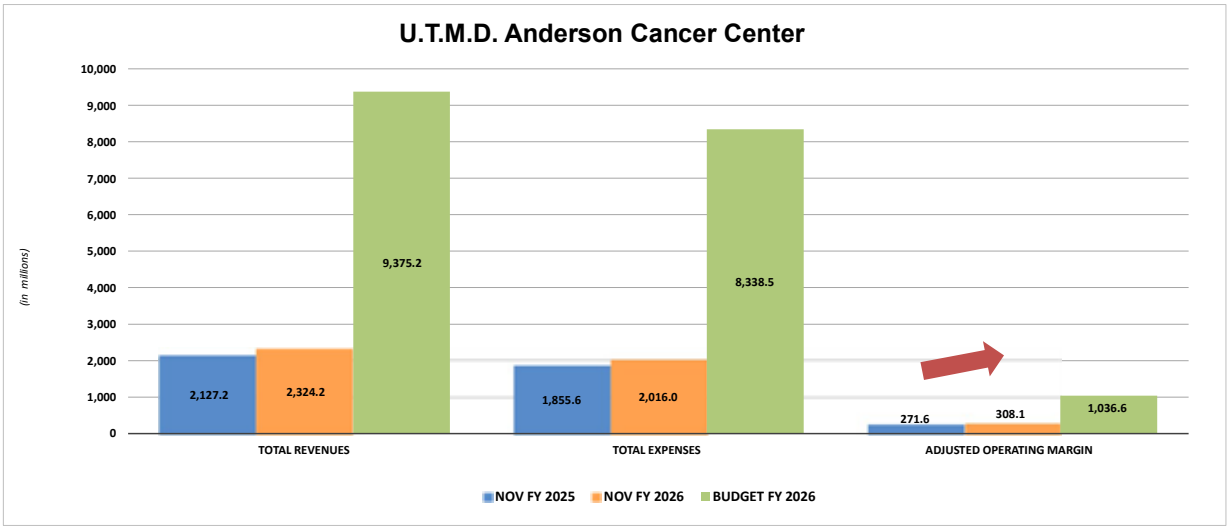


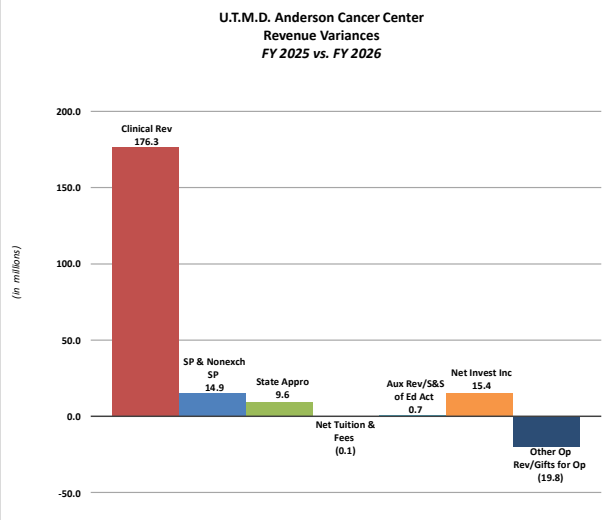


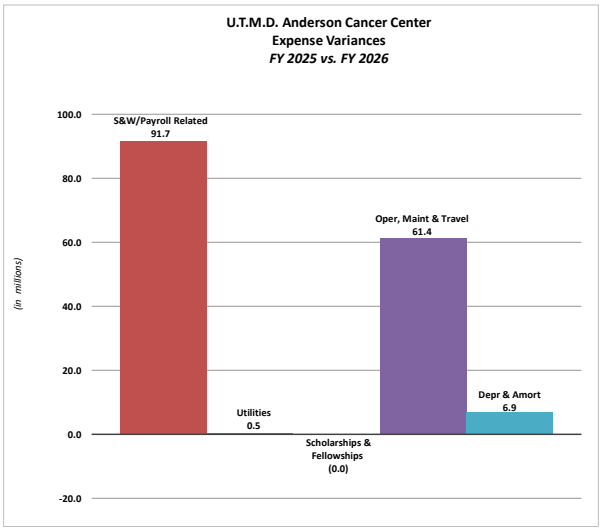
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 110.5	181.8	71.3	771.6	779.4	7.8
Sponsored Programs/Nonexchange Sponsored Programs	149.8	146.8	(3.0)	626.6	623.6	(2.9)
State Appropriations	51.6	58.8	7.2	261.7	251.7	(10.0)
Net Tuition and Fees	16.8	16.0	(0.8)	74.5	66.9	(7.7)
Auxiliary Revenues/Sales & Services of Educational Activities	12.8	10.2	(2.6)	36.9	30.5	(6.4)
Net Investment Income	20.4	21.2	0.8	67.5	67.4	(0.1)
Other Operating Revenues/Gift Contributions for Operations	2.5	5.5	3.0	30.5	34.8	4.3
Total Revenues	364.4	440.3	75.9	1,869.3	1,854.4	(14.9)
Salaries and Wages/Payroll Related Costs	249.7	276.2	26.5	1,176.9	1,184.4	7.5
Utilities	3.5	4.7	1.1	26.4	26.6	0.2
Scholarships and Fellowships	0.6	(1.8)	(2.5)	9.7	2.3	(7.4)
Operations, Maintenance and Travel	105.0	126.7	21.7	552.5	548.0	(4.5)
Depreciation and Amortization	21.3	29.3	8.0	126.8	126.4	(0.4)
Total Expenses	$ 380.2	435.0	54.9	1,892.3	1,887.7	(4.6)
Adjusted Operating Margin	(15.7)	5.3	21.0	(23.0)	(33.3)	(10.3)
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	5.5	34.5	29.0	103.8	93.1	(10.7)

U.T. Health Science Center – San Antonio anticipates ending the year with an adjusted cash flow margin of $93.1 million, which represents a decrease of $10.7 million (10%) as compared to the budgeted level. The projected decrease is primarily attributable to a decrease in state appropriations due to the timing of revenue recognition for Trauma Research and Combat Casualty Care Collaborative (TRC4) funds, as the budget reflects the full $20 million allocation from U.T. System in fiscal year 2026, while half of the allocation will be deferred to fiscal year 2027.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025



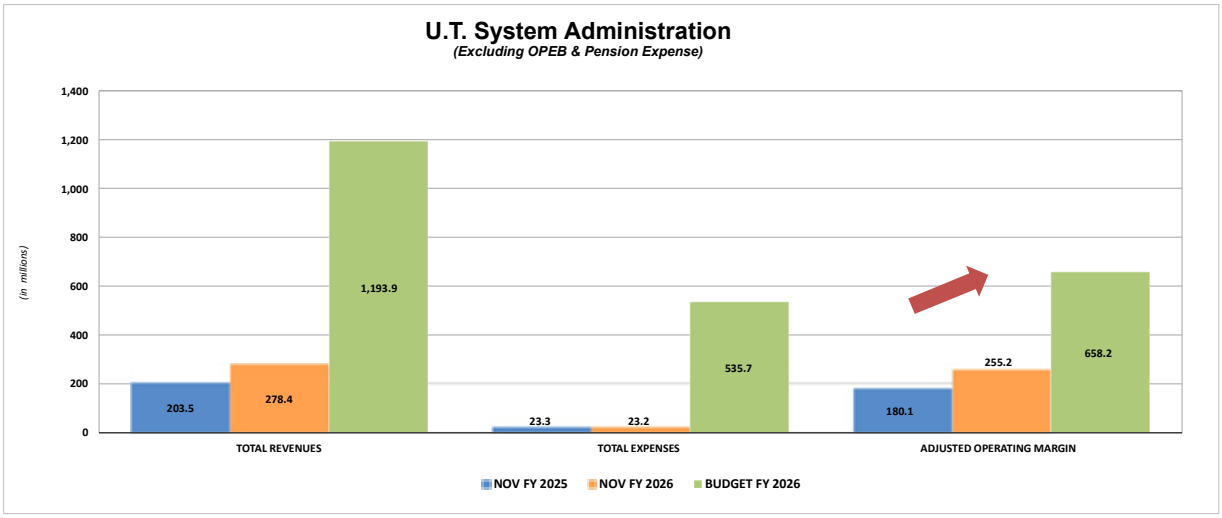


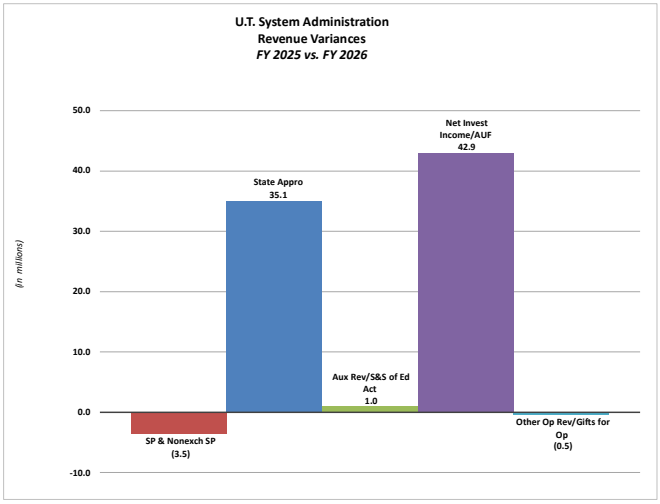


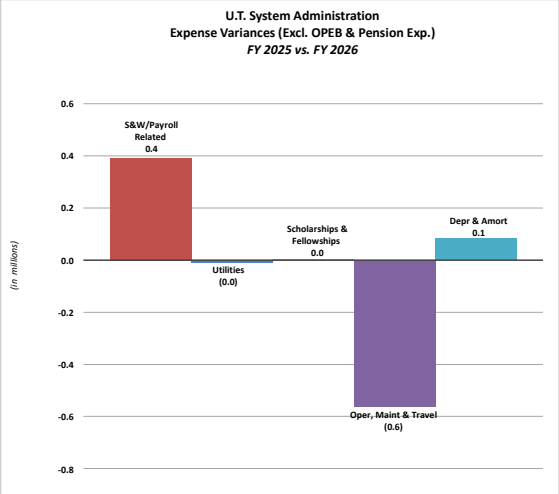
(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Clinical Revenues	$ 1,667.0	1,843.3	176.3	7,615.0	7,615.0	0.0
Sponsored Programs/Nonexchange Sponsored Programs	155.8	170.7	14.9	698.3	702.8	4.5
State Appropriations	55.3	65.0	9.6	258.0	258.0	0.0
Net Tuition and Fees	1.2	1.1	(0.1)	1.9	1.7	(0.2)
Auxiliary Revenues/Sales & Services of Educational Activities	12.6	13.3	0.7	52.0	53.2	1.2
Net Investment Income	172.4	187.7	15.4	490.0	519.5	29.5
Other Operating Revenues/Gift Contributions for Operations	62.9	43.1	(19.8)	260.0	254.5	(5.5)
Total Revenues	2,127.2	2,324.2	197.0	9,375.2	9,404.7	29.5
Salaries and Wages/Payroll Related Costs	1,055.6	1,147.2	91.7	4,418.0	4,418.0	0.0
Utilities	13.8	14.2	0.5	55.5	55.0	(0.6)
Scholarships and Fellowships	0.3	0.2	(0.0)	2.7	2.7	0.0
Operations, Maintenance and Travel	691.3	752.6	61.4	3,455.8	3,446.5	(9.3)
Depreciation and Amortization	94.8	101.7	6.9	406.5	416.3	9.8
Total Expenses	$ 1,855.6	2,016.0	160.4	8,338.5	8,338.5	0.0
Adjusted Operating Margin	271.6	308.1	36.5	1,036.6	1,066.2	29.5
Adjusted Cash Flow Margin (Excludes Depr & Amort Exp)	366.4	409.9	43.5	1,443.1	1,482.5	39.3

U.T.M.D. Anderson Cancer Center anticipates ending the year with an adjusted cash flow margin of $1,482.5 million, which represents an increase of $39.3 million (3%) as compared to the budgeted level. The projected increase is primarily attributable to an increase in net investment income as a result of improved market conditions.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending November 30, 2025







(in millions)	November YTD FY 2025	November YTD FY 2026	Variance	FY 2026 Budget	Annual Projected FY 2026	Variance
Sponsored Programs/Nonexchange Sponsored Programs	$ (4.1)	(7.6)	(3.5)	71.8	71.8	0.0
State Appropriations	11.0	46.0	35.1	53.7 *	61.2	7.5
Auxiliary Revenues/Sales & Services of Educational Activities	0.8	1.8	1.0	7.9	7.9	0.0
Net Investment Income/Available University Fund (AUF)	194.6	237.4	42.9	1,057.9	1,057.9	0.0
Other Operating Revenues/Gift Contributions for Operations	1.3	0.8	(0.5)	2.5	2.5	0.0
Total Revenues	203.5	278.4	75.0	1,193.9	1,201.4	7.5
Salaries and Wages/Payroll Related Costs	13.9	14.2	0.4	67.2	65.1	(2.1)
Utilities	0.0	0.0	(0.0)	0.0	0.0	0.0
Scholarships and Fellowships	0.1	0.1	0.0	2.3	2.3	0.0
Operations, Maintenance and Travel	3.5	2.9	(0.6)	443.3 *	446.3	3.0
Depreciation and Amortization	5.9	6.0	0.1	22.9	22.9	0.0
Total Expenses (Excluding OPEB & Pension Exp)	$ 23.3	23.2	(0.1)	535.7	536.6	0.9
Adjusted Operating Margin (Excluding OPEB & Pension Exp)	180.1	255.2	75.1	658.2	664.8	6.6
Adjusted Cash Flow Margin (Excluding OPEB, Pension, Depr & Amort Exp)	186.0	261.2	75.2	681.1	687.7	6.6

*State appropriations and corresponding expense for TRB/CCAP for all U.T. institutions have been excluded.

Excluding OPEB, pension, and depreciation expense, U.T. System Administration anticipates ending the year with an adjusted cash flow margin of $687.7 million, which represents an increase of $6.6 million (1%) as compared to the budgeted level. The projected increase is primarily due to the full biennial state appropriation received in year one of the biennium for Real Health AI.

4. U.T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor and Chief Operating Officer that the U.T. System Board of Regents

a. adopt a Supplemental Resolution, substantially in the form previously approved by the U.T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed $1.5 billion to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program, and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U.T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U.T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

BACKGROUND INFORMATION

On August 21, 2025, the Board of Regents adopted the 43rd Supplemental Resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $1.5 billion, which authority was largely utilized on RFS bond transactions executed earlier this fiscal year. Adoption of this 44th Supplemental Resolution would provide an additional $1.5 billion of authority to finance additional projects approved by the Board of Regents under the same provisions as the prior resolution.

Adoption of the Supplemental Resolution would authorize the advance or current refunding of a portion of certain outstanding RFS Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Supplemental Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

The Supplemental Resolution would also authorize the current refunding of all or a portion of the RFS Commercial Paper Notes. The RFS Commercial Paper Note program is used to provide interim financing for RFS projects approved by the Board. Adoption of the Supplemental Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing. The Supplemental Resolution would also authorize the issuance of bonds to provide new money to fund the capital costs of eligible projects.

The Supplemental Resolution would also authorize the appropriate officers and employees of the U.T. System to refund outstanding RFS Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding RFS Bonds when economically advantageous.

The proposed Supplemental Resolution has been reviewed by outside bond counsel and the U.T. System Office of General Counsel.

Note: The proposed Resolution is available online.

5. U.T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update

Mr. Richard Hall, President, Chief Executive Officer and Chief Investment Officer, will provide an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint set forth on the following pages.

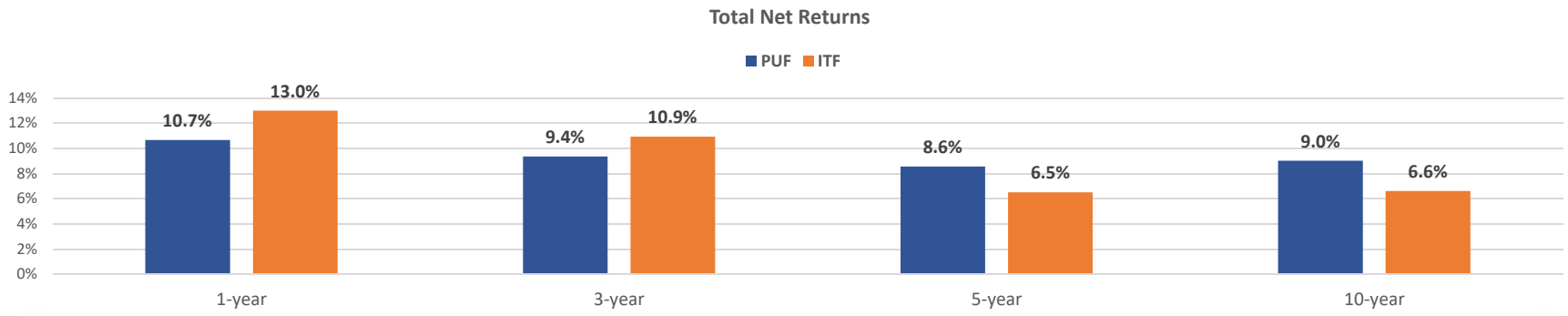
UTIMCO Update

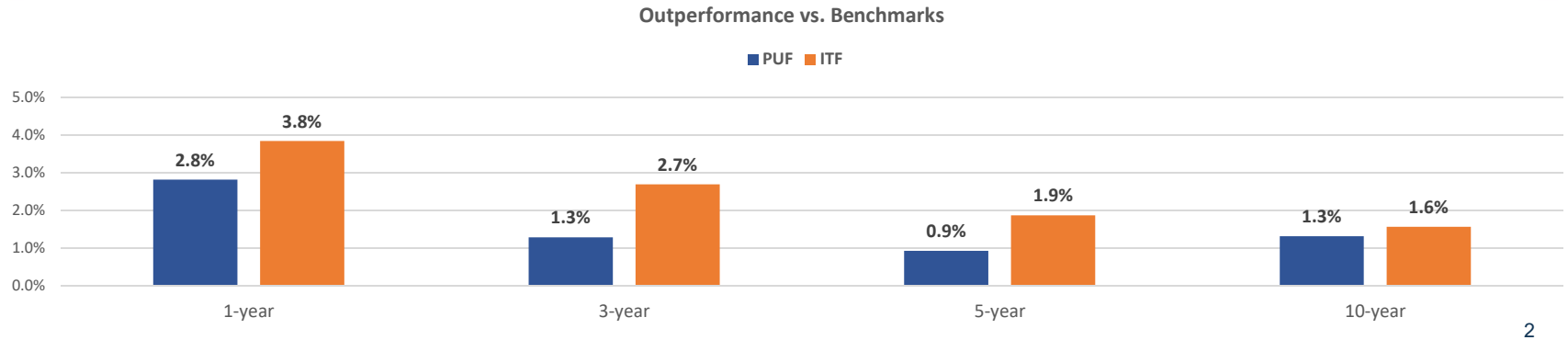
Mr. Richard Hall, President, Chief Executive Officer and Chief Investment Officer
U.T. System Board of Regents Meeting
Finance and Planning Committee

February 2026

Portfolio Performance

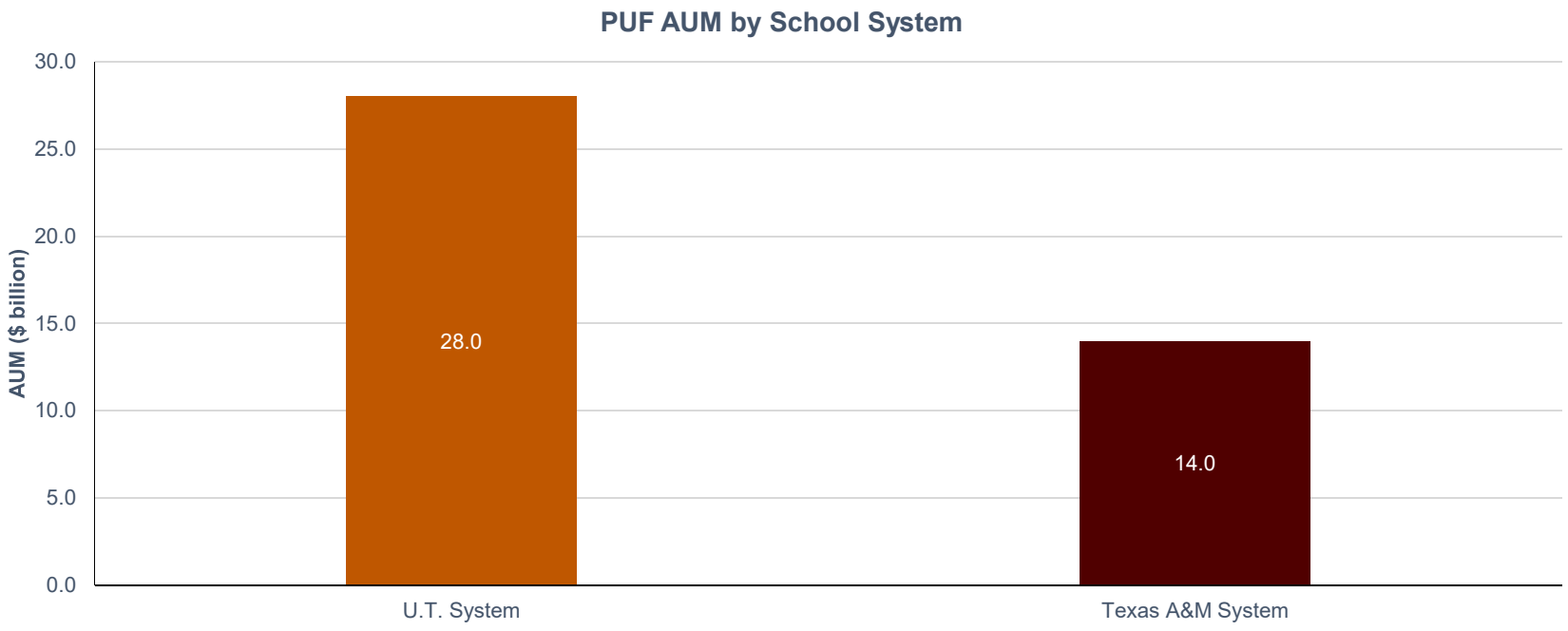
UTIMCO returns and alpha as of November 30, 2025





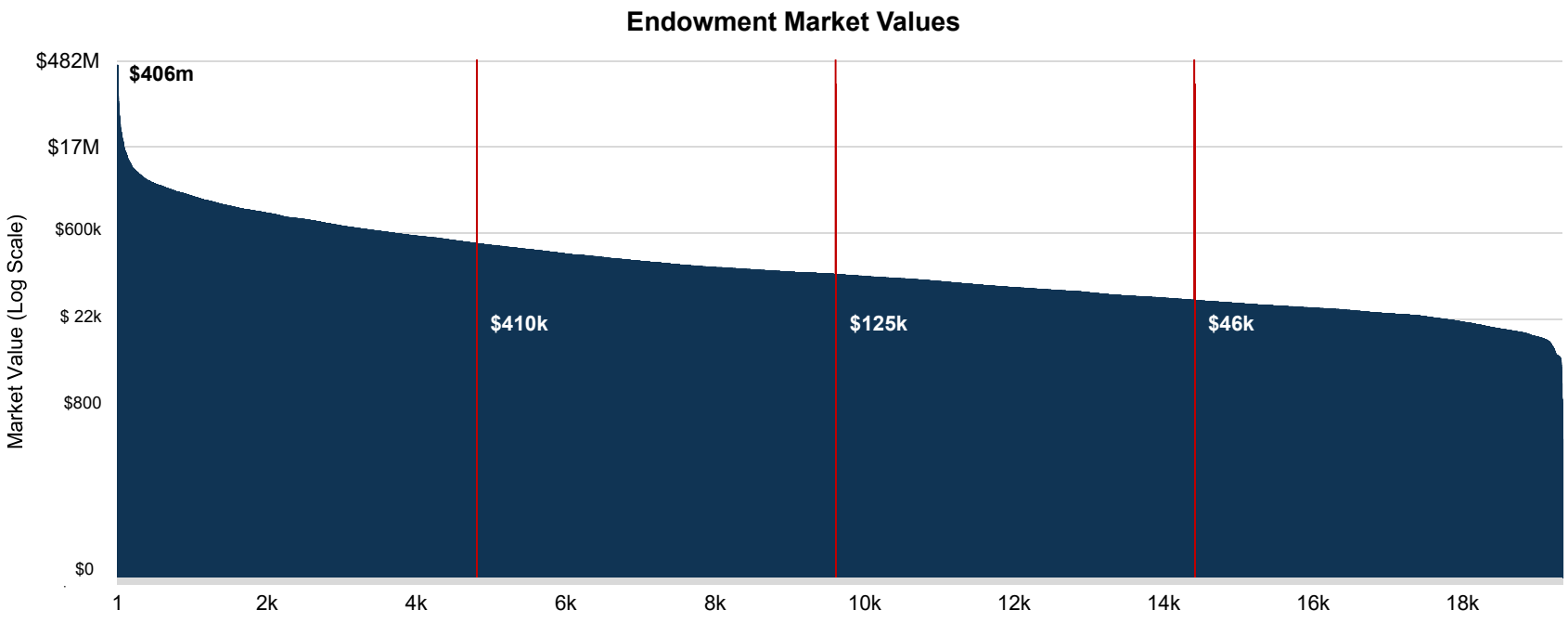
Assets Under Management (AUM) – PUF

Total assets through November 30, 2025



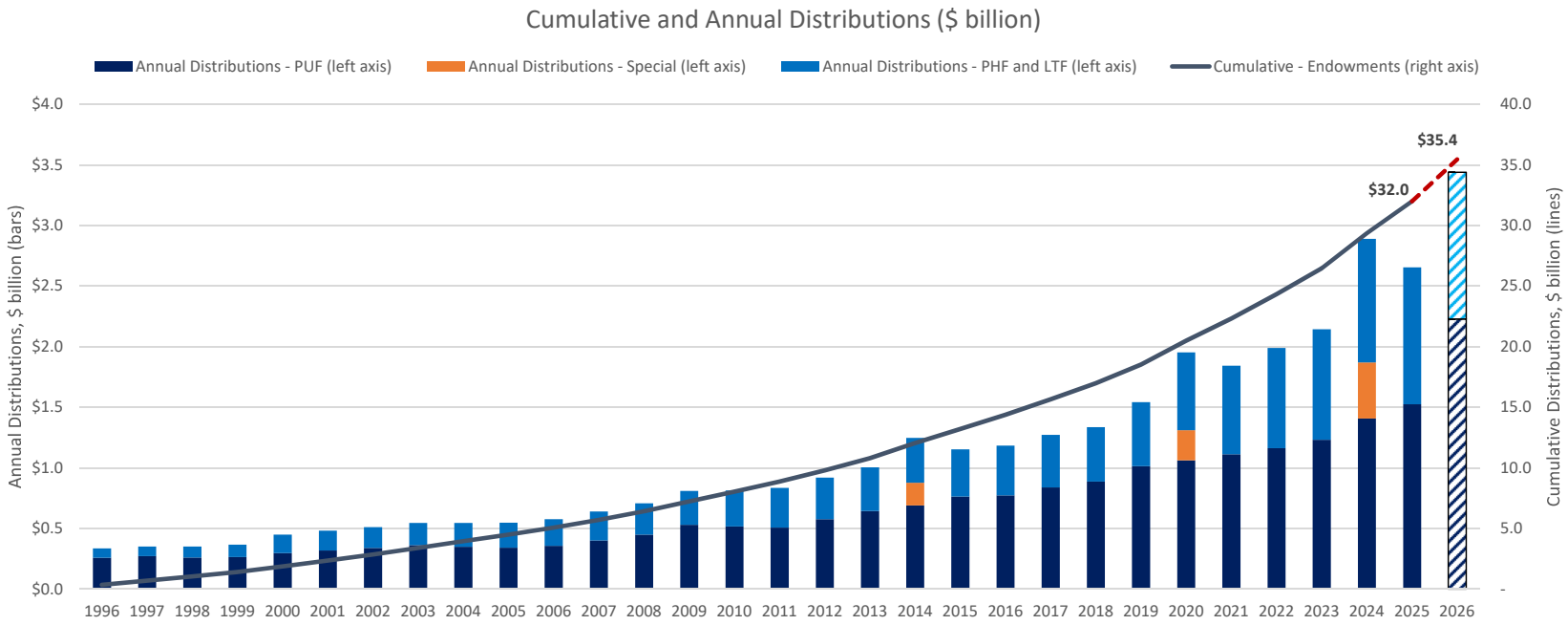
Assets Under Management (AUM) – LTF

19,000 endowments ranging from $400M to $200



Since Inception Distributions

$2.2B in PUF distributions expected in FY26 due to increase in distribution rate to 7%

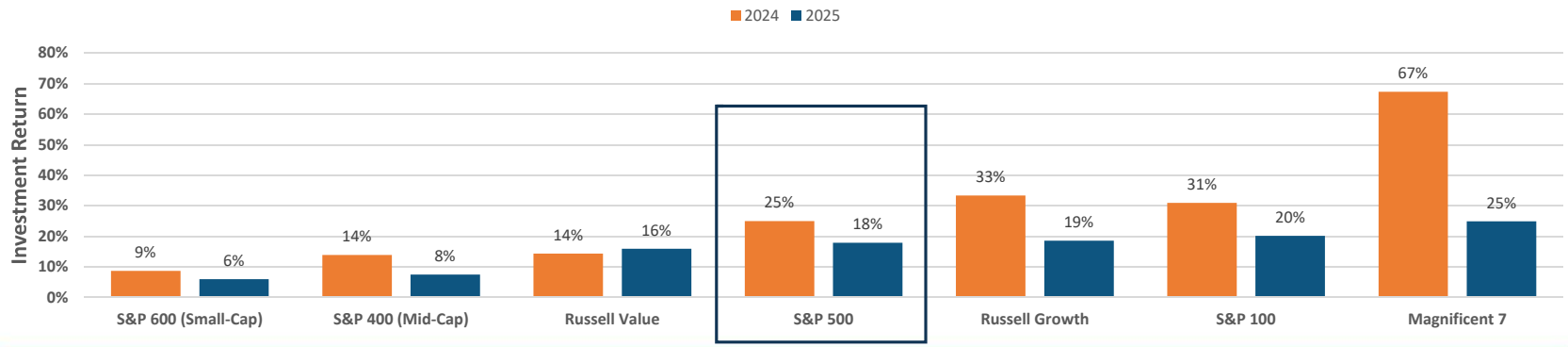


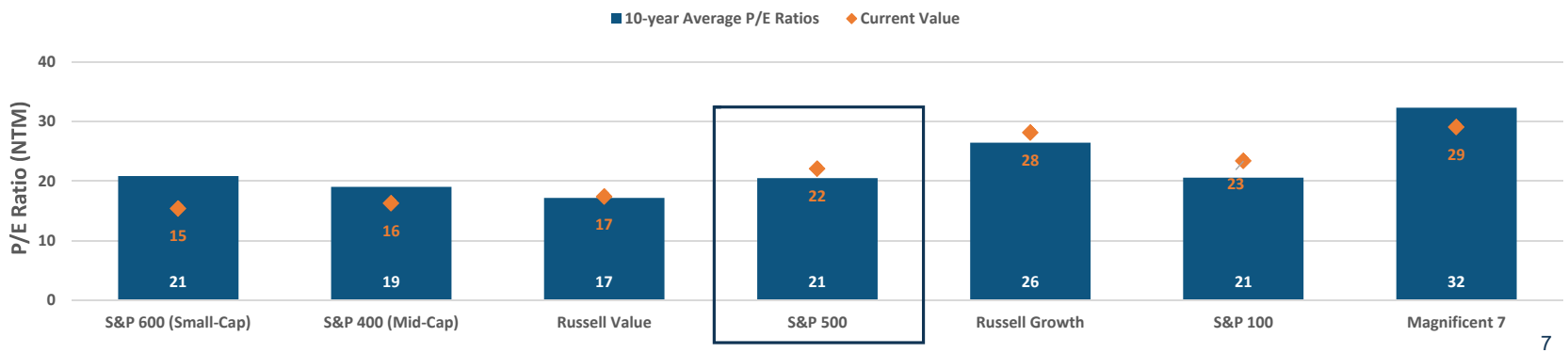
Note: Cumulative and annual distributions are based on Fiscal Years ending August 31

Market Recap & Economic Outlook

Market Recap

Performance and valuation by style and size

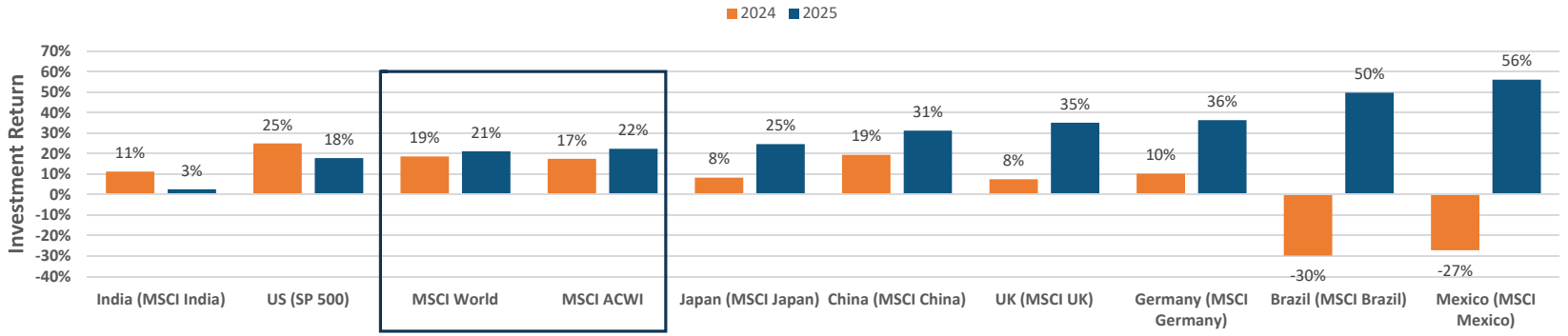


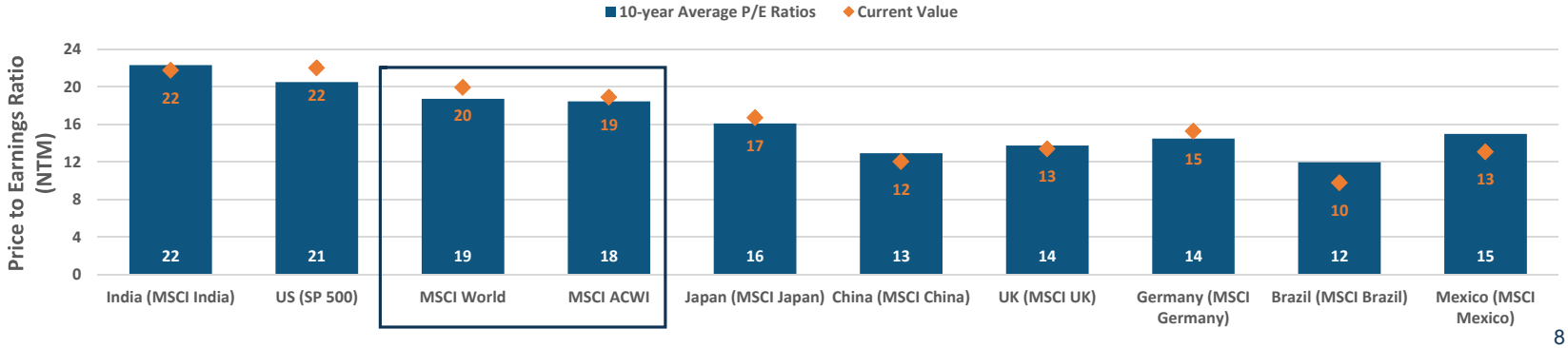


Source: Bloomberg (as of 12/31/25); Magnificent 7 refers to Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla; P/E refers to Price to Earnings ratio; NTM refers to next 12 months

Market Recap (cont.)

Performance and valuation by country

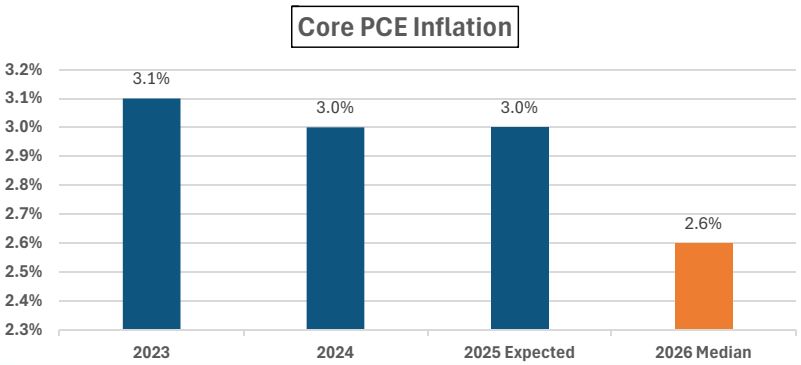


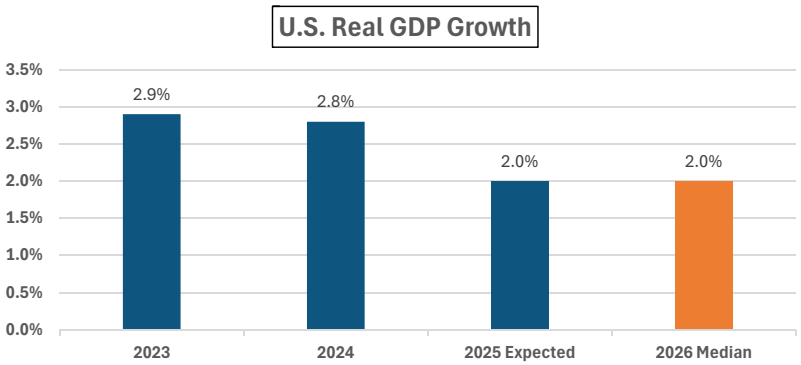


Source: Bloomberg (as of 12/31/25); MSCI refers to Morgan Stanley Capital International; ACWI refers to the MSCI All Country World Index; P/E refers to Price to Earnings ratio; NTM refers to next 12 months

Economic Outlook

U.S. inflation and GDP expectations





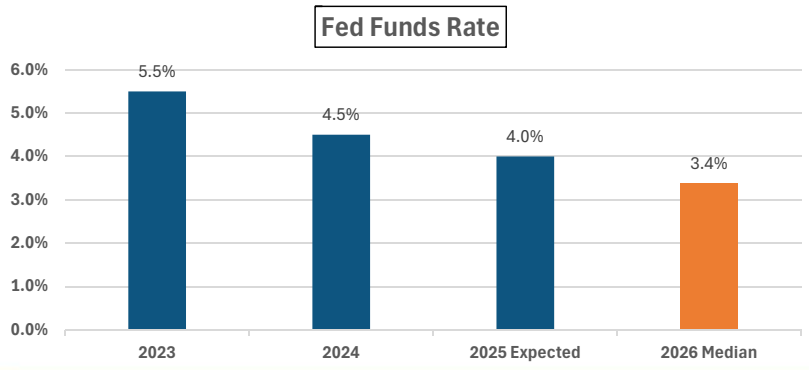
- **2025:** Core PCE steadied near 2024 rate of 3% with tariffs pushing up goods inflation
- **BEAR:** UBS expects 2.9% as tariff costs continue to boost consumer prices over an extended period longer than in 2018-19
- **MEDIAN / AVERAGE:** Morgan Stanley expects 2.6% as tariff impact peaks in Q1 and then gradually ease over an extended period
- **BULL:** Deutsche Bank expects 2.4% as shelter disinflation outweighs tariff impacts on goods prices

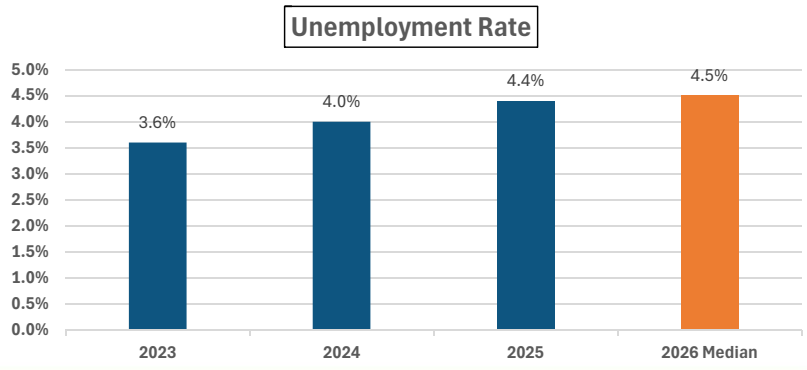
- **Nominal Growth:** Based on inflation expectations of 2.6%, nominal growth should be +4.3% to +5.4% in 2025
- **BEAR:** UBS expects 1.7% growth as the economy is caught between tariff and immigration headwinds and a fiscal policy boost
- **MEDIAN / AVERAGE:** JP Morgan expects 2.0% with tariff uncertainty shock fading, fiscal support from OBBBA, and Fed cuts easing financial conditions
- **BULL:** Yardeni expects 3.0% due to strong productivity growth driven by AI

Note: PCE refers to Personal Consumption Expenditures; GDP refers to Gross Domestic Product; OBBBA refers to One Big Beautiful Bill Act

Economic Outlook (cont.)

U.S. Fed Funds rate and unemployment





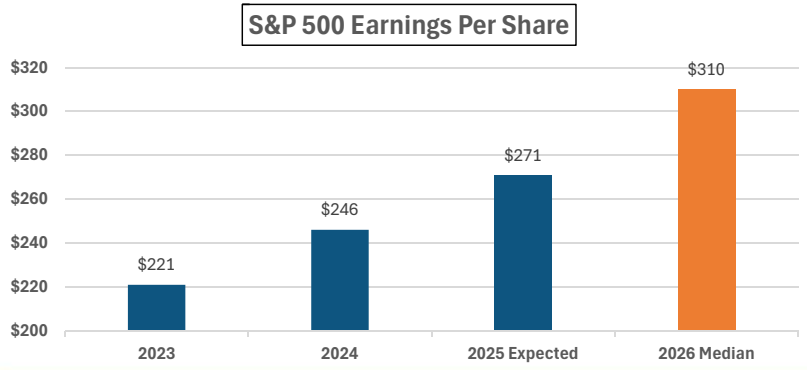
- **MARKET:** Rates market expects a 3.4% Fed Funds rate at the end of 2026
- **DOVISH:** AGMR expects the Fed to cut to 2.75% as the labor market continues to weaken and inflation falls towards target
- **MEDIAN / AVERAGE:** Morgan Stanley expects 3.25% as the labor market continues to cool in the first half of 2026 and inflation decelerates
- **HAWKISH:** JP Morgan expects 3.5% as the Fed exits risk management mode of preemptive insurance cuts and the unemployment rate steadies

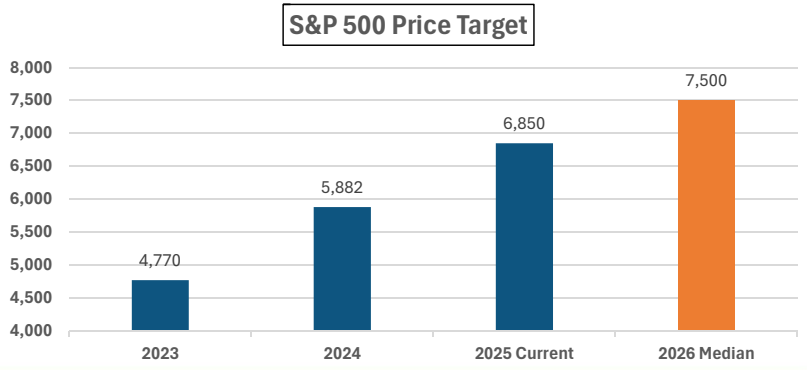
- **2025:** The Unemployment Rate rose to 4.4% in September and is projected to end 2025 at 4.5%
- **BEAR:** AGMR expects 4.8% as payrolls growth has slowed to near zero, layoffs increase, and job openings aren't signaling increasing demand
- **MEDIAN / AVERAGE:** Morgan Stanley expects 4.5% as the "low hire low fire" trend since Liberation day continues until tariffs are fully digested
- **BULL:** Bank of America expects 4.3% as the labor market realigns with strong consumer spending and business investment benefits from OBBBA

Note: AGMR refers to Applied Global Macro Research; OBBBA refers to One Big Beautiful Bill Act

Market Outlook

U.S. equity market expectations





- **Current 2025 Expected:** $271 / share
- **2026 Bottom-Up Expectations:** $309 / share
- **BEAR:** Ned Davis Research projects $291 (7% growth) based on a 5.5% sales growth, flat margins, and buybacks adding 1.7%
- **MEDIAN / AVERAGE:** Soc Gen expects $310 (14% growth) with increased breadth supported by declining trade policy uncertainty, continued rate cuts, and front- loaded fiscal support
- **BULL:** Morgan Stanley expects $317 (17% growth) from positive operating leverage, greater pricing power, AI productivity gains, and contained interest rates

- **Last year's 2025 Projection:** 6,500
- **Current Level:** 6,850
- **BEAR:** Ned Davis Research expects 7,100 (4% gain) as EPS growth slows and P/E contracts in a historically weaker midterm election year
- **MEDIAN / AVERAGE:** JP Morgan expects 7,500 (9% gain) supported by robust earnings growth, lower rates, and declining policy headwinds
- **BULL:** Deutsche Bank projects 8,000 (17% gain) as valuations stay high and discretionary investors capitulate from current cautious positioning

Note: Current levels as of 12/31/2025 from Bloomberg

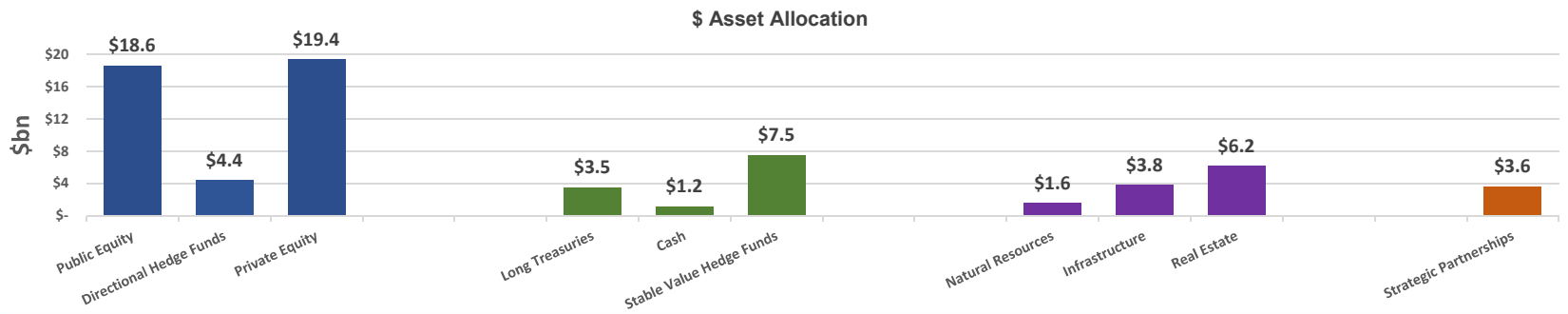
UTIMCO Strategic Partner Outlook

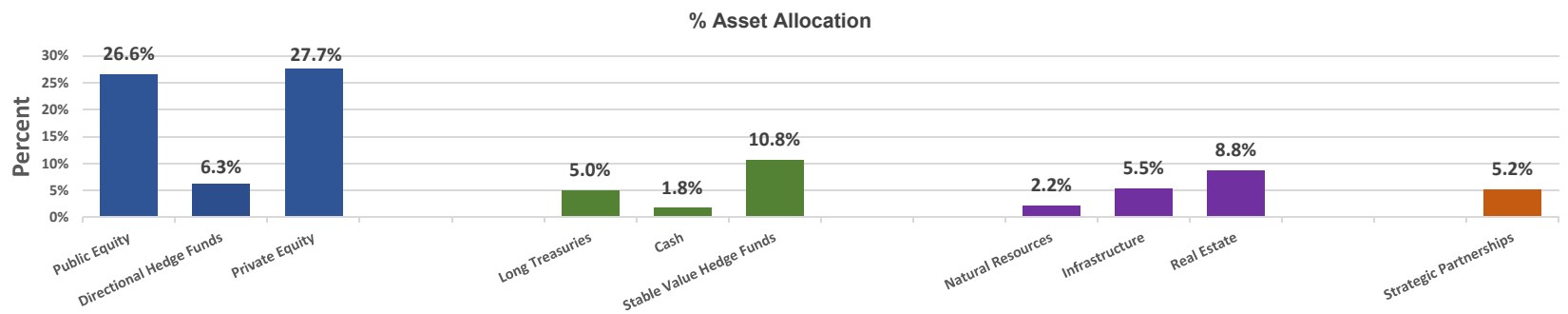
Crowd continues favoring soft-landing outcome for U.S. economy

	Soft-landing *Growth and inflation continue cooling but a recession is avoided*	Hard-landing *Recession triggered by increasing unemployment*	No-landing *Economic growth remains strong, inflation stays above target*
BlackRock	15%	35%	50%
Bridgewater	20%	20%	60%
JP Morgan	60%	20%	20%
PIMCO	45%	25%	30%
Average Probabilities	**40%**	**27%**	**33%**

Endowment Positioning

Asset allocation as of November 30, 2025

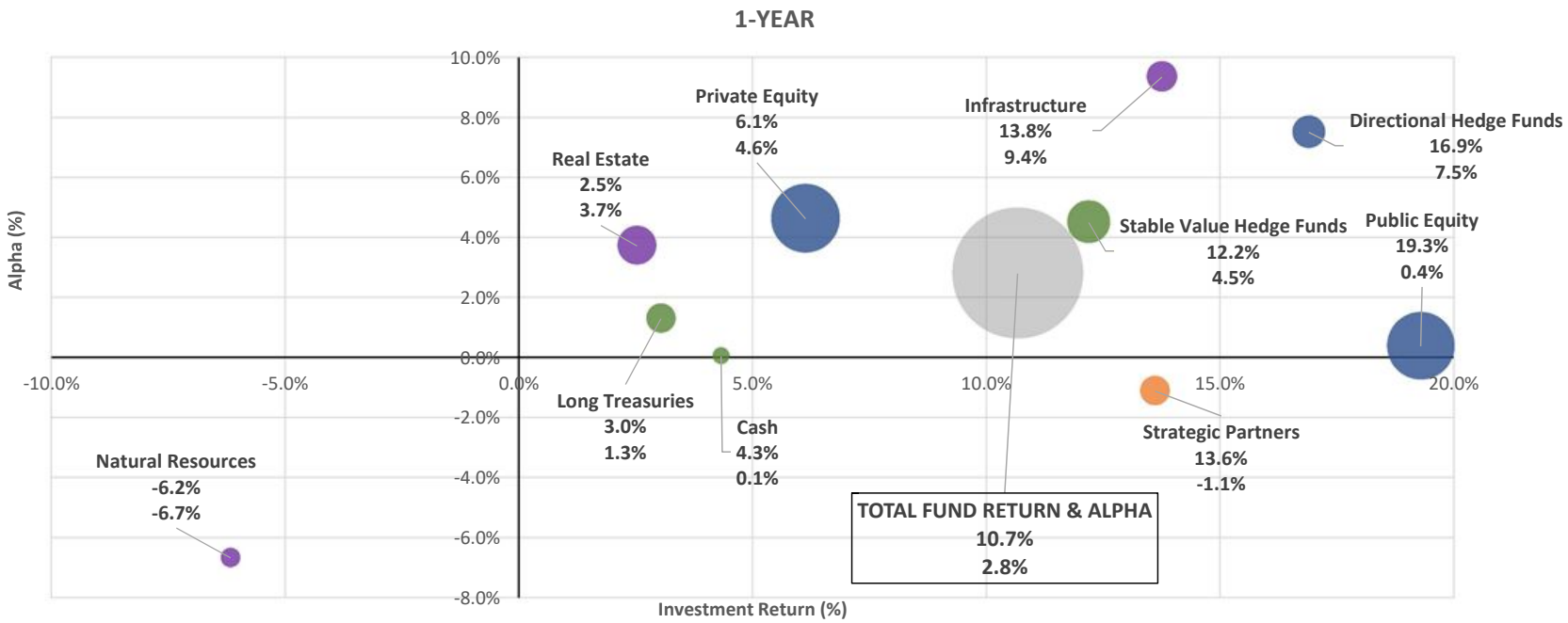




Appendix

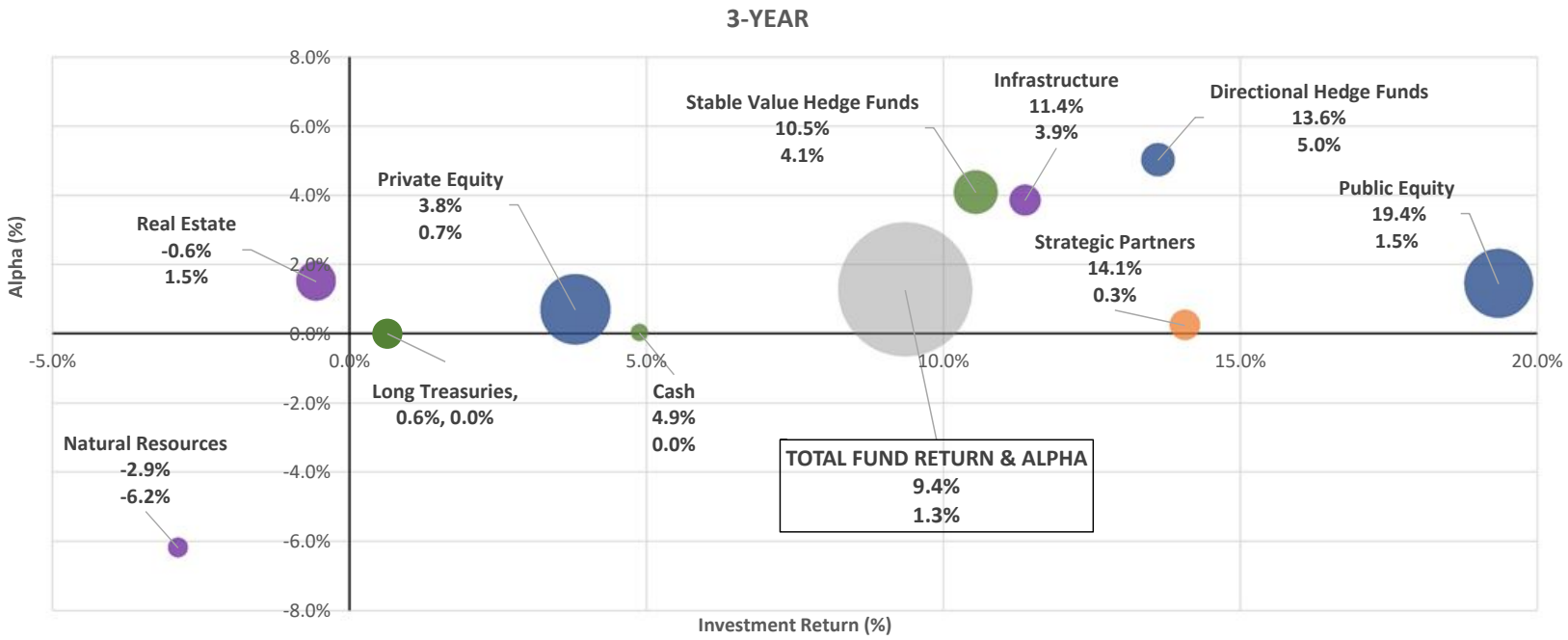
Endowment Performance

Detailed 1-Year Performance as of November 30, 2025



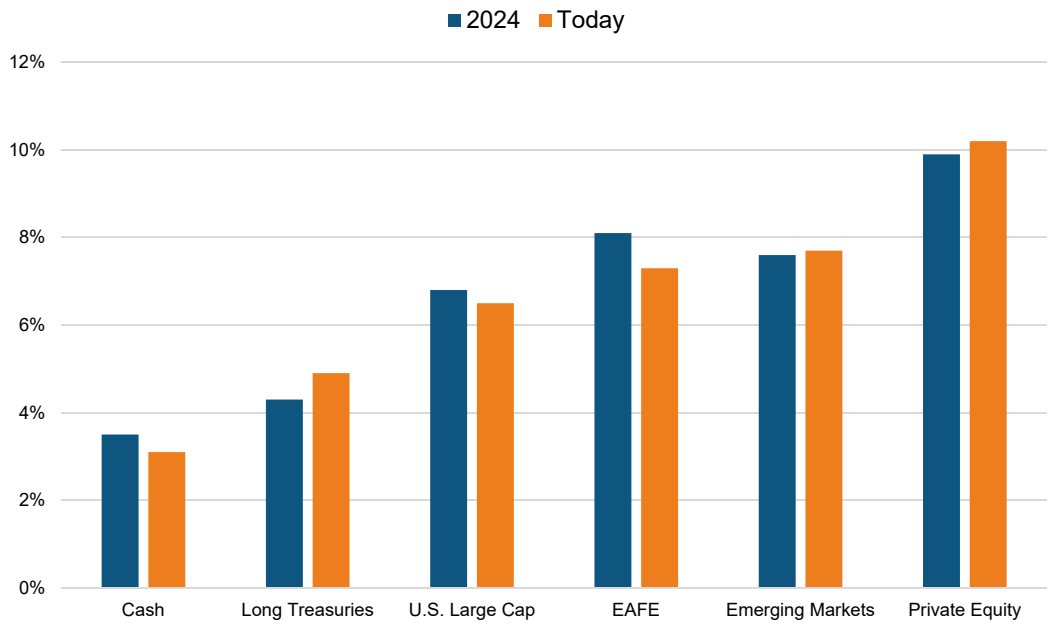
Endowment Performance (cont.)

Detailed 3-Year Performance as of November 30, 2025



Capital Market Assumptions

Strategic Partner long-term capital market assumptions

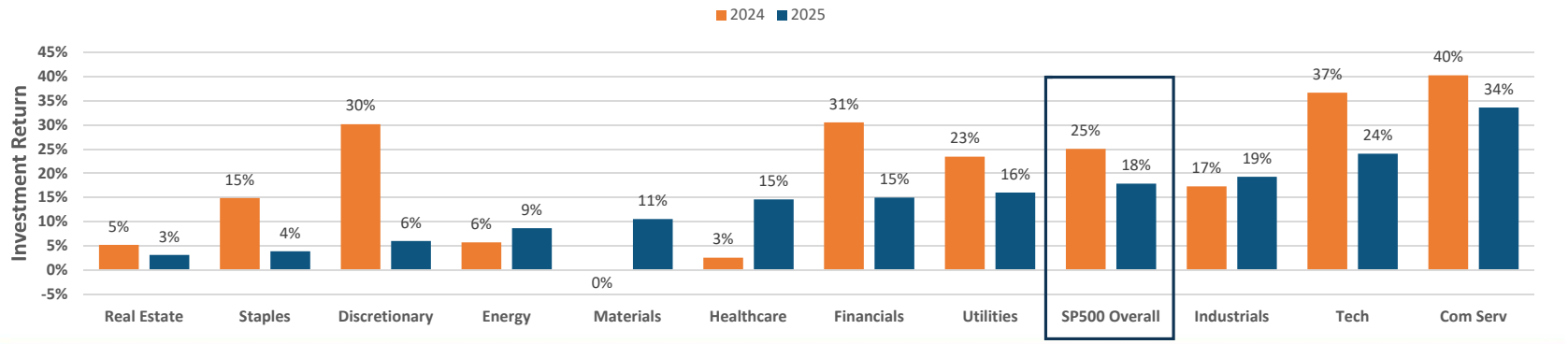


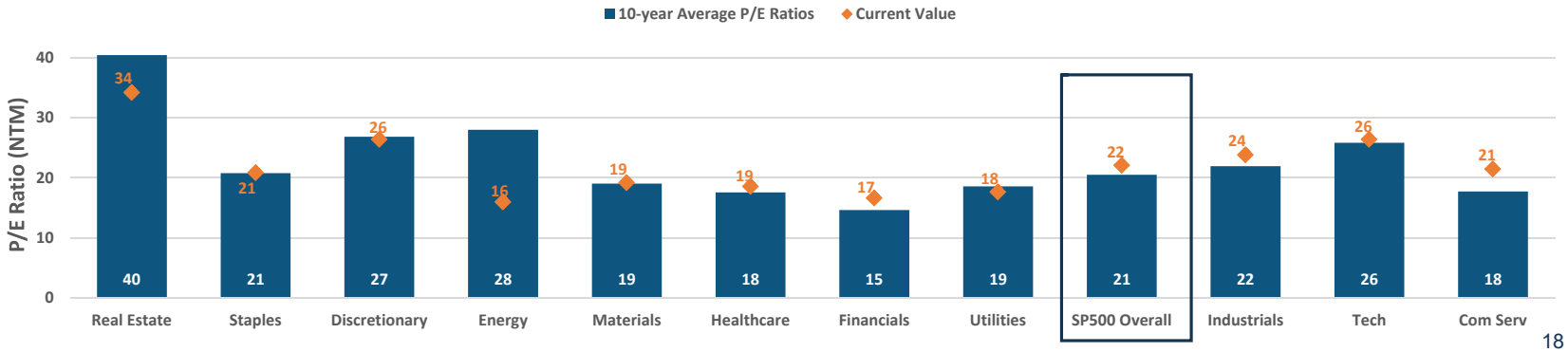
- Expected returns of equities over cash remains compressed relative to history
- EAFE expected returns declined due to relative outperformance vs U.S. in 2025
- Private Equity and other alternatives largely unchanged
- No significant change in Total Endowment expected returns

Note: EAFE refers to Europe, Australasia, and the Far East

Market Overview

Performance and valuation by sector





Source: Bloomberg (as of 12/31/25); P/E refers to Price to Earnings ratio; NTM refers to next 12 months

Portfolio Outlook

Stable Value

Portfolio	Expected Performance	Catalysts	Concerns
Cash	↓	• Fed cutting to “neutral” rate	• Inflation still above target inhibiting potential Fed cuts • Cuts may be reversed if economy expands at current rate
Global Bonds	↔	• Inflation stabilizing at rates above target • Increasing fiscal stimulus	• Economy nor inflation slows • Spreads widen
Long Treasuries	↔	• U.S. Economy has not slowed with continuing fiscal stimulus • Highest nominal and real rates in 17 years	• Term premium increasing with deficits • Rates are not high relative to Pre-Global Financial Crisis period
Stable Value Hedge Funds	↔	• "Good" alpha opportunity set, with dispersion remaining at historically high levels • Higher cash rates increase returns, all else equal	• Competition for talent is still high, which increases expenses • Increase in popularity of SVHF strategies increases crowding risk

Portfolio Outlook (cont.)

Global Equity

Portfolio	Expected Performance	Catalysts	Concerns
Public Equity	↔	• Higher than expected corporate earnings growth • Tariffs have transitory effect on corporate earnings and consumer demand • Measured US interest rate reductions in 2026 (expected terminal range of ~3.00-3.25%) • Increased corporate efficiency from AI adoption	• Possible inflation rebound from tariffs, supply chain reshoring and G7 deficit spending • High forward valuations (low equity risk premium) • Continued index concentration in “AI theme” companies
Private Equity	↔	• Rate outlook – rise in Mergers & Acquisitions (M&A) activity • AI adoption / capital expenditure • Pharma/Biotech M&A • Private Credit well-positioned for a credit event	• Leverage and refinancing risk • Operating degradation in a recession • AI bubble risk – impact on Venture Capital funding
Directional Hedge Funds	↔	• Higher cash rates increase returns, all else equal • Robust short alpha	• Moderate beta profile lagging strong equity returns

Note: G7 refers to Group of Seven countries including Canada, France, Germany, Italy, Japan, the UK, and the U.S.

Portfolio Outlook (cont.)

Real Return

Portfolio	Expected Performance	Catalysts	Concerns
Real Estate	↔	• Rate declines reduce financing costs and cap rates • Continued boom in AI funding drives additional data center demand • Increased office utilization leads to leasing gains • Limited construction activity fuels demand for existing assets	• Unexpected inflation keeps rates / borrowing costs high • Trade war(s) raise construction costs • Potential for slower than average rent growth due to high vacancy/supply in certain markets/property types • AI bubble fears impact data center buildout and valuations
Infrastructure	↑	• Increasing need for reliable power generation driven by AI demand and onshoring • Growing liquified natural gas (LNG) demand driving need for energy infrastructure • Unexpected inflation benefits assets with inflation-linked revenues	• Stretched valuations in communications, with slower adoption for some fiber networks • Grid constraints and potential supply chain disruptions for new power projects