

# External Audit Reports

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

Report Name	Name of Firm	Presenter	IAD Page #'s
UH Intercollegiate Athletics Program, Independent Accountants' Report on the Application of Agreed-Upon Procedures, For the Year End August 31, 2024	James Moore & Co., P.L.	Shane Metzler, CPA-Manager (Presenting virtually)  Katie Davis, CPA, LSS Certified-Partner (Attending virtually)	2
UHS Endowment Fund, Independent Auditor's Report and Basic Financial Statements	FORVIS, LLP	Shekita S. Rawls, CPA Director, Audit & Attest E: <a href="mailto:Shekita.Rawls@forvis.com">Shekita.Rawls@forvis.com</a> P: 713-499-4622 (in person)	25
UH Cancer Prevention and Research Institute of Texas' (CPRIT) Independent Accountants Report on the Application of Agreed-Upon Procedures, August 31, 2024	FORVIS, LLP	Shekita S. Rawls, CPA Director, Audit & Attest E: <a href="mailto:Shekita.Rawls@forvis.com">Shekita.Rawls@forvis.com</a> P: 713-499-4622 (in person)	76

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
INDEPENDENT ACCOUNTANTS' REPORT ON THE  
APPLICATION OF AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED AUGUST 31, 2024**

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
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AUGUST 31, 2024**

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**INDEPENDENT ACCOUNTANTS' REPORT ON THE  
APPLICATION OF AGREED-UPON PROCEDURES**

Dr. Renu Khator, President,  
University of Houston:

We have performed the procedures enumerated below on the accompanying Statement of Revenues and Expenses (the Statement, see Exhibit I) of the University of Houston (the University) Intercollegiate Athletics Program (the Program) in compliance with the National Collegiate Athletic Association's (NCAA) Bylaw 20.2.4.17 for the year ended August 31, 2024. The University's management is responsible for the accompanying Statement and the Statement's compliance with those requirements for the year ended August 31, 2024.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the accompanying Statement is in compliance with the NCAA's Bylaw 20.2.4.17 for the year ended August 31, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling the lesser of \$100,000 or 10% of the line item total to which an agreed-upon procedure has been applied to, other than exceptions related to internal control procedures of the Program, for which there are no thresholds, have been reported. The procedures and the associated findings are as follows:

**Agreed-Upon Procedures Related to the Statement of Revenues and Expenses**

<b>Procedure</b>	<b>Finding</b>
<b>All Revenue Categories</b>	
<ul style="list-style-type: none"> <li>Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the Program. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.</li> </ul>	No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.

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**Procedure**

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**Finding**

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**1. Ticket Sales**

- a. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Program in the statement and the related attendance figures and recalculate totals.

No exceptions noted.

**2. Direct State or Other Governmental Support**

- a. Compare direct state or other governmental support recorded by the Program during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.

As there was no direct state or other governmental support for the year ended August 31, 2024, this procedure was not performed.

**3. Student Fees**

- a. Compare and agree student fees reported by the Program in the statement for the reporting period to student enrollments during the same reporting period and recalculate totals.
- b. Obtain documentation of Institute's methodology for allocating student fees to intercollegiate athletics programs.
- c. If the Program is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.

We were unable to perform the procedure as outlined; however, we noted that the Student Fees Advisory Committee determines the amount of student fees the Program receives. We agreed the amount to support from the Committee and noted no exceptions.

An understanding of the University's methodology was gained, and we noted the allocation was in accordance with the University's methodology.

No exceptions noted.

**4. Direct Institutional Support**

- a. Compare the direct institutional support recorded by the Program during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

No exceptions noted.

**5. Less - Transfers to Institution**

- a. Compare the transfers back to the institution with permanent transfers back to the institution from the Program and recalculate totals.

As there were no transfers to institution for the year ended August 31, 2024, this procedure was not performed.

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**Procedure**

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**Finding**

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**6. Indirect Institutional Support (6 and 6A)**

- a. Compare the indirect institutional support recorded by the Program during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.

As there was no indirect institutional support for the year ended August 31, 2024, this procedure was not performed.

**7. Guarantees**

- a. Select a sample of settlement reports for away games during the reporting period and agree each selection to the Program's general ledger and/or the statement and recalculate totals.
- b. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the Program's general ledger and/or the statement and recalculate totals.

As guarantees for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

As guarantees for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

**8. Contributions**

- a. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.

No exceptions noted.

**9. In-Kind**

- a. Compare the in-kind recorded by the Program during the reporting period with a schedule of in-kind donations and recalculate totals.

As there were no in-kind revenues for the year ended August 31, 2024, this procedure was not performed.

**10. Compensation and Benefits Provided by a Third-Party**

- a. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the Program and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the Program's general ledger and/or the Summary and recalculate totals.

As there were no compensation and benefits provided by a third-party for the year ended August 31, 2024, this procedure was not performed.

<b>Procedure</b>	<b>Finding</b>
<b>11. Media Rights</b>	
<ul style="list-style-type: none"> <li>a. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the Program or through their conference offices as reported in the statement.</li> <li>b. Compare and agree the media rights revenues to a summary statement of all media rights identified, if applicable, and the Program's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.</li> </ul>	<p>Agreements were obtained and an understanding of relevant terms and conditions was gained.</p> <p>No exceptions noted.</p>
<b>12. NCAA Distributions</b>	
<ul style="list-style-type: none"> <li>a. Compare the amounts recorded in the revenue and expense categories reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.</li> </ul>	<p>As NCAA distributions for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.</p>
<b>13. Conference Distributions and Conference Distributions of Football Bowl Generated Revenue (13 and 13A)</b>	
<ul style="list-style-type: none"> <li>a. Obtain and inspect agreements related to the Program's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions.</li> <li>b. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals.</li> </ul>	<p>Agreements were obtained and an understanding of relevant terms and conditions was gained.</p> <p>No exceptions noted.</p>
<b>14. Program Sales, Concessions, Novelty Sales and Parking</b>	
<ul style="list-style-type: none"> <li>a. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.</li> </ul>	<p>As program sales, concessions, novelty sales and parking for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed</p>
<b>15. Royalties, Licensing, Advertisements and Sponsorships</b>	
<ul style="list-style-type: none"> <li>a. Obtain and inspect agreements related to the Program's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for relevant terms and conditions.</li> <li>b. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals.</li> </ul>	<p>Agreements were obtained and an understanding of relevant terms and conditions was gained.</p> <p>No exceptions noted.</p>

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**Procedure**

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**Finding**

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**16. Sports Camp Revenues**

- a. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain documentation of the Program's methodology for recording revenues from sports- camps.
- b. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agree each selection to the Program's general ledger, and/or the statement and recalculate totals.

As sports camp revenues for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

As sports camp revenues for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

**17. Athletics Restricted Endowment and Investment Income**

- a. Obtain and inspect endowment agreements, if any, for relevant terms and conditions.
- b. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income deferred within the related endowment agreement and recalculate totals.

As athletics restricted endowment and investment income for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

As athletics restricted endowment and investment income for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

**18. Other Operating Revenue**

- a. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.

As other operating revenues for the year ended August 31, 2024 were below 4% of total revenues, this procedure was not performed.

**19. Football Bowl Revenues**

- a. Obtain and inspect agreements related to the Program's revenues from post-season football bowl participation during the reporting period to gain an understanding of the relevant term and conditions.
- b. Compare and agree the related revenues to the Program's general ledger, and or the statement and recalculate totals.

As there were no football bowl revenues for the year ended August 31, 2024, this procedure was not performed.

As there were no football bowl revenues for the year ended August 31, 2024, this procedure was not performed.



**All Expense Categories**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total expenses, no procedures are required for that specific category.</li> </ul> | <p>No exceptions noted.</p>   |
| <ul style="list-style-type: none"> <li>• Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.</li> </ul>   | <p>No exceptions noted.</p>   |
| <ul style="list-style-type: none"> <li>• Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.</li> </ul>              | <p>No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.</p> |

**20. Athletic Student Aid**

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|---|--|
| <p><b>a.</b> Using the criteria below select a sample of student-athletes receiving athletic aid during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sport sponsored.</p> <ul style="list-style-type: none"> <li>• If using the NCAA's Compliance Assistant (CA) application, select 10% of the total student-athletes with a maximum sample size of 40.</li> <li>• If using a compliance application other than the NCAA's CA application, select 20% of total student-athletes with a maximum sample size of 60).</li> </ul> <p><i>Note: The Division I revenue distribution equivalencies (athletic grant amount divided by the full grant amount) should only include tuition, fees, living expenses and required course-related books, per Bylaw 20.02.10. Cost of Attendance or Other Expenses Related to Attendance are <b>not</b> countable for revenue distribution purposes.</i></p> <p><i>Note: The Calculation of Revenue Distribution Equivalencies Report (CRDE) within Compliance Assistant should provide equivalencies that do not contain Cost of Attendance or Other Expenses Related to Attendance.</i></p> | <p>A sample of 39 student aid recipients was selected.</p> |
| <p><b>b.</b> Obtain individual student-athlete account detail for each selection. Reconcile the total athletic aid reported by the institution to the student-athlete's account detail reported in CA or the institution report that reconciles to the NCAA Membership Financial Reporting System.</p>  | <p>No exceptions noted.</p>                                |

Procedure	Finding
<p>c. <b>Division I Institutions Only:</b> Perform a check of each student selected to ensure their information was reported accurately in either the NCAA’s CA software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:</p> <ul style="list-style-type: none"> <li>• Grants-in-aid is calculated by using the revenue distribution equivalencies, athletic grant amount divided by the full grant amount.</li> <li>• Other expenses related to attendance (also known as cost of attendance) should <b>not</b> be included in grants-in-aid revenue distribution equivalencies. Only tuition, fees, living expenses, and course-related books are countable for grants-in-aid revenue distribution per Bylaw 20.02.10. <u>Note:</u> For compliance purposes equivalencies may include other expenses related to attendance per Bylaw 15.02.2. However, other expenses related to attendance are <b>not</b> allowed to be included for revenue distribution equivalencies. If using the NCAA CA application, the Calculation of Revenue Distribution Equivalencies Report (CRDE) should provide equivalencies that do not include other expenses related to attendance.</li> <li>• Full grant amount should be entered as a full year of tuition, not a semester or quarter.</li> <li>• Student-athletes are to be counted once, regardless of multiple sport participation, and should not receive a revenue distribution equivalency greater than 1.00.</li> <li>• Athletic grants are valid for revenue distribution purposes only in sports in which the NCAA conducts championships competition, emerging sports for women and football bowl subdivision football.</li> <li>• Grants-in-aid are valid for revenue distribution purposes in NCAA sports that do not meet the minimum contests and participants’ requirements of Bylaw 20.10.6.3.</li> <li>• Institutions providing grants to student-athletes listed on the CRDE as “Exhausted Eligibility (fifth-year)” or “Medical” receive credit in the grants-in-aid component.</li> </ul>	<p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p>

Procedure	Finding
<ul style="list-style-type: none"> <li>The athletics aid equivalency cannot exceed maximum equivalency limits. However, the total revenue distribution equivalency can exceed maximum equivalency limits due to exhausted eligibility and medical equivalencies, Bylaw 15.5.3.1. <u>Note:</u> The NCAA Membership Financial Reporting System's Revenue Distribution data entry webpage will automatically reduce the Total Revenue Distribution Equivalencies Awarded column to adhere to Bylaw 15.5.3.1.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a sport is discontinued and athletic aid is still being awarded/honored by the institution, the athletic aid is countable for revenue distribution purposes. <u>Note:</u> The discontinued sport will need to be added to the NCAA Membership Financial Reporting System's Revenue Distribution data entry Webpage.</li> </ul>	As there were no discontinued sports for the year ended August 31, 2024, this procedure was not performed.
<ul style="list-style-type: none"> <li>All equivalency calculations should be rounded to two decimal places.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a selected student received a Pell Grant, ensure the value of the grant is not included in the calculation of equivalencies or the total dollar amount of student athletic aid expense for the institution.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>If a selected student received a Pell Grant, ensure the student's grant was included in the total number and total dollar value of Pell Grants reported for Revenue Distribution purposes in the NCAA Membership Financial Reporting System.</li> </ul>	No exceptions noted.
<p><b>d.</b> Recalculate totals for each sport and overall.</p>	No exceptions noted.
<b>21. Guarantees</b>	
<p><b>a.</b> Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the Program's general ledger and/or the statement and recalculate totals.</p>	As guarantees for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<p><b>b.</b> Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during the reporting period to the institution's general ledger and/or the statement and recalculate totals.</p>	As guarantees for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.

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**Procedure**

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**Finding**

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**22. Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

- a. Obtain and inspect a listing of coaches employed by the Program and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.
- b. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Program and related entities in the statement during the reporting period.
- c. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period.
- d. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

A listing of all coaches employed by the Program was obtained. A sample of five coaches for two pay periods each was selected, including the men's and women's basketball head coaches and the men's football head coach.

No exceptions noted.

No exceptions noted.

No exceptions noted.

**23. Coaching Salaries, Benefits, and Bonuses Paid by a Third-Party**

- a. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.
- b. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the Program in the statement during the reporting period.
- c. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party recorded by the institution in the statement during the reporting period and recalculate totals.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2024, this procedure was not performed.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2024, this procedure was not performed.

As there were no coaching salaries, benefits, and bonuses paid by a third-party for the year ended August 31, 2024, this procedure was not performed.

Procedure	Finding
<p><b>24. Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities</b></p> <p>a. Select a sample of support staff/administrative personnel employed by the Program and related entities during the reporting period.</p> <p>b. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period and recalculate totals.</p>	<p>A sample of five support staff/administrative personnel for two pay periods each was selected.</p> <p>No exceptions noted.</p>
<p><b>25. Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by a Third-Party</b></p> <p>a. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.</p> <p>b. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the Program in the statement during the reporting period and recalculate totals.</p>	<p>As there were no support staff/administrative compensation, benefits, and bonuses paid by a third-party for the year ended August 31, 2024, this procedure was not performed.</p> <p>As there were no support staff/administrative compensation, benefits, and bonuses paid by a third-party for the year ended August 31, 2024, this procedure was not performed.</p>
<p><b>26. Severance Payments</b></p> <p>a. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.</p>	<p>As severance payments for the year ended August 31, 2024, were below 4% of total expenses, this procedure was not performed.</p>
<p><b>27. Recruiting</b></p> <p>a. Obtain documentation of the Program's recruiting expense policies.</p> <p>b. Compare and agree to existing institutional- and NCAA-related policies.</p>	<p>As recruiting expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.</p> <p>As recruiting expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.</p>

<b>Procedure</b>	<b>Finding</b>
<ul style="list-style-type: none"> <li>c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.</li> </ul>	As recruiting expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>28. Team Travel</b>	
<ul style="list-style-type: none"> <li>a. Obtain documentation of the Program’s team travel policies.</li> </ul>	We obtained and documented an understanding of the Program’s team travel policies.
<ul style="list-style-type: none"> <li>b. Compare and agree to existing institutional- and NCAA-related policies.</li> </ul>	No exceptions noted and policies are consistent with institutional and NCAA-related policies.
<ul style="list-style-type: none"> <li>c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.</li> </ul>	No exceptions noted.
<b>29. Sports Equipment, Uniforms and Supplies</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As sports equipment, uniforms and supplies for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>30. Game Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As game expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>31. Fund Raising, Marketing and Promotion</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As fund raising, marketing and promotion for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>32. Sports Camp Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As sports camp expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.

<b>Procedure</b>	<b>Finding</b>
<b>33. Spirit Groups</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As there were no spirit groups for the year ended August 31, 2024, this procedure was not performed.
<b>34. Athletic Facilities Debt Service, Leases and Rental Fees</b>	
<ul style="list-style-type: none"> <li>a. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).</li> <li>b. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.</li> </ul>	<p>No exceptions noted.</p> <p>No exceptions noted.</p>
<b>35. Direct Overhead and Administrative Expenses</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	No exceptions noted.
<b>36. Indirect Institutional Support</b>	
<ul style="list-style-type: none"> <li>a. Tested with revenue section- Indirect Institutional Support.</li> </ul>	As there was no indirect institutional support for the year ended August 31, 2024, this procedure was not performed.
<b>37. Medical Expenses and Insurance</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As medical expenses and insurance for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>38. Memberships and Dues</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As memberships and dues for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.
<b>39. Student-Athlete Meals (non-travel)</b>	
<ul style="list-style-type: none"> <li>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</li> </ul>	As student-athlete meals for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.

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**Procedure**

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**Finding**

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**40. Other Operating Expenses**

- a. Obtain general ledger detail and compare to the total expenses report. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As other operating expenses for the year ended August 31, 2024 were below 4% of total expenses, this procedure was not performed.

**41. Football Bowl Expenses (41 and 41A)**

- a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

As there were no football bowl expenses for the year ended August 31, 2024, this procedure was not performed.

**ADDITIONAL MINIMUM AGREED-UPON PROCEDURES**

In order for the NCAA to place reliance on the Division I financial reporting to calculate the Division I NCAA revenue distributions, which is a financial benefit to the institution, the following procedures are required:

**1. Grants-in-Aid:**

- a. Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistant (CA) or other report that supports the equivalency calculations from the institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Sports Sponsorship and Demographics Form as they are reported by the institution between April and June. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or other report that supports the equivalency calculations, inquire about the discrepancy, and report the justification in the AUP report.
- b. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. Inquire and document an explanation for any variance great than +/- 4%. The submitted data is reviewed by NCAA staff. Providing a detailed variance explanation will assist with the review process.

No exceptions noted.

We noted no variance greater than the threshold.



**2. Sports Sponsorship:**

- |   |                             |
|---|-----------------------------|
| <p><b>a.</b> Obtain the institution’s Sports Sponsorship and Demographics Forms submitted to the NCAA for the reporting year. Validate that the countable NCAA sports reported by the institution met the minimum requirements, set forth in Bylaw 20.9.6.3, related to the number of contests and the number of participants. If the institution requested and/or received a waiver related to minimum contests or minimum participants for a sport, that sport would not qualify as a sponsored sport for the purposes of revenue distribution. Also, only sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are eligible. Once the countable sports have been validated, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Any discrepancies MUST be resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA.</p> | <p>No exceptions noted.</p> |
| <p><b>b.</b> Compare current year number of Sports Sponsored to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance. The submitted data is reviewed by NCAA staff. Providing a detailed variance explanation will assist with the review process.</p>  | <p>No variance noted.</p>   |

**3. For Pell Grants:**

- |  |                             |
|--|-----------------------------|
| <p><b>a.</b> Agree the total number of Division I student-athletes who, during the academic year, received a Pell Grant award (e.g. Pell Grant recipients on Full Athletic Aid, Pell Grant recipients on Partial Athletic Aid and Pell Grant recipients with no Athletic Aid) and the total dollar amount of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report generated out of the institutions financial aid records of all student-athlete Pell Grants.</p> <ul style="list-style-type: none"> <li>● Note 1: Only Pell Grants for sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are countable.</li> <li>● Note 2: Student-athletes should only be counted once even if the athlete participates in multiple sports.</li> <li>● Note 3: Individual student-aid file testing in step 31 above should tie any selected student athletes who received Pell Grants back to the report of all student athlete Pell Grants to test the completeness and accuracy of the report.</li> </ul> | <p>No exceptions noted.</p> |
|--|-----------------------------|

<b>Procedure</b>	<b>Finding</b>
<p>b. Compare current year Pell Grants total to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance greater than +/- 20 grants. The submitted data is reviewed by NCAA staff. Providing a detailed variance explanation will assist with the review process.</p>	<p>We noted no variance exceeding the threshold.</p>

**MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS**

**50. Excess Transfers to Institution**

<p>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>As there were no excess transfers to institution for the year ended August 31, 2024, this procedure was not performed.</p>
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**51. Conference Realignment Expenses**

<p>a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.</p>	<p>No exceptions noted.</p>
---	-----------------------------

**52. Total Athletics Related Debt**

<p>a. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.</p>	<p>No exceptions noted.</p>
<p>b. Agree the total annual maturities and total outstanding athletic related debt to supporting documentation and the institution's general ledger, if applicable.</p>	<p>No exceptions noted.</p>

**53. Total Institutional Debt**

<p>a. Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements, if available, or the institution's general ledger.</p>	<p>No exceptions noted.</p>
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**54. Value of Athletics Dedicated Endowments**

<p>a. Obtain a schedule of all athletics dedicated endowments maintained by the Program, the institution, and affiliated organizations. Agree the fair market value in the schedules(s) to supporting documentations, the general ledger(s) and audited financial statements, if available.</p>	<p>No exceptions noted.</p>
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Procedure	Finding
<b>55. Value of Institutional Endowments</b>	
a. Agree the total fair market value of institutional endowments to supporting documentation, the institution's general ledger and/or audited financial statements, if available.	No exceptions noted.

**56. Total Athletics Related Capital Expenditures**

- |  |                      |
|--|----------------------|
| a. Obtain a schedule of athletics related capital expenditures made by the Program, the institution, and affiliated organizations during the reporting period, additions only.                     | No exceptions noted. |
| b. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals. | No exceptions noted. |

**Agreed-Upon Procedures Related to Affiliated and Outside Organizations**

**Procedure**

- The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

**Results**

The Program identified the University of Houston Foundation (the Foundation) as the only athletics-related affiliated and outside organization making expenditures for, or on behalf of the Program or its employees. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of Program. For the year ended August 31, 2024, the Foundation recognized expenses of \$661,082 on behalf of the Program.

**Finding**

No exceptions noted.

**Procedure**

- The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

## Results

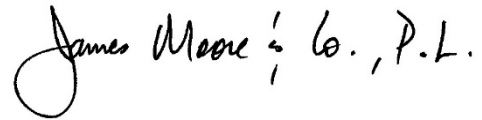
We noted that the audited financial statements of the Foundation for the year ended August 31, 2024 had not yet been released as of the date of the report; however, we obtained and read the audited financial statements of the Foundation for the year ended August 31, 2023. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation.

## Finding

No exceptions noted.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement of Revenues and Expenses (Exhibit I) of the University and the accompanying notes to the Statement of Revenues and Expenses (Exhibit II). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Gainesville, Florida  
January 13, 2025

UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2024  
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
<b>Revenues</b>						
1 Ticket sales	\$ 6,646,509	\$ 2,171,293	\$ 66,484	\$ 445,580	\$ 367,068	\$ 9,696,934
2 Direct state or other governmental support	-	-	-	-	-	-
3 Student fees	-	-	-	-	8,133,527	8,133,527
4 Direct institutional support	-	-	-	-	30,263,602	30,263,602
5 Less - transfers to institution	-	-	-	-	-	-
6 Indirect institutional support	-	-	-	-	-	-
6A Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	-	-
7 Guarantees	-	-	-	15,000	-	15,000
8 Contributions	208,147	509,401	250	1,057,937	12,103,688	13,879,423
9 In-kind	-	-	-	-	-	-
10 Compensation and benefits provided by a third-party	-	-	-	-	-	-
11 Media rights	7,227,535	2,688,099	-	-	543,896	10,459,530
12 NCAA distributions	-	1,334,517	-	-	1,375,236	2,709,753
13 Conference distributions (non media and non football bowl)	-	-	-	-	1,286,590	1,286,590
13A Conference distributions of football bowl generated revenue	3,499,949	-	-	-	-	3,499,949
14 Program sales, concessions, novelty sales and parking	184,759	19,083	-	-	1,117,410	1,321,252
15 Royalties, licensing, advertisement and sponsorships	-	-	-	-	5,074,091	5,074,091
16 Sports camp revenues	4,820	103,333	14,645	93,184	-	215,982
17 Athletics restricted endowment and investment income	21,599	13,327	-	92,375	255,383	382,684
18 Other operating revenue	76,212	3,089	643	106,025	1,105,531	1,291,500
19 Football bowl revenues	-	-	-	-	-	-
Total operating revenues	<u>17,869,530</u>	<u>6,842,142</u>	<u>82,022</u>	<u>1,810,101</u>	<u>61,626,022</u>	<u>88,229,817</u>
<b>Expenses</b>						
20 Athletic student aid	3,764,408	561,887	615,508	4,240,310	312,452	9,494,565
21 Guarantees	325,000	760,414	92,150	60,078	-	1,237,642
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	9,501,863	6,490,525	866,241	3,874,545	-	20,733,174
23 Coaching salaries, benefits, and bonuses paid by a third-party	-	-	-	-	-	-
24 Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	2,394,100	1,606,714	273,825	518,535	11,394,651	16,187,825
25 Support staff/administrative compensation, benefits, and bonuses paid by a third-party	-	-	-	-	-	-
26 Severance payments	3,645,284	-	-	-	60,527	3,705,811
27 Recruiting	809,206	157,167	62,932	382,268	-	1,411,573
28 Team travel	759,320	1,178,675	440,685	1,503,682	229,454	4,111,816
29 Sports equipment, uniforms and supplies	1,191,029	305,358	104,928	836,837	161,462	2,599,614
30 Game expenses	935,350	416,657	91,406	336,511	393,661	2,173,585
31 Fund raising, marketing and promotion	45,129	42,378	1,327	34,763	920,778	1,044,375
32 Sports camp expenses	5,696	45,175	3,782	70,789	-	125,442
33 Spirit groups	-	-	-	-	-	-
34 Athletic facilities debt service, leases and rental fees	-	-	-	-	10,073,026	10,073,026
35 Direct overhead and administrative expenses	1,299,631	462,155	220,832	788,779	13,343,775	16,115,172
36 Indirect institutional support	-	-	-	-	-	-
37 Medical expenses and insurance	23,095	2,315	-	37,426	1,526,757	1,589,593
38 Memberships and dues	417	150	600	6,145	17,814	25,126
39 Student-athlete meals (non-travel)	2,193,400	429,208	171,733	542,202	135,884	3,472,427
40 Other operating expenses	41,563	93,260	5,079	36,303	2,137,514	2,313,719
41 Football bowl expenses	-	-	-	-	-	-
41A Football bowl expenses - coaching compensation/bonuses	-	-	-	-	-	-
Total operating expenses	<u>26,934,491</u>	<u>12,552,038</u>	<u>2,951,028</u>	<u>13,269,173</u>	<u>40,707,755</u>	<u>96,414,485</u>
<b>Results of operations</b>	<u>\$ (9,064,961)</u>	<u>\$ (5,709,896)</u>	<u>\$ (2,869,006)</u>	<u>\$ (11,459,072)</u>	<u>\$ 20,918,267</u>	<u>(8,184,668)</u>
50 Excess transfers to institution						-
51 Conference realignment expenses						2,500,000
<b>Excess (deficiency) of revenues over (under) expenses (see Note 5)</b>						<u>\$ (10,684,668)</u>
<b>Other reported items</b>						
52 Total athletics related debt						<u>\$ 121,383,900</u>
53 Total institutional debt						<u>\$ 1,664,193,080</u>
54 Value of athletics dedicated endowments						<u>\$ 10,107,066</u>
55 Value of institutional endowments						<u>\$ 862,005,038</u>
56 Total athletics related capital expenditures						<u>\$ 186,646</u>

See accompanying notes to Statement of Revenues and Expenses.

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2024  
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(1) **Basis of Accounting:**

The statement of revenues and expenses of the University of Houston (the University) Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets purchased with an original cost of \$5,000 or more are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally ranging from 5 to 10 years). Costs to maintain or repair these assets are expensed as incurred. Costs incurred for the construction of buildings or other permanent facilities are not capitalized as part of the Program’s accounts but are recorded by the University as assets of other funds.

(3) **Contributions:**

The University and the University of Houston Foundation (the Foundation) serve as the official legal conduits for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. The Program received contributions of \$13,879,423 during the year ended August 31, 2024. There were no individual contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses, for the year ended August 31, 2024.

(4) **Long-term Debt:**

The following is a schedule of future principal and interest payments for long term debt as of August 31, 2024:

<b>Fiscal Year Ending August 31,</b>	<b>Long Term Debt</b>		<b>Total Principal and Interest</b>
	<b>Principal</b>	<b>Interest</b>	
2025	\$ 4,657,475	\$ 4,284,316	\$ 8,941,791
2026	5,793,920	3,985,624	9,779,544
2027	5,889,810	3,895,491	9,785,301
2028	6,000,700	3,788,755	9,789,455
2029	6,113,590	3,670,428	9,784,018
2030-2034	32,818,405	16,283,729	49,102,134
2035-2039	27,230,000	10,312,865	37,542,865
2040-2044	12,070,000	6,459,215	18,529,215
2045-2049	12,035,000	3,692,242	15,727,242
2050-2052	8,775,000	660,921	9,435,921
Total	<u>\$121,383,900</u>	<u>\$ 57,033,586</u>	<u>\$178,417,486</u>

**UNIVERSITY OF HOUSTON  
INTERCOLLEGIATE ATHLETICS PROGRAM  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2024  
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS’  
REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)**

(5) **Surplus/Deficit Allocations:**

The Program is allowed to carry forward all available fund equity balances at the end of each fiscal year to the next fiscal year. Deficits are funded by the Program using the accumulated fund equity from sufficient net position available. For the fiscal year ended August 31, 2024, the Program incurred a deficiency of revenues under expenses totaling \$(10,684,668). To address the deficit, the surplus fund balance carried forward from prior fiscal years was supplemented by an eleven-year, \$10 million loan from the University of Houston System Endowment Fund.

UNIVERSITY OF HOUSTON INTERCOLLEGIATE ATHLETICS PROGRAM  
 SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES  
 VARIATION ANALYSIS OF TOTAL REVENUES AND EXPENSES  
 TO PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES  
 FOR THE YEAR ENDED AUGUST 31, 2024  
 (UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'  
 REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

	2024	2023	\$ Variance	% Variance	Variation Explanation
<b>Revenues</b>					
1 Ticket sales	\$ 9,696,934	\$ 4,904,800	\$ 4,792,134	97.70%	The increase in ticket sales was driven by the transition to the Big 12 Conference, which resulted in improved attendance and higher ticket prices. Football revenue increased by approximately \$4.1 million year-over-year, supported by the transition to the Big 12, enhanced ticket pricing, better attendance, and the addition of a seventh home game. With ticket sales already nearing capacity, Men's Basketball generated an additional \$500,000, primarily from the incremental impact of increased pricing.
4 Direct institutional support	\$ 30,263,602	\$ 39,658,543	\$ (9,394,941)	-23.69%	A \$10 million internal loan was secured to replace the direct institutional support provided in the prior year.
8 Contributions	\$ 13,879,423	\$ 10,114,611	\$ 3,764,812	37.22%	The transition to the Big 12 Conference also positively impacted fundraising, mirroring the effect on ticket sales. The athletics annual fund increased by over \$2 million, driven by higher prices and an increased volume of per-seat commitments for Football and Men's Basketball. Significant contributions to the positive variance also came from capital project giving, including approximately \$500,000 for the Football Operations Center construction and \$500,000 for renovations to golf facility spaces. Additionally, one-time fundraising from the Hall of Honor gala event contributed approximately \$370,000.
<b>Expenses</b>					
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	\$ 20,733,174	\$ 18,240,589	\$ 2,492,585	13.67%	The variance in Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities is primarily driven by changes in the football coaching staff, including an increased salary pool for the new staff and relocation costs, collectively contributing approximately \$1 million. Additionally, a new contract for the Head Men's Basketball Coach and adjustments for other basketball staff accounted for approximately \$1.3 million of the increase.
24 Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	\$ 16,187,825	\$ 13,714,764	\$ 2,473,061	18.03%	The variance in Support Staff/Administration Salaries, Benefits, and Bonuses Paid by the University and Related Entities is attributable to the transition to the Big 12 which prompted a comprehensive staffing review, leading to the addition of key support positions (e.g., Mental Health, Cougar Productions, Compliance) and the transfer of units and personnel to the Athletics budget, such as Development (from campus) and Ticket Sales (from a third party). These changes collectively contributed approximately \$2 million to the increase.
35 Direct overhead and administrative expenses	\$ 16,115,172	\$ 12,407,630	\$ 3,707,542	29.88%	The variance in Direct Overhead and Administrative Expenses for FY24 is attributable to several one-time expenses, including approximately \$1 million in non-salary costs associated with the football staff transition (e.g., buyouts), \$350,000 for event cancellation insurance for football (not provided by the Big 12), and \$1.5 million for Big 12 readiness facility upgrades. The overall rise in expenditures also led to a proportional increase of approximately \$500,000 in the University's administrative fee.

**Note 1:** The budget estimates for the University of Houston Intercollegiate Athletics Program generated by their ERP system are prepared in a format consistent with GAAP rather than in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended August 31, 2024, was not be performed. However, management does perform budget to actual comparison and analysis on a variety of budgetary bases throughout the fiscal year.



# Forvis Mazars Report to the Board of Regents, Audit and Compliance Committee, and Management

University of Houston System Endowment Fund

Results of the 2024 Financial Statement Audit, Including Required Communications

August 31, 2024

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"> <li>• As of and for the year ended August 31, 2024</li> <li>• Conducted in accordance with our contract dated July 23, 2024</li> </ul>
<b>Our Responsibilities</b>	<p>Forvis Mazars is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.</p>



Matter	Discussion
<b>Your Responsibilities</b>	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Regents, Audit and Compliance Committee, and Management</li> <li>• Others within the Entity</li> </ul>

## Qualitative Aspects of Significant Accounting Policies & Practices

### Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- No matters are reportable

### Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

### Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. A significant area of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates includes:

- Fair value of investments

### Financial Statement Disclosures

The following area involves particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Determination of fair values

## Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

### Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

### Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable

### Uncorrected Misstatements

No uncorrected misstatements to report.

### Other Required Communications

### Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachment)

## Attachments

### Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.



**Attachment A**

**Management Representation Letter**

*Representation of:*

University of Houston System Endowment Fund  
Ezekiel W. Cullen Building  
4302 University Drive, Room 10F  
Houston, Texas 77204-0901

*Provided to:*

**Forvis Mazars, LLP**  
Certified Public Accountants  
2700 Post Oak Boulevard, Suite 1500  
Houston, TX 77056

The undersigned (“We”) are providing this letter in connection with Forvis Mazars’ audits of our financial statements as of and for the year ended August 31, 2024 and 2023.

Our representations are current and effective as of the date of Forvis Mazars’ report: January 31, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: July 23, 2024.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of Forvis Mazars’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of the governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

**Government Auditing Standards**

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

**Misappropriation, Misstatements, & Fraud**

11. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net position.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or

- b. Others when the fraud could have a material effect on the financial statements.
13. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
  14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, analysts, SEC or other regulators, suppliers, or others.
  15. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

#### ***Ongoing Operations***

16. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing or bonding, significant credit quality problems, including significant volatility in the values of real estate and other collateral supporting loans, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, capital, etc., that could negatively impact the entity’s ability to meet regulatory capital requirements or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity’s financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; or loan losses evaluating capital needs and liquidity plans; etc.

#### ***Related Parties***

17. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

18. We understand that the term related party refers to:
  - Affiliates
  - Management and members of their immediate families



- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

#### ***Litigation, Laws, Rulings & Regulations***

19. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
20. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

#### ***Financial Statements & Reports***

21. With regard to supplementary information:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

#### ***Transactions, Records, & Adjustments***

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have everything we need to keep our books and records.
24. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

**Governmental Accounting & Disclosure Matters**

25. With regard to deposit and investment activities:
- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
  - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
26. Components of net position (restricted and unrestricted) are properly classified and, if applicable, approved.
27. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
28. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
29. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

Louis W. Edwards  
Louis W. Edwards (Jan 31, 2025 10:49 CST)  
\_\_\_\_\_  
Louis W. Edwards, Treasurer  
  
lwedwar2@central.uh.edu  
\_\_\_\_\_

Lavonda Luckett  
Lavonda Luckett (Jan 31, 2025 10:30 CST)  
\_\_\_\_\_  
Lavonda M. Luckett, Executive Director of Financial Reporting, University of Houston System  
  
lmluckett@central.uh.edu  
\_\_\_\_\_



# **University of Houston System Endowment Fund**

## **Independent Auditor's Report and Financial Statements**

August 31, 2024 and 2023

# University of Houston System Endowment Fund

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August 31, 2024 and 2023

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## Independent Auditor's Report

Board of Regents  
University of Houston System  
Houston, Texas

### ***Opinion***

We have audited the financial statements of the University of Houston System (System) Endowment (Endowment Fund), which comprise the statements of net position as of August 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Endowment Fund as of August 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial position, changes in net position, and cash flows of the Endowment Fund and do not purport to and do not present fairly the financial position of the System as of August 31, 2024 and 2023, the changes in its net position, and 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment Fund's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

***Forvis Mazars, LLP***

**Houston, Texas  
January 31, 2025**

# University of Houston System Endowment Fund

## Management's Discussion and Analysis (Unaudited)

### August 31, 2024

#### **Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of the fund for the fiscal year ended August 31, 2024, as compared to the fiscal year ended August 31, 2023, with summary comparisons for the fiscal year ended August 31, 2022. This MD&A offers a summary of significant current year activities of the University of Houston System (the UH System) Endowment Fund (the Endowment Fund), resulting changes in net assets, and currently known economic conditions and facts. This analysis should be read in conjunction with the Endowment Fund's basic financial statements and the notes to the financial statements. Responsibility for the financial statements, related footnote disclosures, and MD&A rests with the Endowment Fund's management.

The UH System is a governmental entity of the State of Texas. The Endowment Fund is a fund group of the UH System's reporting entity. The financial statements of the Endowment Fund have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

During fiscal year 2024, the Endowment Management Committee of the UH System Board of Regents (Board of Regents) continued to review existing objectives, risks, asset allocation, and manager structure within the endowment portfolio and adjust as deemed appropriate. The Endowment Fund Statement of Investment Objectives and Policies, among other things, establishes financial objectives for the endowment and an asset allocation with targets and ranges and categorizes each asset class as either a risk reducer or a driver of return.

#### **Endowment Fund Structure**

Gifts to the UH System are placed in the Endowment Fund for investment and oversight purposes. The Board of Regents strives to maintain a plan to preserve and augment the value of the endowment. The Board of Regents works to preserve the broad objective of investing endowment assets so as to preserve both their real value and the long-range purchasing power of endowment income. The Endowment Management Committee of the Board of Regents is responsible for reviewing and approving investment managers and monitoring investment performance and allocations of funds to asset classes to ensure appropriate diversification of investment risks for the Endowment Fund, as well as making recommendations to the Board of Regents for any changes to the investment policy.

The Endowment Fund is a pooled investment fund consisting of approximately 2,178 individual endowments benefiting the four UH System universities. The investment pool functions similarly to a mutual fund, with each endowment account owning units that represent a claim on the Endowment Fund's net position. By pooling the investments, the UH System achieves increased diversification of investment risks and more effective management of endowment assets.

## Management of the Fund

The Endowment Fund retains 110 independent investment managers who pursue various portfolio management strategies to diversify risk and maximize the total return through a variety of capital market cycles. Investment manager diversification of the Endowment Fund's assets is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Developed U.S. Equity</u>			
Northern Trust	11%	11%	11%
Columbia Management	6	6	4
Vulcan Value Partners	5	5	5
Jennison Global Opportunity Fund	1	0	0
Cougar Investment Fund	<2	<2	<1
Subtotal – developed U.S. equity	<u>23</u>	<u>22</u>	<u>20</u>
<u>Developed International Equity</u>			
William Blair	6	4	4
Silchester	5	5	5
Global Alpha	4	3	3
Subtotal – developed international equity	<u>15</u>	<u>12</u>	<u>12</u>
<u>Developing Markets</u>			
Doddington Emerging Markets	1	1	1
Somerset	1	0	0
Edgbaston Asian Equity	1	1	1
Subtotal – developing markets	<u>3</u>	<u>2</u>	<u>2</u>
<u>Global Equity</u>			
Arrowstreet Global Equity	4	4	4
<u>Absolute Return</u>			
Anchorage Capital Partners	1	0	0
HBK	1	2	2
Davidson Kempner	1	2	2
Whipporwill	1	0	0
Standard Life	1	0	0
400 Capital Credit Opps	2	2	2
Subtotal – absolute return	<u>7</u>	<u>6</u>	<u>6</u>
<u>Hedged Equity</u>			
Highline Capital	1	0	0
Lakewood	1	0	0
SRS Partners	1	1.5	2
Subtotal – hedged equity	<u>3</u>	<u>1.5</u>	<u>2</u>
<u>Marketable Real Assets</u>			
Vanguard	1	1	1
T. Rowe Price	1	1	2
Subtotal – marketable real assets	<u>2</u>	<u>2</u>	<u>3</u>



	<b>2024</b>	<b>2023</b>	<b>2022</b>
<u>Fixed Income</u>			
Lord Abbett	4.2%	4.2%	4%
Loop Capital (Formerly Smith Graham)	4.5	4.5	2
Loomis Sayles	1.6	1.6	1
PIMCO	1.6	1.6	2
Subtotal – fixed income	<u>11.9</u>	<u>11.9</u>	<u>9</u>
<u>Private Investments</u>			
Berwind Property Group VII	<1	<1	<1
Berwind Property Group VIII	<1	<1	<1
Newlin Realty Partners	<1	<1	<1
Newlin Realty Partners II	<1	<1	<1
Commonfund Capital International VI	<1	<1	<1
Commonfund Capital PE VII	<1	<1	<1
Commonfund Capital Venture VIII	<1	<1	<1
Denham Commodity Partners	<1	1	<1
Denham Oil and Gas	<1	<1	<1
EnCap Flatrock Midstream II-C	<1	<1	<1
EnCap Flatrock Midstream III	<1	<1	<1
Embarcadero Capital	<1	<1	<1
Enervest Fund XIV-A	<1	<1	<1
Frontenac Fund XII	<1	<1	<1
Advent International GPE VII	<1	<1	<1
Advent International GPE VIII-B	<1	<1	<1
Advent International GPE IX	<1	<1	<1
GCM Grosvenor Advance	<1	<1	<1
EnCap Energy VII-B	<1	<1	<1
J.H. Whitney VII	<1	<1	<1
TrueBridge – Kauffman Fellows II	<1	<1	<1
TrueBridge – Kauffman Fellows III	<1	<1	<1
TrueBridge – Kauffman Fellows IV	1	1	<1
TrueBridge – Kauffman Fellows V	<1	<1	<1
TrueBridge – Kauffman Fellows VI	<1	<1	<1
TrueBridge Capital Partners – VII	<1	<1	<1
Dover Street VIII	<1	<1	<1
Dover Street X	<1	0	<1
LiveOak Venture Partners I	<1	<1	<1
Silver Lake Partners V	<1	<1	<1
Jackson Square Ventures II	<1	<1	<1
Jackson Square Ventures III	<1	<1	<1
Mercury Fund IV	<1	<1	<1
Penzance DC Real Estate Fund	<1	<1	<1
Penzance DC Real Estate Fund II	<1	<1	<1
Silver Lake Partners IV	<1	<1	<1
Silver Lake Partners VI	<1	<1	0
Acme Fund III	<1	<1	<1
Silver Lake Partners VI	<1	<1	<1
SV Life Sciences Fund VI	<1	<1	<1
Great Hill Equity Partners V	<1	<1	<1

	2024	2023	2022
<u>Private Investments (Continued)</u>			
Mill Point Capital Partners III	1%	0%	0%
Great Hill Equity Partners VI	<1	<1	<1
Great Hill Equity Partners VII	<1	<1	<1
Dover Street IX	<1	<1	<1
Fisher Lynch Buyout II	<1	<1	<1
Binary Capital Fund II	<1	<1	<1
Fisher Lynch Venture II	<1	<1	<1
ASF VIII B	<1	<1	<1
Vivo Capital Fund IX	<1	<1	<1
US Venture Partners XII	<1	<1	<1
Kelso X	<1	<1	<1
Kelso XI	<1	<1	0
Thoma Bravo XIII-A	<1	<1	<1
Thoma Bravo XIV-A	<1	<1	<1
Energy Spectrum VIII	<1	<1	<1
Great Point Partners III	<1	<1	<1
PeakSpan II	<1	<1	<1
Clear Ventures II	<1	<1	<1
Hastings IV-B	<1	<1	<1
Lexington Capital VIII	<1	<1	<1
Lexington Capital IX	<1	<1	<1
LiveOak Venture II	<1	<1	<1
Weathergage Venture IV	<1	<1	<1
Blackstone Europe V	<1	<1	<1
Blackstone Real Estate IX	<1	<1	<1
Blackstone Real Estate Europe VI	<1	<1	<1
EnCap Energy XI	<1	<1	<1
Insight Equity III	<1	<1	<1
Francisco Partners IV-A	1	1	<1
Francisco Partners V	<1	<1	1
Francisco Partners VI	<1	<1	<1
Trident VII	1	1	<1
Trident VIII	<1	<1	<1
EnCap Energy X	<1	<1	<1
EnCap Midstream IV	<1	<1	<1
Blackstone Real Estate Partners VIII	<1	<1	<1
Warren Equity Partners ELIDO Fund II	1	0	<1
Windrose Health Investors VI	0	0	<1
Subtotal – private investments	<u>31</u>	<u>38</u>	<u>36</u>
Cash and equivalents	<u>3</u>	<u>3</u>	<u>4</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

## **Investment Manager Allocation**

Investment managers are given discretion to manage the assets in each portfolio to best achieve investment objectives within the policies and requirements established by the Board of Regents. The objectives and comparative benchmarks are used to evaluate manager performance. The Endowment Management Committee reviews performance and adjusts allocation to investment managers and asset classes in response to current or future anticipated market conditions. Quarterly performance reports are distributed to the Endowment Management Committee.

## **Endowment Payout Policy**

The Endowment Management Committee is responsible for reviewing the income payout rate of the Endowment Fund, which is a balance between current income needs and long-term investment objectives. The Endowment Fund will maintain a payout rate of approximately 4% to 5%, with any change to this range to be approved by the Board of Regents. The endowment income payout rate for the fiscal years ended August 31, 2024, 2023, and 2022 was 4% of the average market value for the 12 prior fiscal quarters. If an endowment has been in existence less than 12 quarters, the average is based on the number of quarters in existence. This trailing 12-quarter method is used to smooth large year-over-year changes in market value, thereby allowing the UH System's colleges and departments to more reasonably predict future distributions of endowment income intended to benefit their area.

In the three fiscal years 2022 through 2024, endowment payouts to the beneficiary accounts, excluding distributed income returned to principal, in total and by the System's components were as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
University of Houston	\$ 31,418,321	\$ 29,002,071	\$ 25,553,818
UH – Clear Lake	1,245,065	1,169,459	1,058,335
UH – Downtown	1,751,173	1,612,583	1,418,119
UH – Victoria	615,670	581,108	527,258
System-wide endowments	5,786,108	5,480,380	5,008,240
Totals	<u>\$ 40,816,337</u>	<u>\$ 37,845,601</u>	<u>\$ 33,565,770</u>

## **Overview of the Financial Statements**

The financial statements for the fiscal year ended August 31, 2024 are presented comparatively to financial statements issued for the fiscal year ended August 31, 2023. The financial statements have been prepared in accordance with the standards of GASB, which establishes generally accepted accounting principles for state and local governments. The three primary financial statements presented are (1) the statements of net position, (2) the statements of revenues, expenses, and changes in net position, and (3) the statements of cash flows. The information contained in the financial statements of the Endowment Fund is incorporated within the UH System's Combined Annual Financial Report.

The financial operations of the UH System, and therefore inclusively the Endowment Fund, are considered a business-type (or proprietary fund) activity. The operating activities of the UH System are financed by tuition and fees, state appropriations, contracts and grants, and auxiliary enterprise revenue. The Endowment Fund is an internally managed pooled-fund and its beneficiaries are internal to the UH System. The statements of net position report resources held and administered by the UH System, as described in the previous sections of this MD&A. These resources are customarily characterized by the existence of a written agreement that affects the degree of management involvement, the programs supported by income earned by the resources, and the length of time that the resources are held by the UH System.

## Statements of Net Position

The statements of net position reflect the Endowment Fund's assets and liabilities using the economic resources measurement focus and accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Net position is equal to assets minus liabilities. Unrestricted net position is available to the UH System for any lawful purpose. Unrestricted net position often has constraints imposed by management, but such constraints can be removed or modified. Restricted net position represents net position that can be utilized only in accordance with third-party-imposed restrictions. On August 31, 2024, the Endowment Fund's assets totaled \$1.162 billion and liabilities totaled \$48.7 million, resulting in a net position of \$1.113 billion.

The net position of the Endowment Fund as contributed by the UH System's components as of August 31, 2024, compared to the corresponding values as of August 31, 2023 and 2022, was as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
University of Houston	\$ 862,005,038	\$ 785,766,425	\$ 756,835,268
UH – Clear Lake	34,047,761	31,228,552	30,256,010
UH – Downtown	49,201,663	45,009,811	42,921,200
UH – Victoria	16,332,744	15,240,961	14,868,641
System-wide endowments	<u>151,453,851</u>	<u>142,104,711</u>	<u>139,330,686</u>
Totals	<u>\$1,113,041,057</u>	<u>\$1,019,350,460</u>	<u>\$ 984,211,805</u>

## *Variance Analysis – Changes in the Statements of Net Position*

	<u>2024</u>	<u>2023</u>	<u>Change 2024–2023</u>	<u>2022</u>
Total assets	\$ 1,161,755,834	\$1,065,404,503	\$ 96,351,331	\$1,027,784,534
Total liabilities	48,714,776	46,054,043	2,660,733	43,572,729
Restricted, nonexpendable endowments	795,091,006	723,518,238	71,572,768	695,670,162
Restricted, expendable endowments	66,937,885	61,693,693	5,244,192	60,434,582
Unrestricted endowments	<u>251,012,166</u>	<u>234,138,529</u>	<u>16,873,637</u>	<u>228,107,061</u>
Net position	<u>\$1,113,041,057</u>	<u>\$1,019,350,460</u>	<u>\$ 93,690,597</u>	<u>\$ 984,211,805</u>

- Total assets: The \$96.3 million increase in fiscal year 2024 is primarily attributable to an increase in the fair value of investments.
- Total liabilities: The \$2.661 million increase in liabilities is primarily attributable to an increase in amounts payable to other System components at fiscal year-end 2024.
- Restricted, nonexpendable endowments: The \$71.6 million increase in restricted nonexpendable endowments is primarily attributable to an increase in the fair value of investments.
- Restricted, expendable endowments: The \$5.2 million increase in restricted expendable endowments is primarily attributable to an increase in the fair value of investments.
- Unrestricted endowments: The \$16.9 million increase is primarily attributable to an increase in the fair value of investments.

## **Statements of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position contains information about the additions to, the deductions from, and the resulting net increase or decrease in the fair value of the net assets for the fiscal year. During fiscal year 2024, the Endowment Fund received \$24.7 million of gifts and other receipts, interest and investment income of \$19.5 million and a \$107.2 million net increase in the fair value of investments. The Endowment Fund's total deductions for fiscal year 2024 were \$57.7 million, including \$40.8 million earmarked for distribution to the beneficiary endowment accounts under the planned payout policy and \$7.6 million for gift acquisition and fundraising efforts. As a result of these activities, the Endowment Fund realized an increase in net position of \$93.7 million for fiscal year 2024.

### ***Variance Analysis – Changes in the Statements of Revenues, Expenses, and Changes in Net Position***

	<b>2024</b>	<b>2023</b>	<b>Change 2024–2023</b>	<b>2022</b>
Contributions to endowments	\$ 24,727,378	\$ 22,102,454	\$ 2,624,924	\$ 45,440,623
Net realized and unrealized appreciation (depreciation)	107,220,251	53,434,934	53,785,317	(88,273,792)
Other nonoperating expenses	(57,727,920)	(55,408,811)	2,319,109	(48,230,386)
Interest and investment income	<u>19,470,888</u>	<u>15,010,078</u>	<u>4,460,810</u>	<u>18,233,369</u>
Increase (decrease) in net position	<u>\$ 93,690,597</u>	<u>\$ 35,138,655</u>	<u>\$ 63,190,160</u>	<u>\$(72,830,186)</u>

- Contributions to endowments increased \$2.6 million in 2024 as compared to 2023.
- Changes in investment activities included a \$107.2 million net appreciation in the fair value of investments in fiscal year 2024 compared to \$53.4 million net appreciation in fiscal year 2023. This net change fiscal year-over-year is the result of an increase in global equities, hedge funds, and private real assets in fiscal year 2024. Interest and investment income increased by \$4.5 million as compared to 2023. Fund deductions increased by \$2.3 million from 2023 to 2024. The Endowment Fund established a tiered payout policy for underwater endowments effective 2016. The institutional advancement fee was approved by the Board of Regents to offset costs associated with gift acquisition and fundraising efforts at the UH System components. Administrative costs decreased by \$522K from fiscal year 2024 compared to fiscal year 2023. Administrative costs are comprised primarily of investment management fees and consulting fees, and these costs will fluctuate year-over-year as fees are calculated based on the market value of the funds under each firm's advisement.

## **Statements of Cash Flows**

The statements of cash flows explain the changes during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The statements of cash flows should be read in conjunction with related disclosures and information in the other financial statements.

## **Capital Assets**

The Endowment Fund does not hold any capitalized assets, such as buildings or furniture and equipment. The Endowment Fund invests in financial instruments, which constitutes most of the Endowment Fund's assets. Although the Endowment Fund is generally not prohibited from acquiring tangible physical assets to be held as investments for their appreciation qualities, such assets are typically not acquired or held by the Endowment Fund. Presently, the Endowment Fund holds certain parcels of land, which were received as gifts and are being held for future sale.

## **Debt Administration**

The Endowment Fund does not issue long-term debt. The Endowment Fund is not currently engaged in any long-term financing transactions. The operation and administration of the Endowment Fund is currently structured such that its annual financial obligations and expenses are satisfied through earnings and other fund additions.

## **Economic Outlook**

Global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025, with the 2024 forecast 0.2 percentage point higher than that in the October 2023 World Economic Outlook (WEO), on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. The forecast for 2024–25 is, however, below the historical (2000–19) average of 3.8 percent, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025, with the 2025 forecast revised down.

With disinflation and steady growth, the likelihood of a hard landing has receded, and risks to global growth are broadly balanced. On the upside, faster disinflation could lead to further easing of financial conditions. Looser fiscal policy than necessary and then assumed in the projections could imply temporarily higher growth, but at the risk of a more costly adjustment later on. Stronger structural reform momentum could bolster productivity with positive cross-border spillovers. On the downside, new commodity price spikes from geopolitical shocks—including continued attacks in the Red Sea—and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. Deepening property sector woes in China or, elsewhere, a disruptive turn to tax hikes and spending cuts could also cause growth disappointments.

Policymakers' near-term challenge is to successfully manage the final descent of inflation to target, calibrating monetary policy in response to underlying inflation dynamics and—where wage and price pressures are clearly dissipating—adjusting to a less restrictive stance. At the same time, in many cases, with inflation declining and economies better able to absorb effects of fiscal tightening, a renewed focus on fiscal consolidation to rebuild budgetary capacity to deal with future shocks, raise revenue for new spending priorities, and curb the rise of public debt is needed. Targeted and carefully sequenced structural reforms would reinforce productivity growth and debt sustainability and accelerate convergence toward higher income levels. More efficient multilateral coordination is needed for, among other things, debt resolution, to avoid debt distress and create space for necessary investments, as well as to mitigate the effects of climate change.

Any questions related to the MD&A or financial statements should be directed to the University of Houston, Office of the Treasurer, P.O. Box 988, Houston, TX 77001-0988.

# **The Basic Financial Statements**

**University of Houston System Endowment Fund**  
**Statements of Net Position**  
**August 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 41,591,887	\$ 26,768,052
Interest and dividends receivable	860,286	937,931
Total current assets	42,452,173	27,705,983
Noncurrent assets:		
Investments	1,119,303,661	1,037,698,520
Total assets	1,161,755,834	1,065,404,503
<b>Liabilities</b>		
Current liabilities:		
Payable for investments purchased	253,226	433,994
Due to other components	48,461,551	45,620,049
Total liabilities	48,714,777	46,054,043
<b>Net Position</b>		
Restricted for nonexpendable endowments	795,091,006	723,518,238
Restricted for expendable endowments	66,937,885	61,693,693
Unrestricted	251,012,166	234,138,529
Total net position	\$ 1,113,041,057	\$ 1,019,350,460



**University of Houston System Endowment Fund**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended August 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest and investment income	\$ 19,470,888	\$ 15,010,078
Net realized and unrealized appreciation (depreciation)	107,220,251	53,434,934
Other nonoperating expenses	(57,727,920)	(55,408,811)
Total nonoperating revenues (expenses)	68,963,219	13,036,201
<b>Contributions to Endowments</b>	24,727,378	22,102,454
<b>Change in Net Position</b>	93,690,597	35,138,655
<b>Net Position, Beginning of Year</b>	1,019,350,460	984,211,805
<b>Net Position, End of Year</b>	\$ 1,113,041,057	\$ 1,019,350,460

**University of Houston System Endowment Fund**  
**Statements of Cash Flows**  
**Years Ended August 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>	\$ 0	\$ 0
<b>Cash Flows from Noncapital and Related Financing Activities</b>		
Contributions to endowments	24,727,378	22,102,454
Increase in due to other components	2,841,502	4,353,880
Net cash provided by noncapital and related financing activities	27,568,880	26,456,334
<b>Cash Flows from Capital and Related Financing Activities</b>	0	0
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	1,971,316,878	3,166,757,857
Payments to purchase investments	(1,994,266,442)	(3,214,287,257)
Interest and dividends received on investments	19,470,888	15,010,078
Payments for asset management and stewardship	(9,266,369)	(9,788,763)
Net cash used in investing activities	(12,745,045)	(42,308,085)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	14,823,835	(15,851,751)
<b>Cash and Cash Equivalents, Beginning of Year</b>	26,768,052	42,619,803
<b>Cash and Cash Equivalents, End of Year</b>	\$ 41,591,887	\$ 26,768,052

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

#### 1) Reporting Entity

University of Houston System (the System) is an agency of the State of Texas, established by the State of Texas to provide undergraduate and graduate university instruction, scholarly research, and public service in the Houston, Texas, area. The System is the State of Texas' only metropolitan higher education system, encompassing four universities and two multi-institution teaching centers. University of Houston System Endowment Fund (the Endowment Fund) is a fund group of the System reporting entity, with the earliest endowment having been established in 1950. The accompanying financial statements present only the Endowment Fund of the System as of August 31, 2024 and 2023, the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Endowment Fund is a fund group that accounts for all of the System's endowment assets pooled together to ensure better management and uniform accountability for those assets. The Endowment Fund provides financial support for the System's students and the System's research endeavors. The Endowment Fund is presently comprised of approximately 2,108 restricted and unrestricted endowment funds located in the System's four universities and multi-institution teaching centers. Restricted endowment funds are funds with respect to which a donor or other outside entity has stipulated that the principal be maintained inviolate and in perpetuity, and that only the income from the investments is available for expenditure. Unrestricted endowment funds consist of funds for which the donor did not impose any restriction as to their use, as well as funds that are designated by the System's Board of Regents, rather than the donor, to function as endowment funds. The principal of these funds may be expended at the discretion of the System's Board of Regents.

#### 2) Summary of Significant Accounting Policies

##### (a) General

All financial accounting records of the Endowment Fund are maintained by the System's Office of the Associate Vice Chancellor for Finance in accordance with accounting principles generally accepted in the United States of America for colleges and universities.

##### (b) Basis of Accounting and Presentation

The Endowment Fund is reported as a single-purpose business-type activity entity. The financial statements of the Endowment Fund have been prepared using the economic resources measurement focus and accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they are incurred.

##### (c) Cash and Cash Equivalents

The Endowment Fund believes the carrying value of cash and temporary investments approximates fair value. The Endowment Fund considers investments purchased with a maturity of three months or less from the statement of net position date to be cash equivalents.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

#### (d) *Investments*

In accordance with GASB No. 72, *Fair Value Measurement and Application*, investments are recorded at fair value. Fair value is based on published closing market prices on the last trading day of the fiscal year. In the case of pooled funds or mutual funds, the fair value is determined as the number of units or shares held in the fund multiplied by the price per unit or share as publicly quoted. Investments in which a public market does not exist are based on the Endowment Fund's ownership interest in the net asset value (NAV) of each fund as reported by the fund managers. When fund managers do not provide the NAV of each fund at fiscal year-end, the fair value is estimated by the System using the most recent statement and adding contributions and subtracting the distributions during the intervening period. In accordance with GASB No. 52, *Land and Other Real Estate Held as Investments by Endowments*, land and other real estate held as investments are recorded at fair value. Chapter 163 of the Texas Property Code (also cited as the *Uniform Prudent Management of Institutional Funds Act*) grants the System the authority to spend net appreciation.

Because of inherent uncertainties of valuations, management's and fund managers' estimates of fair value may differ from the values that would have been used had a ready market existed.

Investments received as gifts are initially recorded at estimated fair value based on appraised values or broker closing prices for stocks at the date of the gift.

Short-term investments comprise U.S. government obligations and corporate obligations with a maturity date of less than one year as of the statement of net position date.

#### (e) *Net Position*

The Endowment Fund's net position is classified as follows:

*Restricted for nonexpendable endowments:* Net position for restricted nonexpendable endowment funds are maintained permanently by the System following the externally imposed stipulations.

*Restricted for expendable endowments:* Net position for restricted expendable endowment funds are those that may be expended for either a stated purpose or for a general purpose subject to externally imposed stipulations.

*Unrestricted:* Net position for unrestricted endowment funds are donated by third parties or created internally by the System and represent resources that are available without restrictions to the System.

When both restricted and unrestricted resources are available for use, it is the Endowment Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

**(f) Revenue Recognition**

Contributions to the Endowment Fund and transfers-in from other funds, such as distribution payouts returned by beneficiaries for reinvestment, are recognized as additions to the Endowment Fund's assets. Dividend income is recorded as income on the date the stock traded ex-dividend. Interest is recognized on fixed-income investments on the accrual basis.

Net realized and unrealized appreciation represents both realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gain or loss is computed as the difference between the cost of marketable securities sold and the sale price. The cost of marketable securities sold is determined on specific identification of investments sold. Realized gain is recorded as of the trade date regardless of when the transaction is settled. Unrealized gains or losses are calculated based on the changes in investment fair value between the beginning and end of the fiscal year for investments held since the beginning of the year, or as the difference between the fair value at end-of-year and the purchase cost for investments purchased during the year. Unrealized gains (losses) are determined and recorded as of the fiscal year-end.

The Endowment Fund does not currently earn or incur operating revenues and expenses.

**(g) Distribution Payout**

Effective September 1, 2018, the System's Board of Regents adopted an endowment payout policy whereby the payout rate is based on a percentage of the fiscal year-end net position averaged over a 12-quarter rolling period. For the fiscal years 2024 and 2023, the payout rate was 4% applied to the endowment's average net position balances for the preceding 12 quarters. If an endowment was in existence less than 12 quarters, the average was based on the number of quarters the endowment was in existence. Effective May 1, 2009, no endowment receives a pro rata income distribution from current fiscal year contributions. The payout is calculated and recorded at the end of each fiscal year. Actual endowment return earned in excess of distributions is reinvested. For years actual endowment return is less than the distribution payout, the shortfall is covered by realized returns from prior years.

**(h) Institutional Advancement Assessment**

The System will annually assess a reasonable fee against the earnings of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the component universities. The System's Board of Regents shall annually review and approve the fee. The fee will be based as a percentage of the fiscal year-end market value averaged over rolling 12 quarter periods. For the fiscal years 2024 and 2023, the assessment fee was 1.0%. If an endowment has been in existence less than 12 quarters, the average will be based on the number of quarters in existence.

The assessment is made at the end of each fiscal year to make funds available for the System's institutional advancement activities in the following fiscal year. The total amount assessed for the years ended August 31, 2024 and 2023 was \$7,645,214 and \$7,774,448, respectively.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

(i) **Estimates**

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

3) **Authorized Investments**

The System's Board of Regents is charged with the fiduciary responsibility for preserving and augmenting the value of the Endowment Fund. The System retains the services of a custodial financial institution under a master trust custodian agreement, as well as the services of independent investment managers each of whom plays a part in meeting the System's goals over a variety of capital market cycles. The System's Board of Regents has adopted a written investment policy, including investment manager guidelines for each of the separately invested accounts of the Endowment Fund, regarding the investment of endowment assets as defined in the System's Investment Policies. The primary long-term financial objective for the Endowment Fund is to preserve the real (inflation adjusted) purchasing power of endowment assets when measured over rolling periods of at least five years. The medium-term objective is to outperform each of the capital markets in which the endowment assets are invested, measured over rolling periods of 3 to 5 years or complete market cycles, with emphasis on whichever measure is longer.

4) **Derivatives**

Derivatives are investment products that may be a security or contract that derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The Endowment Fund did not directly invest in derivatives during the years ended August 31, 2024 or 2023 and held no direct derivative instruments at August 31, 2024 or 2023.

5) **Cash and Investments**

(a) **Composition of Cash and Cash Equivalents**

Cash and cash equivalents consist of money market funds and securities maturing within three months totaling \$41,591,887 and \$26,768,052 at August 31, 2024 and 2023, respectively. The money market funds are invested in commercial paper, certificates of deposit, treasuries, corporate notes, time deposits, and similar short-term investments considered generally acceptable and prudent for money market funds.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

Cash and cash equivalents included in the statements of net position consist of the items reported below:

	<b>2024</b>	<b>2023</b>
Cash	\$ 6,411	\$ 6,141
Money market funds	41,585,476	26,978,128
Claim on cash	-	(216,217)
	<b>\$ 41,591,887</b>	<b>\$ 26,768,052</b>

**(b) Reconciliation of Cash and Investments to Statements of Net Position**

Total cash and investments at August 31, 2024 and 2023 are as follows:

	<b>Fair Value</b>	
<b>Type of Security</b>	<b>2024</b>	<b>2023</b>
Cash	\$ 6,411	\$ 6,141
Money market funds	41,585,476	26,978,128
U.S. government obligations	7,430,387	7,305,472
U.S. government agencies	14,451,598	13,942,023
Fixed income (non-government/agency)	21,920,162	18,082,269
U.S. equity securities	264,574,475	257,078,705
Global equities excluding U.S.	247,972,937	195,136,724
Hedged equity funds	30,075,590	28,269,427
Inflation hedge funds (including REITs)	21,139,998	31,692,338
Absolute return funds	41,710,152	38,158,857
Private equity investments	470,028,362	448,032,705
	<b>1,160,895,548</b>	<b>1,064,682,789</b>
Less cash and cash equivalents	(41,591,887)	(26,984,269)
	<b>\$ 1,119,303,661</b>	<b>\$ 1,037,698,520</b>

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

**(c) Investment Maturities**

As of August 31, 2024 and 2023, the Endowment Fund had the following investments and weighted-average maturities:

Investment Type	2024		2023	
	Fair Value	Weighted-Average Maturity (Years)	Fair Value	Weighted-Average Maturity (Years)
U.S. government obligations <sup>(1)</sup>	\$ 7,430,387	4.96	\$ 7,305,473	4.17
U.S. government agencies <sup>(1)</sup>	14,451,598	24.76	13,942,024	23.86
U.S. fixed income (non-government/agency) <sup>(1)</sup>	21,920,162	9.75	18,082,269	11.75
Equity, mutual funds, other investments	<u>1,117,093,401</u>	Untenured	<u>1,025,353,023</u>	Untenured
Total investments at fair value	<u>\$1,160,895,548</u>		<u>\$ 1,064,682,789</u>	
Weighted-average maturity of tenured portfolio		13.89		14.64

(1) Includes tenured securities classified as cash equivalents and short-term investments.

**(d) Asset Selection and Allocation**

The Endowment Fund's Statement of Investment Objectives and Policies governs the overall allocation of endowment funds to asset classes and considerations of limits to investment risk exposures. Allocation of funds to asset classes is based on expected returns, risk levels, desired risk diversification, interaction of various asset classes, and income generation and capital appreciation potentials of each asset class. The market value of investments in each asset class is maintained within an approved range of ratios to the market value of the Endowment Fund's total investments, except for minor deviations due to fluctuations in market value. The Endowment Management Committee monitors asset allocation targets and limits and may authorize the reallocation of funds among investment managers. The Endowment Fund currently invests in a broad array of asset classes in order to diversify the portfolio's risk. Marketable securities, such as domestic or international common stocks, domestic bonds, equity money market funds, and cash equivalents, comprise 59% of the overall investment portfolio ("portfolio") at the end of fiscal year 2024. Marketable alternative investments (*i.e.*, inflation hedges, commingled funds invested in marketable securities, absolute return, and hedged equity) represent 7% of the portfolio, and non-marketable alternative investments (*i.e.*, venture capital, private equity, real estate, natural resources, energy) constitute 34% of the portfolio on a funded basis. The Endowment Fund's overall investment risk is diversified by asset class and within each class by strategy, economic sector, geography, industry, market capitalization, manager and, with regard to non-



# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

marketable alternatives, by vintage year as well. Such diversification is aimed at managing the risks specifically associated with any single strategy, economic sector, geographic area, industry, vintage year, or manager.

#### (e) **Investment-Related Risks**

*Custodial Credit Risk* – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Endowment Fund will not be able to recover its deposits. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Endowment Fund will not be able to recover the value of its investment or collateral securities that may be in the possession of another party. Securities owned by the endowment but held in custody by the endowment custodian may be lent to other parties through a contract between the System and the custodian pursuant to a written agreement approved by the Board of Regents. As of August 31, 2024 and 2023, the System did not have a securities-lending agreement with its custodian. Managers may not enter into securities-lending agreements without the consent of the Board of Regents. The System recognizes, however, that, for those investments placed in commingled vehicles, the Board of Regents cannot dictate whether or not the manager will engage in securities lending. Therefore, the System and its investment consultant make every effort either to avoid commingled investments, or to otherwise limit investment to those managers who will not engage in securities lending. The limited partnerships of marketable and non-marketable alternative investments are excluded from this limitation. At August 31, 2024 and 2023, the Endowment Fund's total investments at fair value under a master trust custodian agreement with a third-party financial institution were \$201,403,099 and \$197,763,098, respectively. The third-party custodian operates its business world-wide and, at August 31, 2024 and 2023, held risk insurance contracts with various local and foreign insurance organizations providing coverage for loss due to theft, fraud, and damage to securities while in the custodian's custody; loss of securities while in transit; property damage; and loss due to business interruption, acts of terrorism, officer negligence, and general liability. The insurance coverage limits ranged from \$1,000,000 to \$500,000,000. The coverage did not protect against market risks and fluctuations associated with market investments.

At August 31, 2024 and 2023, the Endowment Fund's investments at fair value not covered by the master trust custodian agreement were \$960,099,509 and \$867,423,627, respectively. These investments were under various custodian agreements between the investment managers and the investment funds or limited partnerships in which the Endowment Fund is invested. The investments are subject to custodial risks associated with those independent investment managers and to market risks and fluctuations associated with market investments. The System controls these risks through its credit and concentration risk policies as described in the credit risk and concentration of credit risk paragraph below.

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The System's investment policy, by way of the investment manager guidelines, requires the weighted average duration of the portfolio should remain in a range of a minimum of 90% and a maximum of 110% of the Barclays Aggregate Bond Index for active fixed income managers in which a separate account structure exists. The System's investment policy is driven primarily by the goal to preserve the long-term real (inflation adjusted) purchasing power of endowment assets while achieving short-term maximum earnings with an

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

acceptable level of risk. In order to balance these two primary goals, the Board of Regents is closely involved in managing the exposure to declines in investment fair value and earnings.

*Credit Risk and Concentration of Credit Risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures, and amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In accordance with the System’s investment policy and manager guidelines, where applicable, investments in securities within the fixed income allocation of the portfolio must have an average portfolio credit quality of AA or better, although active managers may choose to hold select investment grade securities with lower ratings. Securities should be readily marketable and liquid. The investment manager guidelines, where applicable, limit the amount each active manager may invest in any one issuer.

Other than U.S. government securities (including agency securities), no security may be purchased so that it will constitute more than 5% of the market value of the portfolio; however, obligations issued or guaranteed by the full faith and credit of the U.S. government may be held without limitation. The System’s endowment funds also include an allocation to alternative investments, which by their nature, include higher levels of risk, including credit and concentration of credit risk, with the expectation of higher returns relative to traditional equities and fixed income securities. The investment policy does not specify limits as to credit quality or concentration for alternatives as these investments may include highly concentrated positions and may include investing in companies that are either privately held or in financial distress.

The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2024 are as follows:

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
US Treas-Cpi Inflat	0.13%	04/15/2025	\$ 831,836.08	NA	0.07%
U S Treasury Note	1.25%	12/31/2026	1,739,133.90	NA	0.15%
U S Treasury Note	2.63%	05/31/2027	72,682.50	NA	0.01%
U S Treasury Note	1.25%	04/30/2028	315,461.10	NA	0.03%
U S Treasury Note	2.38%	05/15/2029	1,811,829.25	NA	0.16%
U S Treasury Note	4.13%	11/15/2032	387,185.80	NA	0.03%
U S Treasury Note	3.50%	02/15/2033	2,272,258.55	NA	0.20%
FNMA Pool #0AI4911	3.00%	10/01/2027	11,455.83	NA	0.00%
FNMA Pool #0AI3802	3.00%	02/01/2028	27,545.77	NA	0.00%

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FHLMC Pool #G1-8561	3.00%	07/01/2030	\$ 3,573.30	NA	0.00%
FNMA Pool #0555330	5.50%	04/01/2033	21,796.25	NA	0.00%
FHLMC Multiclass Mtg 5231 Va	4.00%	07/25/2033	293,301.01	NA	0.03%
FNMA Pool #0254903	5.00%	10/01/2033	40,964.83	NA	0.00%
FNMA Pool #0725231	5.00%	02/01/2034	6,823.62	NA	0.00%
FNMA Pool #0725690	6.00%	08/01/2034	12,714.87	NA	0.00%
FNMA Pool #0725704	6.00%	08/01/2034	13,926.65	NA	0.00%
FNMA Pool #0725773	5.50%	09/01/2034	44,927.55	NA	0.00%
FHLMC Pool #G0-1837	5.00%	07/01/2035	10,004.29	NA	0.00%
FNMA Pool #0735925	5.00%	10/01/2035	52,667.36	NA	0.00%
FNMA Pool #0745428	5.50%	01/01/2036	30,211.51	NA	0.00%
FNMA Pool #0995112	5.50%	07/01/2036	12,281.55	NA	0.00%
FHLMC Pool #Sb-8186	4.50%	09/01/2037	488,869.85	NA	0.04%
FNMA Pool #0Ad0198	5.50%	09/01/2038	16,129.78	NA	0.00%
FNMA Pool #0Fs6523	5.50%	11/01/2038	374,640.68	NA	0.03%
FNMA Pool #0AI7521	5.00%	06/01/2039	175,184.51	NA	0.02%
FNMA Pool #0Ad7128	4.50%	07/01/2040	41,311.51	NA	0.00%
FNMA Pool #0Ae0698	4.50%	12/01/2040	5,558.73	NA	0.00%
FNMA Pool #0Ah3384	3.50%	01/01/2041	229,316.33	NA	0.02%
FNMA Pool #0Ae0949	4.00%	02/01/2041	40,944.30	NA	0.00%
FNMA Pool #0AI0160	4.50%	05/01/2041	53,837.58	NA	0.00%
GNMA II Pool #0005056	5.00%	05/20/2041	24,176.49	NA	0.00%
FNMA Pool #0AI1697	4.00%	10/01/2041	6,275.00	NA	0.00%

**University of Houston System Endowment Fund**  
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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FNMA Pool #0AI3519	4.50%	11/01/2041	\$ 7,513.71	NA	0.00%
FNMA Pool #0AI7306	4.50%	09/01/2042	29,378.23	NA	0.00%
FNMA Pool #0AI3322	4.00%	02/01/2043	8,386.39	NA	0.00%
FHLMC Pool #G6-0024	3.50%	05/01/2043	48,150.55	NA	0.00%
FHLMC Pool #G0-8588	4.00%	05/01/2044	25,895.17	NA	0.00%
FNMA Pool #0AI7767	4.50%	06/01/2044	91,229.47	NA	0.01%
FHLMC Pool #G0-8615	3.50%	11/01/2044	10,430.62	NA	0.00%
FNMA Pool #0Bm1909	4.00%	02/01/2045	172,261.08	NA	0.01%
FNMA Pool #0AI9578	4.00%	06/01/2045	12,023.20	NA	0.00%
FNMA Pool #0As5696	3.50%	08/01/2045	19,143.65	NA	0.00%
FHLMC Pool #G0-8667	3.50%	09/01/2045	82,685.07	NA	0.01%
FNMA Pool #0AI8383	4.50%	10/01/2045	15,165.68	NA	0.00%
FHLMC Pool #G0-8681	3.50%	12/01/2045	183,388.19	NA	0.02%
FHLMC Pool #G0-8687	3.50%	01/01/2046	267,365.06	NA	0.02%
FHLMC Pool #G0-8698	3.50%	03/01/2046	49,781.73	NA	0.00%
FHLMC Pool #G0-8699	4.00%	03/01/2046	84,473.28	NA	0.01%
FHLMC Pool #G0-8707	4.00%	05/01/2046	117,745.46	NA	0.01%
GNMA II Pool #0Ma3663	3.50%	05/20/2046	83,890.37	NA	0.01%
FHLMC Pool #G0-8732	3.00%	11/01/2046	308,121.08	NA	0.03%
FHLMC Pool #G6-7702	4.00%	01/01/2047	434,884.80	NA	0.04%
FHLMC Pool #G0-8747	3.00%	02/01/2047	306,758.98	NA	0.03%
FNMA Pool #0Ma3088	4.00%	07/01/2047	41,133.49	NA	0.00%
FHLMC Pool #Sd-7524	3.00%	08/01/2050	696,382.42	NA	0.06%

# University of Houston System Endowment Fund

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FNMA Pool #0Fm7973	4.00%	08/01/2051	\$ 555,171.32	NA	0.05%
FNMA Pool #0Cb2283	2.00%	12/01/2051	592,248.20	NA	0.05%
FNMA Pool #0Ma4562	2.00%	03/01/2052	306,369.78	NA	0.03%
FNMA Pool #0Ma4656	4.50%	06/01/2052	274,003.07	NA	0.02%
FHLMC Pool #Sd-1392	3.50%	07/01/2052	687,680.99	NA	0.06%
FNMA Pool #0Fs2535	2.50%	08/01/2052	378,665.25	NA	0.03%
FNMA Pool #0Ma4785	5.00%	10/01/2052	541,992.02	NA	0.05%
FNMA Pool #0Ma4807	5.50%	10/01/2052	561,359.30	NA	0.05%
GNMA II Pool #0Ma8348	5.00%	10/20/2052	802,513.36	NA	0.07%
FHLMC Pool #Sd-1966	4.00%	11/01/2052	729,602.05	NA	0.06%
FHLMC Pool #Ra-8249	5.50%	11/01/2052	1,068,688.99	NA	0.09%
FNMA Pool #0Fs5635	4.00%	11/01/2052	674,928.50	NA	0.06%
FHLMC Pool #Sd-8289	5.50%	01/01/2053	290,513.20	NA	0.03%
GNMA II Pool #0Ma8569	5.00%	01/20/2053	1,036,925.00	NA	0.09%
GNMA II Pool #0Ma9018	6.00%	07/20/2053	513,858.12	NA	0.04%
FHLMC Pool #Sd-5420	6.00%	05/01/2054	302,452.35	NA	0.03%
American Express Co	3.95%	08/01/2025	277,866.40	BBB+	0.02%
Baker Hughes Holdings LLC/Ba Bank 2018-Bnk12	3.34%	12/15/2027	169,743.00	A-	0.01%
Bn12 As	4.47%	05/15/2061	324,866.60	AAA	0.03%
Bank of America Corp	3.42%	12/20/2028	602,618.75	A-	0.05%
Bank of America Corp	1.92%	10/24/2031	327,627.30	A-	0.03%
Bank of New York Mellon Corp/T	5.61%	07/21/2039	285,230.00	A-	0.02%
Blackstone Private Credit Fund	2.63%	12/15/2026	502,044.00	BBB-	0.04%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Boeing Co/The	3.25%	02/01/2035	\$ 161,480.00	BBB-	0.01%
California St	4.60%	04/01/2038	370,263.75	AA-	0.03%
Campbell Soup Co	5.40%	03/21/2034	139,457.70	BBB-	0.01%
Cantor Fitzgerald Lp 144A	7.20%	12/12/2028	105,779.00	BBB-	0.01%
Capital One Financial Corp	5.70%	02/01/2030	231,540.75	BBB	0.02%
Carmax Auto Owner Trust 2 2 A3	3.49%	02/16/2027	305,581.79	AAA	0.03%
Cbre Services Inc	5.95%	08/15/2034	105,727.00	BBB+	0.01%
Charles Schwab Corp/The	5.64%	05/19/2029	387,982.50	A-	0.03%
Citigroup Inc	3.98%	03/20/2030	252,415.80	BBB+	0.02%
Citigroup Inc	3.79%	03/17/2033	180,086.40	BBB+	0.02%
Cousins Properties Lp	5.88%	10/01/2034	367,255.70	BBB	0.03%
Eastman Chemical Co	5.00%	08/01/2029	304,395.00	BBB	0.03%
Eversource Energy	5.13%	05/15/2033	225,301.50	BBB+	0.02%
Exelon Corp	5.15%	03/15/2029	590,300.75	BBB	0.05%
F&G Annuities & Life Inc	6.50%	06/04/2029	204,012.00	BBB-	0.02%
Fifth Third Bancorp Ge Healthcare Technologies Inc	4.80%	08/14/2029	226,768.50	BBB	0.02%
General Motors Financial Co In	2.70%	08/20/2027	393,117.05	BBB	0.03%
Goldman Sachs Group Inc/The	2.64%	02/24/2028	286,269.00	BBB+	0.02%
Goldman Sachs Group Inc/The	2.60%	02/07/2030	313,090.95	BBB+	0.03%
Home Partners of Amer 3 A 144A	2.20%	01/17/2041	315,178.53	NA	0.03%
Hyundai Auto Receivables B A4	0.60%	02/16/2027	414,188.00	AAA	0.04%
Intel Corp	3.15%	05/11/2027	335,345.50	BBB+	0.03%
J.P. Morgan Mortgage 4 A12 144A	3.00%	10/25/2052	405,940.92	NA	0.03%
Jbs Usa Holding Lux Sarl/ Jbs	5.50%	01/15/2030	151,074.00	BBB-	0.01%
Jefferies Financial Group Inc	6.20%	04/14/2034	315,738.00	BBB	0.03%

# University of Houston System Endowment Fund

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Jones Lang Lasalle Inc	6.88%	12/01/2028	\$ 107,714.00	BBB+	0.01%
JPMorgan Chase & Co	4.01%	04/23/2029	515,093.25	A-	0.04%
JPMorgan Chase & Co	2.07%	06/01/2029	311,154.40	A-	0.03%
Kroger Co/The	5.00%	09/15/2034	124,685.00	BBB	0.01%
Kyndryl Holdings Inc	3.15%	10/15/2031	559,137.60	BBB-	0.05%
Marsh & McLennan Cos Inc	5.15%	03/15/2034	181,410.25	A-	0.02%
Mexico Government International	6.00%	05/07/2036	201,432.00	BBB	0.02%
Microchip Technology Inc	5.05%	03/15/2029	229,412.25	NA	0.02%
Morgan Stanley	2.94%	01/21/2033	373,953.25	A-	0.03%
Morgan Stanley Bank of C29 A4	3.33%	05/15/2049	629,895.50	NA	0.05%
Morgan Stanley Bank of C32 A4	3.72%	12/15/2049	874,710.00	NA	0.08%
Morgan Stanley Capital I L5 A4	2.73%	05/15/2054	794,205.00	AAA	0.07%
Nov Inc	3.60%	12/01/2029	573,866.70	BBB	0.05%
Paypal Holdings Inc	5.15%	06/01/2034	436,611.00	A-	0.04%
Polaris Inc	6.95%	03/15/2029	160,866.00	BBB	0.01%
Public Storage Operating Co	2.25%	11/09/2031	530,521.60	A	0.05%
Simon Property Group Lp	2.20%	02/01/2031	376,962.30	A-	0.03%
South Bow USA Infrastruct 144A	5.03%	10/01/2029	199,568.00	BBB-	0.02%
Southern California Edison Co	4.20%	03/01/2029	74,007.00	A-	0.01%
State Street Corp	5.16%	05/18/2034	307,152.00	A	0.03%
Synchrony Financial	5.94%	08/02/2030	254,475.00	BBB-	0.02%
Tapestry Inc	7.85%	11/27/2033	80,296.50	BBB	0.01%
Targa Resources Partners Lp /	6.88%	01/15/2029	\$ 411,180.00	BBB	0.04%
T-Mobile Usa Inc	3.38%	04/15/2029	380,128.00	BBB	0.03%
Towd Point Mortgage 2 A1 144A	3.25%	03/25/2058	174,827.98	NA	0.02%
Toyota Auto Receivables 2 A A3	1.23%	06/15/2026	130,928.13	NA	0.01%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Triton Container Fin 1A A 144A	2.11%	09/20/2045	\$ 397,727.76	A	0.03%
United Airlines 2016-1 Class A	3.10%	01/07/2030	146,216.06	NA	0.01%
United Airlines 2018-1 Class A	3.50%	09/01/2031	88,000.06	NA	0.01%
UnitedHealth Group Inc	5.00%	04/15/2034	137,262.60	A+	0.01%
Viatrix Inc	2.70%	06/22/2030	132,048.00	BBB-	0.01%
Vmware LLC	3.90%	08/21/2027	781,333.95	BBB	0.07%
W R Berkley Corp	6.25%	02/15/2037	214,694.00	BBB+	0.02%
Wells Fargo & Co	5.57%	07/25/2029	294,296.70	BBB+	0.03%
Wells Fargo & Co	5.39%	04/24/2034	383,666.25	BBB+	0.03%
Wells Fargo Bank Na	6.17%	08/07/2026	252,217.50	A+	0.02%
Wisconsin Power and Light Co	3.95%	09/01/2032	395,959.20	A	0.03%

The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments as of August 31, 2023 are as follows:

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
U.S. Treasury Note	0.13%	01/15/2024	\$ 1,324,107.00	NA	0.12%
U.S. Treasury Note	0.25%	06/15/2024	1,176,673.75	NA	0.11%
U.S. Treasury Note	1.25%	12/31/2026	2,371,523.60	NA	0.22%
U.S. Treasury Note	2.63%	05/31/2027	70,386.00	NA	0.01%
U.S. Treasury Note	1.25%	04/30/2028	300,808.95	NA	0.03%
U.S. Treasury Note	1.88%	02/15/2032	75,677.40	NA	0.01%
U.S. Treasury Note	3.50%	02/15/2033	1,986,296.10	NA	0.19%
FHLMC Pool #G0- 1837	5.00%	07/01/2035	11,351.61	NA	0.00%
FHLMC Pool #G0- 8588	4.00%	05/01/2044	28,116.38	NA	0.00%
FHLMC Pool #G0- 8615	3.50%	11/01/2044	11,160.67	NA	0.00%
FHLMC Pool #G0- 8667	3.50%	09/01/2045	88,143.10	NA	0.01%
FHLMC Pool #G0- 8698	3.50%	03/01/2046	52,674.83	NA	0.00%
FHLMC Pool #G0- 8699	4.00%	03/01/2046	91,102.39	NA	0.01%



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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FHLMC Pool #G0-8681	3.50%	12/01/2045	\$ 195,411.31	NA	0.02%
FHLMC Pool #G0-8687	3.50%	01/01/2046	285,195.95	NA	0.03%
FHLMC Pool #G0-8732	3.00%	11/01/2046	322,098.59	NA	0.03%
FHLMC Pool #G0-8707	4.00%	05/01/2046	126,233.90	NA	0.01%
FHLMC Pool #G0-8747	3.00%	02/01/2047	320,784.03	NA	0.03%
FHLMC Pool #G1-8561	3.00%	07/01/2030	4,407.71	NA	0.00%
Federal Home Ln Bk Cons Bd	5.45%	04/25/2025	273,179.50	NA	0.03%
Federal Home Ln Bk Cons Bd	6.00%	08/28/2026	349,678.00	NA	0.03%
FHLMC Pool #Sb-8186	4.50%	09/01/2037	559,490.28	NA	0.05%
FHLMC Pool #Sd-1392	3.50%	07/01/2052	718,403.69	NA	0.07%
FHLMC Pool #Sd-1966	4.00%	11/01/2052	753,407.71	NA	0.07%
FHLMC Pool #Sd-7524	3.00%	08/01/2050	740,685.35	NA	0.07%
FHLMC Pool #Sd-8289	5.50%	01/01/2053	306,483.38	NA	0.03%
FHLMC Pool #G6-7702	4.00%	01/01/2047	470,167.86	NA	0.04%
FHLMC Pool #G6-0024	3.50%	05/01/2043	51,106.05	NA	0.00%
FHLMC Pool #Ra-8249	5.50%	11/01/2052	1,125,476.17	NA	0.11%
FNMA Pool #0254903	5.00%	10/01/2033	48,135.18	NA	0.00%
FHLMC Multiclass Mtg 5231 Va	4.00%	07/25/2033	306,775.82	NA	0.03%
FNMA Pool #0555330	5.50%	04/01/2033	26,346.16	NA	0.00%
FNMA Pool #0Ah3384	3.50%	01/01/2041	248,345.49	NA	0.02%
FNMA Pool #0AI0160	4.50%	05/01/2041	59,209.86	NA	0.01%
FNMA Pool #0AI1697	4.00%	10/01/2041	6,871.56	NA	0.00%
FNMA Pool #0AI3802	3.00%	02/01/2028	42,644.31	NA	0.00%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FNMA Pool #0AI4911	3.00%	10/01/2027	\$ 18,310.93	NA	0.00%
FNMA Pool #0AI7306	4.50%	09/01/2042	33,211.09	NA	0.00%
FNMA Pool #0AI7521	5.00%	06/01/2039	205,048.50	NA	0.02%
FNMA Pool #0AI7767	4.50%	06/01/2044	97,477.33	NA	0.01%
FNMA Pool #0AI9578	4.00%	06/01/2045	12,973.38	NA	0.00%
FNMA Pool #0AI8383	4.50%	10/01/2045	16,748.17	NA	0.00%
FNMA Pool #0As5696	3.50%	08/01/2045	20,440.36	NA	0.00%
FNMA Pool #0725231	5.00%	02/01/2034	8,006.55	NA	0.00%
FNMA Pool #0725690	6.00%	08/01/2034	14,795.00	NA	0.00%
FNMA Pool #0725704	6.00%	08/01/2034	16,364.62	NA	0.00%
FNMA Pool #0725773	5.50%	09/01/2034	52,344.70	NA	0.00%
FNMA Pool #0735925	5.00%	10/01/2035	59,567.44	NA	0.01%
FNMA Pool #0745428	5.50%	01/01/2036	34,514.13	NA	0.00%
FNMA Pool #0Bm1909	4.00%	02/01/2045	186,744.43	NA	0.02%
FNMA Pool #0Cb2283	2.00%	12/01/2051	601,645.06	NA	0.06%
FNMA Pool #0Fm7973	4.00%	08/01/2051	602,260.87	NA	0.06%
FNMA Pool #0995112	5.50%	07/01/2036	14,151.43	NA	0.00%
FNMA Pool #0Ma3088	4.00%	07/01/2047	44,894.14	NA	0.00%
FNMA Pool #0Ma4562	2.00%	03/01/2052	315,069.80	NA	0.03%
FNMA Pool #0Ma4656	4.50%	06/01/2052	286,433.62	NA	0.03%
FNMA Pool #0Ma4785	5.00%	10/01/2052	580,463.21	NA	0.05%
FNMA Pool #0Ma4807	5.50%	10/01/2052	597,460.02	NA	0.06%
FNMA Pool #0Ad0198	5.50%	09/01/2038	18,505.48	NA	0.00%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
FNMA Pool #0Ad7128	4.50%	07/01/2040	\$ 45,310.87	NA	0.00%
FNMA Pool #0Ae0698	4.50%	12/01/2040	6,157.55	NA	0.00%
FNMA Pool #0Ae0949	4.00%	02/01/2041	44,732.20	NA	0.00%
GNMA II Pool #0Ma3663	3.50%	05/20/2046	90,996.70	NA	0.01%
GNMA II Pool #0Ma8348	5.00%	10/20/2052	854,796.95	NA	0.08%
GNMA II Pool #0Ma8569	5.00%	01/20/2053	1,097,029.02	NA	0.10%
GNMA II Pool #0005056	5.00%	05/20/2041	26,545.75	NA	0.00%
AT&T Inc	5.40%	02/15/2034	539,532.15	BBB	0.05%
American Express Co	3.95%	08/01/2025	271,661.60	BBB+	0.03%
Autonation Inc	3.85%	03/01/2032	372,658.00	BBB-	0.04%
Baker Hughes Holdings LLC / Ba	3.34%	12/15/2027	162,265.25	A-	0.02%
Bank of America Corp	3.42%	12/20/2028	573,006.25	A-	0.05%
Bank 2021-Bnk31 Bn31 A4	2.04%	02/15/2054	506,720.00	AAA	0.05%
Bank 2018-Bnk12 Bn12 As	4.48%	05/15/2061	313,146.80	AAA	0.03%
Blackstone Private Credit Fund	2.63%	12/15/2026	460,180.25	BBB-	0.04%
Citigroup Inc	3.98%	03/20/2030	239,379.40	BBB+	0.02%
Citigroup Inc	3.79%	03/17/2033	169,597.35	BBB+	0.02%
Expedia Group Inc	2.95%	03/15/2031	145,528.38	BBB	0.01%
Fifth Third Bancorp	4.77%	07/28/2030	116,975.00	BBB+	0.01%
General Motors Financial Co In	2.70%	08/20/2027	368,997.25	BBB	0.03%
Goldman Sachs Group Inc/The	2.60%	02/07/2030	291,273.15	BBB+	0.03%
Goldman Sachs Group Inc/The	2.64%	02/24/2028	271,458.00	BBB+	0.03%
Home Partners Of Amer 3 A 144A	2.20%	01/17/2041	306,245.01	NA	0.03%
Hyundai Auto Receivables B A4	0.60%	02/16/2027	393,554.25	AAA	0.04%
Jbs Usa Lux Sa / Jbs Usa Food	5.50%	01/15/2030	145,218.00	NA	0.01%

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
JPMorgan Chase & Co	4.01%	04/23/2029	\$ 492,392.25	A-	0.05%
JPMorgan Chase & Co	2.07%	06/01/2029	291,709.80	A-	0.03%
JPMorgan Mortgage 4 A12 144A	3.00%	10/25/2052	460,282.95	NA	0.04%
Kyndryl Holdings Inc	3.15%	10/15/2031	501,287.55	BBB-	0.05%
Morgan Stanley Bank of C32 A4	3.72%	12/15/2049	839,673.00	NA	0.08%
Morgan Stanley Capital I L5 A4	2.73%	05/15/2054	740,187.00	AAA	0.07%
Morgan Stanley	2.94%	01/21/2033	348,253.50	A-	0.03%
Morgan Stanley Bank of C29 A4	3.33%	05/15/2049	608,835.50	NA	0.06%
Nov Inc	3.60%	12/01/2029	542,146.55	BBB	0.05%
National Rural Utilities Coope	4.15%	12/15/2032	374,723.60	A-	0.04%
Oshkosh Corp	3.10%	03/01/2030	286,068.25	BBB	0.03%
Public Storage Operating Co	2.25%	11/09/2031	501,797.00	A	0.05%
Charles Schwab Corp/The	5.64%	05/19/2029	373,916.25	A-	0.04%
Simon Property Group Lp	2.20%	02/01/2031	346,681.95	A-	0.03%
Southern California Edison Co	4.20%	03/01/2029	71,109.00	A-	0.01%
State Street Corp	5.16%	05/18/2034	291,300.00	A	0.03%
T-Mobile Usa Inc	3.38%	04/15/2029	358,440.00	BBB	0.03%
Towd Point Mortgage 2 A1 144A	3.25%	03/25/2058	249,277.58	NA	0.02%
Toyota Auto Receivables 2 A A3	1.23%	06/15/2026	312,422.50	NA	0.03%
United Airlines 2016-1 Class A	3.10%	01/07/2030	154,017.25	NA	0.01%
Utah St	4.55%	07/01/2024	49,672.00	AAA	0.00%
Viartis Inc	2.70%	06/22/2030	121,932.00	BBB-	0.01%
Vmware Inc	3.90%	08/21/2027	748,842.30	BBB-	0.07%
Vulcan Materials Co	5.80%	03/01/2026	405,680.40	BBB+	0.04%
Wells Fargo Bank Na	6.40%	08/07/2026	250,862.50	A+	0.02%
Wells Fargo & Co	5.39%	04/24/2034	365,377.50	BBB+	0.03%
Wells Fargo & Co	5.57%	07/25/2029	283,783.05	BBB+	0.03%

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Wisconsin Power and Light Co	3.95%	09/01/2032	\$ 382,594.80	A	0.04%

**(f) Alternative Investments**

Investments reported at fair value of approximately \$407,841,321 and \$393,952,384 as of August 31, 2024 and 2023, respectively, are not publicly traded and have been estimated by management and fund managers in the absence of readily available market values. These funds are invested with external investment managers, generally in commingled funds, limited liability partnerships, or corporations in which the System has an interest, who invest, for example, in hedge funds, real estate, natural resources, private equity, managed futures, and distressed opportunities. These investments are domestic and international in nature and some of the investments may not be realized for a period of several years after the investments are made. Risks associated with these investments include liquidity risk, market risk, event risk, foreign exchange risk, interest rate risk, and investment manager risk.

More specifically, the risks include the following:

*Non-regulation risk* – Historically, these funds were not required to register with the Securities and Exchange Commission (SEC) and, therefore, were not subject to regulatory control. With the passage of the *Dodd-Frank Act of 2010*, almost all alternative investment managers are required to register with the SEC under the *Investment Advisers Act of 1940*. As of August 31, 2022, the Endowment Fund has no specific policy statement with respect to non-regulation risk. The policy does contain limitations on the percent that can be allocated to alternative investments.

*Managerial risk* – Fund managers for non-publicly traded investments may fail to produce the intended returns and are not subject to oversight. However, the fund managers are subject to oversight by the Endowment Fund. The Endowment Fund has no specific policy statement with respect to managerial risk for alternative investments. However, the Endowment Fund diversifies across managers to mitigate systematic and organizational risk without creating over-diversification. The Endowment Fund further attempts to mitigate managerial risk by emphasizing the qualitative evolution of managers, discouraging the use of significant leverage, emphasizing managers with a demonstrated skill in generating returns.

*Liquidity risk* – Many of the Endowment Fund’s investment funds impose restrictions on redemptions or require multi-year lock-up periods that restrict investors from redeeming their shares or may impose penalties to redeem. The Endowment Fund has no specific policy statement with respect to liquidity risk. The policy does contain limitations on the percent that can be allocated to alternative investments and liquidity is measured.

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

*Limited transparency* – Any unregistered investment vehicles are not required to disclose the holdings in their portfolios to investors. This risk is mitigated somewhat by the *Dodd-Frank Act of 2010* and the increased transparency provided by the requirement to file Form ADV with the SEC. The Endowment Fund has no specific policy statement with respect to transparency risk.

*Investment strategy risk* – Alternative investments often employ sophisticated and more risky investment strategies, as compared to traditional investments, and one or more may use leverage, which could result in volatile returns. To mitigate this risk, emphasis is placed on those managers who have extensive experience in employing these strategies, a demonstrated ability to consistently employ them effectively, and an established track record of superior performance. The Endowment Fund has no specific policy statement with respect to investment strategy risk. The policy does contain limitations on the percent that can be allocated to alternative investments.

*Foreign currency risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Endowment Fund's non-U.S. dollar investments. Investment managers may hedge some, all, or none of their foreign currency risk. The Endowment Fund has no specific policy statement with respect to foreign currency risk.

#### 6) Fair Value Measurements

The Endowment Fund applies GASB guidance on fair value measurements and disclosures, which requires enhanced disclosure about the investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured for actively quoted prices generally will have a high degree of market price observability and a lesser degree of judgment used in measuring fair value.

All investments are measured and reported at fair value on a recurring basis and are classified and disclosed in one of the following categories:

**Level 1** – Quoted prices in active markets for identical investments.

**Level 2** – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting data, and fair value is determined through the use of models or other valuation methodologies.

**Level 3** – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs use to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

Investments held by the Endowment Fund for which market quotes are readily available are valued based on third-party pricing systems and reported at quoted prices as of the reporting date. Investments held for which market quotes are not readily available are reported based on appraised value. Investments with funds held and invested by external managers where the Endowment Fund holds a share of the external manager’s fund are valued and reported at NAV and are not categorized according to fair market value.

Assets at fair value as of August 31, 2024 and 2023 were as follows:

<b>August 31, 2024</b>				
<b>Investment Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 29,205,879	\$ -	\$ -	\$ 29,205,879
Externally managed domestic	67,910,007	-	-	67,910,007
Externally managed international	15,417,033	-	-	15,417,033
Fixed income – money market and bond mutual funds	21,920,162	-	-	21,920,162
Corporate obligations	102,838,378	-	-	102,838,378
U.S. government agencies	14,451,598	-	-	14,451,598
U.S. government obligations	7,430,387	-	-	7,430,387
Totals	<u>\$ 259,173,444</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,173,444</u>

<b>August 31, 2023</b>				
<b>Investment Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 41,700,307	\$ -	\$ -	\$ 41,700,307
Externally managed domestic	72,438,247	-	-	72,438,247
Externally managed international	13,334,412	-	-	13,334,412
Fixed income – money market and bond mutual funds	26,984,269	-	-	26,984,269
Corporate obligations	18,082,269	-	-	18,082,269
U.S. government agencies	13,942,023	-	-	13,942,023
U.S. government obligations	7,305,472	-	-	7,305,472
Totals	<u>\$ 193,786,999</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 193,786,999</u>

# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

Investments measured at NAV as of August 31, 2024 and 2023 were as follows:

<b>August 31, 2024</b>				
<b>Investment Category</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity funds	\$ 130,023,875	\$ -	As needed	30-60 days
Externally managed domestic	222,956,123	70,944,548	N/A	30-60 days
Externally managed international	256,670,936	50,805,953	N/A	30-60 days
International equities	247,972,936	-	As needed	5 days
Other commingled funds	2,506,347	-	As needed	3 days
<b>Totals</b>	<b>\$ 860,130,217</b>	<b>\$ 121,750,501</b>		

<b>August 31, 2023</b>				
<b>Investment Category</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity funds	\$ 153,109,954	\$ -	As needed	30-60 days
Externally managed domestic	250,552,282	76,858,524	N/A	30-60 days
Externally managed international	270,153,903	62,639,151	N/A	30-60 days
International equities	195,136,724	-	As needed	5 days
Other commingled funds	1,942,927	-	As needed	3 days
<b>Totals</b>	<b>\$ 870,895,790</b>	<b>\$ 139,497,675</b>		

**(a) Equity Funds**

This type includes investments in one fund at August 31, 2024 and 2023 that invests primarily in U.S. equities. Managers have the ability to shift investments from small to large cap stocks and from a net long position to a net short position. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice.

**(b) Externally Managed Domestic**

This type includes investments in 52 and 42 funds at August 31, 2024 and 2023, respectively, that invest in inflation hedges, oil and gas, real estate properties, renewable natural resources, public and private equities, healthcare, and venture capital. Managers have the ability to invest in natural resources, venture capital, private equity real estate, multi-strategy funds, and the secondary market. Managers have the ability to shift investments in the portfolio to gain the best advantage in the market. Approximately 12% and 10% of this class is invested in natural resources, 2% and 14% in venture capital, 12% and 12% in real estate, 60% and 57% in private equity, and 13% and 7% in multi strategies at August 31, 2024 and 2023, respectively. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice, but early redemption requires complete exit from the fund. Funds in this category have expected maturity dates that range from 5 to 10 years.



# University of Houston System Endowment Fund

## Notes to Basic Financial Statements

### August 31, 2024 and 2023

**(c) *Externally Managed International***

This type includes investments in 44 and 44 funds at August 31, 2024 and 2023, respectively, that invest in inflation hedges, hedged investments, oil and gas, real estate properties, technology, public and private domestic and international equities, fixed income securities, alternative market equities, long and short equities, global secondary, and global venture capital. Approximately 5% and 5% of the portfolio is invested in real estate, 46% and 59% in private equity, 16% and 17% in venture capital, 8% and 8% in the secondary market, and 25% and 12% in public and private domestic and global equities at August 31, 2024 and 2023, respectively. For those managers who invest in equities and real estate, they have the ability to shift investments from long to short term and international to domestic. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with 30 to 60 days' notice, but early redemption requires complete exit from the fund. Funds in the category have expected maturity dates that range from 5 to 10 years.

**(d) *Fixed Income – Money Market and Bond Mutual Funds***

This type includes temporary investments in cash equivalents such as money market funds by managers whose NAV is classified in another category. Managers have the ability to shift investments. The fair values of the investments in this type have been determined using the cash value of the temporary investment. These investments are not intended for redemption as they represent a short-term transaction within a separate category.

**(e) *International Equities***

This type includes investments in five funds at August 31, 2024 and 2023, respectively, that invest in international equities. The managers have the ability to shift investments to gain a more favorable outcome. The fair value of the investment in this type has been determined using the NAV per share of the investment. The investment in this category can be redeemed with five days' notice.

**(f) *Other Commingled Funds***

This type includes investments in three funds at August 31, 2024 and 2023 that invest primarily in equities. One equity fund is managed by University of Houston C.T. Bauer College of Business, and stocks are traded on a daily basis. The second fund is a bond fund that comprises 95% of this category. The fair values of the investments in this type have been determined using the NAV per share of the investments. All investments in this category can be redeemed with three days' notice.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

**7) Due to Other Components**

Due to other components at August 31, 2024 and 2023 consists of the following:

	<b>2024</b>	<b>2023</b>
Payable to System components under the income payout policy	\$ 40,816,337	\$ 37,845,601
Payable to System components for institutional advancement	7,645,214	7,774,448
Total due to other components	\$ 48,461,551	\$ 45,620,049

**8) Related-Party Transactions**

In addition to the transfers-in described in the revenue recognition policy in *Note 2* and distributions to other components described in *Note 7*, the Endowment Fund received in-kind contributions from the System in the form of personnel costs, office facilities, equipment, and supplies during the years ended August 31, 2024 and 2023. The total estimated value of these in-kind contributions received from the System was between \$900,000 and \$1,000,000 for fiscal years 2024 and 2023.

**9) Administrative Costs**

The Endowment Fund pays custodial fees and expenses to the financial institution, which acts as the custodian of the portion of the Endowment Fund's assets managed under a master trust custodian agreement. The fees are based on the number of accounts, market value of the securities, and transaction activities in accordance with the master trust custodian agreement.

Additionally, the Endowment Fund incurs asset management fees from the independent investment managers of the Endowment Fund. The fees are generally assessed on a quarterly basis on a percentage of the market value of investments held by each investment manager.

The Endowment Fund incurs other expenses related to its operations primarily consisting of professional service fees and expenses. The total fees and expenses incurred by the Endowment Fund for the years ended August 31, 2024 and 2023 were estimated \$9,266,369 and \$9,788,763, respectively, and were included in net appreciation of investments on the accompanying statements of revenues, expenses, and changes in net position.

**10) Income Taxes**

The System, of which the Endowment Fund is a division, is a university established as an agency of the State of Texas prior to 1969 and is qualified as a governmental entity not generally subject to federal income tax by reason of being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof or an entity whose income is excluded from gross income for federal income tax purposes under Section 115 of the Internal Revenue Code of 1986. However, as a state college or university, the System is subject to unrelated business income pursuant to Internal Revenue Code of 1986 Section 511(a)(2)(B). No material unrelated business income tax was incurred for the years ended August 31, 2024 and 2023. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**University of Houston System Endowment Fund**  
**Notes to Basic Financial Statements**  
**August 31, 2024 and 2023**

**11) Subsequent Events**

In the months subsequent to the fiscal year-end, the U.S. and world's financial markets, as measured by the global stock markets, have continued to be unpredictable. These and other economic events have had an effect on the value of investments held by the Endowment Fund. Interim valuation information is not available for all investments through the date of this report. However, for the Endowment Fund, investment appreciation subsequent to year-end and through December 31, 2024 was \$5,650,426 (unaudited). As of that date, the Endowment Fund's total net position was \$1,167,153,034 (unaudited).

On October 25, 2024, a promissory note was signed between the University of Houston System (Lender) and University of Houston Department of Athletics (Borrower) for a loan in the amount of \$10,000,000. These funds were transferred from the University of Houston System Endowment Fund to the Borrower. The principal amount of this note shall bear interest at 5.1% per annum and mature on August 31, 2035.



# **University of Houston System**

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

August 31, 2024

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Regents  
University of Houston System  
Houston, Texas

We have performed the procedures enumerated in the attachment to this report on the University of Houston System's (University) compliance with the requirements set forth in Section 12.4.4 of the Cancer Prevention and Research Institute of Texas's (CPRIT) Grant Policies and Procedures Guide as of and for the year ended August 31, 2024. The management of the University is responsible for its aforementioned compliance with the requirements set forth in Section 12.4.4 of CPRIT's Grant Policies and Procedures Guide.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing the University's compliance with Section 12.4.4 of CPRIT's *Grant Policies and Procedures Guide* as of and for the year ended August 31, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in the attachment to this report.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with Section 12.4.4 of CPRIT's *Grant Policies and Procedures Guide*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

**Forvis Mazars, LLP**

**Houston, Texas  
January 29, 2025**

## ***Processes and Controls***

### ***Procedures***

1. Inquire of the University's management about whether they have assessed the adequacy of internal controls addressing grant noncompliance, errors, and fraud. Observe documentation of that assessment. Compare the items listed in the risk assessment to the following controls and assess whether the following were included:
  - a. Contract compliance, including submission;
  - b. Expenditures, including payroll and equipment;
  - c. Project income; and
  - d. Reporting, including performance measurement, matching, indirect cost application, and early termination.
2. Confirm that the University has documented policies and procedures to account for the receipts and disbursement of the CPRIT funds.

### ***Finding***

No exceptions noted.

## ***Contract***

### ***Procedures***

1. Obtain the contract proposal for each grant tested and determine whether the contract included internal Institutional Review Board approval for the use of human subjects, animals, or biohazards. If so, obtain documentation from the grantee showing that the applicable review was done by the appropriate board prior to contract execution as evidenced by signature of board meeting minutes.
2. Determine, through comparison to the University's policies, whether the University is required to have a written standard of conduct and comply with federal law to promote objectivity in research. If so, verify that a conflict of interest statement(s) for all individual principal investigators was signed prior to the effective date of the grant and that the conflict of interest statement(s) was (were) updated as necessary to comply with these provisions.
3. Inquire of management and/or those charged with grant oversight whether the grantee completed all assurances and certifications in Attachment C, Assurances and Certifications, of the grant contract.

### ***Finding***

No exceptions noted.

## ***Indirect Costs***

### ***Procedures***

1. Obtain and read each grant contract and assess whether there is an indirect cost rate specified.

2. To test the indirect cost rate, select a sample of the lesser of 10% or 25 indirect costs charged to the grant and perform the following:
  - a. Obtain a list of eligible indirect costs from the University. Agree the description of the costs in the sample to the list of eligible costs. Obtain supporting documentation for the transactions in the sample and assess whether the description is valid. Document any exceptions.
  - b. Obtain from the University's accounting records the listing of direct costs charged to the grant. Compare the sample of indirect costs to the listing of direct costs to assess whether they were not included as direct costs. Document any exceptions.
3. Select a sample of two (2) financial status report (Form 269a) submissions for each grant and recompute the indirect cost rate used based on the requirements noted in the grant contract obtained in procedure 1 above. Compare the recalculated rate to the rate used and document any variance.

***Finding***

No exceptions noted. In procedure 2, the sample size was 17 items.

***Matching (Academic and Product Development Research Awards Only)***

***Procedures***

1. Obtain each grant contract and assess whether it includes a matching funds requirement. If it does not, no further procedures in this section are necessary. Note: Matching fund requirements applicable to public and private institutions of higher education allow the grantee to receive partial or full matching funds credit. See section "Matching Funds – Certification and Verification."
2. Inquire of management and/or those charged with grant oversight whether a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures. Document management's response.
3. Obtain the grantee's matching certification to assess whether matching funds (as noted in the grant contract obtained in 1 above) were certified prior to grant start. View the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant only. Document any variance in the amount of matching funds.
4. As of the end of the CPRIT program year, view the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant(s) only that is the subject of the award. Obtain the bank statement(s) related to the account(s) that hold(s) the match funds and tie in the total bank balance per the grantee's records to the month-end reconciliation.

***Finding***

Both selected grants had matching funds requirements: RP210148 and RP220008. No exceptions noted.

***Expenditures (Excluding Payroll-Related Transactions)***

***Procedures***

1. Inquire of management and/or those charged with grant oversight as to whether the University has a purchasing policy that establishes a competitive procurement process and safeguards against bias or conflicts of interest.

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2. Inquire of management and/or those charged with grant oversight whether the University has a process in place to ensure that entities only purchase from a vendor list (which excludes vendors that are federally debarred or suspended) that has been approved by management and/or those charged with governance as evidenced by signature and date. Document management's response.
  3. To test non-payroll direct expenditures for each grant, select a sample of the lesser of 10% or 60 non-payroll-related expenditures. For each item selected, perform the following:
    - a. Agree the sample disbursement to the receipt or invoice supporting the amount and payee.
    - b. Observe physical or electronic evidence of approval to determine whether the purchase was approved and/or reviewed by management or those involved with oversight of the grant (with knowledge of the grant requirements).
    - c. Trace the description of the purchased goods and/or services received to the underlying supporting documentation and agree the description to items allowable per Uniform Grant Management Standards (UGMS), the grant contract, and the CPRIT Policies and Procedures Guide.
    - d. If the item selected is travel related, assess whether the travel was related to the grant based on the inquiry of management or review of supporting documentation. Compare the description of the travel to the narrative and assess whether any discrepancy exists.
    - e. If the item selected is related to international travel, observe physical or electronic evidence of approval to determine whether it was approved by CPRIT prior to the initiation of the travel.
    - f. If the expended item was transacted prior to the related CPRIT grant being awarded, obtain evidence to assess whether the costs were authorized by CPRIT per review of correspondence or other verification documentation.
    - g. Assess whether the vendor was preapproved by the University prior to the purchase by agreeing the vendor to the preapproved vendor list noted in procedure 2 above.
    - h. Compare the purchase to the approved grant budget and assess whether the purchase was included in a category in the approved grant budget provided to CPRIT.
    - i. Obtain supporting documentation that the transaction occurred during the period covered by the grant award.

***Finding***

No exceptions noted. In Procedure 3, the sample size was 26 items.

***Expenditures (Payroll-Related Transactions)***

***Procedures***

1. Inquire of management and/or those charged with grant oversight to assess whether the University has a formal system to track time and effort of employees associated with the grant.
2. To test payroll direct expenditures for each grant, select a sample of the lesser of 10% or 60 payroll-related transactions from the fiscal year.



3. For employees that work solely in a single award/funding stream or cost objective, observe documentation covering the period in which the transaction occurred showing that the employee had a semi-annual certification signed by the employee or a supervisory official.
  - a. Note that the budgeted payroll costs pertaining to the selected employee or the position, related to the selected employee, have been included in the approved grant budget;
  - b. Obtain supporting documentation that the transaction occurred during the period covered by the grant award;
  - c. Agree the time allocated to the grant for the related pay period to the employee's time sheet or similar support;
  - d. Assess whether the employee's time sheet or similar documentation was approved by a supervisor;
  - e. Agree the employee's pay rate per the transaction to the employee's pay rate per their employee file and that the rate was properly approved; and
  - f. Assess whether the grantee has reported each employee whose salary or partial salary is paid by a CPRIT grant in the original Personnel Level of Effort (PLOE) submitted with the grant application.

### ***Finding***

In procedure 2, the sample size was 26 items. Exceptions noted. For all 26 selected items, the University was unable to provide semi-annual certifications signed by an employee or supervisory official having first-hand knowledge of the work performed by the employee. According to the Director, Research Administrative Services, effort reports were temporarily suspended as the University reviews prior practices for generating effort reports, assesses the functionality of the current system, and identifies opportunities for improvement. The University will be issuing FY2024 effort reports for campus certification under the updated system in February/March 2025.

### ***Equipment***

#### ***Procedure***

1. For each grant, select a sample of the lesser of 10% or 25 equipment purchases during the fiscal year, and assess whether:
  - a. The purchase was included in a category in the contract approved budget.
  - b. The University's internal procedures for recording the receipt of the equipment were followed.
  - c. The item was included in the grant Inventory Report submitted to CPRIT.
  - d. If the purchase was greater than \$5,000, verify that the purchase was authorized by CPRIT prior to the purchase.
  - e. Observe the purchase documentation and assess whether the University has title to the equipment purchased or fabricated with grant funds.
  - f. If the University still owns the equipment, observe the equipment's physical location, assess whether it is located at the University and agree the equipment's property tag to the property identification number reported in the inventory report to CPRIT.

- g. Obtain supporting documentation that the transaction occurred during the period covered by the grant award.

**Finding**

None of the selected grants had equipment purchases.

**Revenue Sharing and Project Income**

**Procedures**

1. Inquire of management whether any revenue was generated by the grant project during the preceding fiscal year.
2. Assess whether revenue or project income collected by the University for the year has been identified for each grant in accordance with the grant contract or CPRIT approval and reported on the annual Revenue Sharing/Program Income Report form to CPRIT.
3. For revenue sharing, obtain documentation to assess whether revenue generated by the sale or licensing of products or research developed through a CPRIT grant resulted in payment made to CPRIT and that the payment is accurate based on the grant contract and Revenue Sharing/Program Income Report form.

**Finding**

According to the Director, Research Administrative Services, no grants generated program income.

**Reporting**

**Procedures**

1. Inquire of the University's management and those charged with oversight over the CPRIT grant as to whether they are aware of any instances related to CPRIT grants of fraud, illegal acts, or noncompliance, and whether they have been properly reported to the granting agency. Document management's response regarding any such acts that were reported.
2. To test the reporting requirements, select a sample of reporting time periods for the following reports:
  - a. **Quarterly** – Select two Financial Status Reports (due within 90 days of the end of the fiscal quarter). For Prevention Grants, also select two quarters of Data Elements.
  - b. **Annual** – Select the current years, Grant Progress Report and Project Data, and other required annual reports (due within 60 days of the anniversary date of the Contract). The Grant Progress Report is filed along with the Single Audit Determination form, Historically Underutilized Business report, listing of equipment, inventory, and Revenue Sharing/Program Income Report form.
  - c. **End of Contract Term** – Grant Final Report, a final grant progress report shall be filed no more than 90 days after the termination date of the Contract. The final grant progress report shall include a comprehensive description of the grantee's progress toward completing the scope of work specified by the Contract, as well as other information specified by CPRIT.
  - d. **Tranche Grant Progress Report (Product Development grantees only)** – In addition to annual Grant Progress Reports, Product Development grantees may submit a Grant Progress Report at the completion of specific tranches of funding specified in the Award Contract. A Tranche Grant Progress Report is not required when the completion of the tranche coincides with the end of the grant year. In that event, the annual Grant Progress Report is sufficient.

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3. Perform the following procedures over the reports:
    - a. Obtain applicable documentation and/or correspondence and assess whether required reports were filed within required timeframes as noted above.
    - b. Obtain documentation and/or correspondence to assess whether the reports were reviewed and approved by management and/or those charged with oversight over the grant prior to submission.
    - c. Agree all financial information included in reimbursement request reports for each request, and cumulatively for the reporting period, to the University's general ledger.
    - d. If applicable, assess whether any reimbursements payments have been withheld by inquiring of management and/or those charged with grant oversight. Document management's response for the reason for a delay in payment related to not complying with a grant contract requirement or any state or federal law. If funds had been withheld, note whether the withheld payments were released per applicable documentation.
    - e. For the Grant Progress Reports, in addition to the procedures above, assess whether the progress report includes a Single Audit Determination form, an inventory form, a Revenue Sharing/Program Income Report and a Historically Underutilized Business/Texas Supplier report. Note any missing reports.
    - f. For the Grant Progress Reports, in addition to the procedures above, confirm that the other key data points related to project data (*i.e.*, publications, patent information, commercialization, etc.) are accurate for the period and supported by documentation from the University. Note any incorrect amounts.

***Finding***

No exceptions noted. According to the Director, Research Administrative Services, the University did not receive any product development grants.

***Grant Closeout***

***Procedures***

1. Obtain correspondence and/or related documentation showing the date that the grantee submitted all required reports (as defined by the contract) to CPRIT to assess whether the submission was completed within the 145-day closeout period following the end of the contract term for each grant.
2. Select the last financial status report for the grant and assess whether it was submitted in a timely manner (as defined by the Contract) and that the related payment was received. If payment was delayed, inquire of management the reason for the delay and document the response.

***Finding***

According to the Director, Research Administrative Services, grant RP210148 initial contract end date was August 30, 2024. Grant RP210148 contract was extended to May 31, 2025. None of the selected grants closed as of August 31, 2024.

**Sampling**

When selecting a sample, we will follow CPRIT’s recommendation and use the guidance from the AICPA’s Audit and Accounting Guide: *Government Auditing Standards* and Circular A-133 Audits, Chapter 11 – Audit Sampling Considerations of Circular A-133 Compliance Audits:

Table 7: Audit Sampling Considerations

Frequency or Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	3
Semimonthly (24)	6
Weekly (52)	8
<b>Greater than 52 transactions:</b>	
Expenditures	Lesser of 10% or 60
All other	Lesser of 10% or 25

We chose two grants from the schedule of CPRIT awards for testing as follows:

1. RP210148: Novel Pharmacodynamic Assay to Predict Response to CDK4/6 Inhibitor Therapy
2. RR220008: Recruitment of First-Time, Tenure-Track Faculty Members