THE UNIVERSITY OF TEXAS LAW SCHOOL FOUNDATION

Consolidated Financial Statements and Independent Auditors' Report

Years Ended August 31, 2021 and 2020

THE UNIVERSITY OF TEXAS
LAW SCHOOL FOUNDATION

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August 31, 2021 and 2020

McConnell Jones

Independent Auditors' Report

To the Board of Trustees of
The University of Texas Law School Foundation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Texas Law School Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

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and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Prior Period Financial Statements

The consolidated financial statements of the Foundation as of August 31, 2020, were audited by other auditors whose report dated October 15, 2020, expressed an unmodified opinion on those consolidated financial statements.

McConnell & Jones LLP

Houston, Texas
October 28, 2021

THE UNIVERSITY OF TEXAS
LAW SCHOOL FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 95,122	$ 1,953,512
Contributions receivable, net	2,983,341	4,529,363
Investments	271,729,491	216,644,141
Notes receivable	-	25,000
Prepaid expenses	35,004	5,909
Beneficial interests in charitable remainder trusts	13,949,542	13,852,287
Total Assets	$ 288,792,500	$ 237,010,212
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenes	$ 11,503	$ 6,862
Deferred revenue	41,155	44,985
Total Liabilities	52,658	51,847
Net Assets:		
Without donor restriction	7,832,133	4,801,910
With donor restriction	280,907,709	232,156,455
Total Net Assets	288,739,842	236,958,365
Total Liabilities and Net Assets	$ 288,792,500	$ 237,010,212

See notes to consolidated financial statements.

THE UNIVERSITY OF TEXAS
LAW SCHOOL FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Return on investments, net	$ 2,758,782	$ 53,219,880	$ 55,978,662
Contributions	344,976	4,843,554	5,188,530
Change in value of beneficial interests in charitable remainder trusts	-	97,255	97,255
Oil and gas royalties	127,705	-	127,705
Other revenues	22,707	-	22,707
Net assets released from restrictions	9,393,110	(9,393,110)	-
Total revenues and net assets released from restrictions	12,647,280	48,767,579	61,414,859
Expenses:			
Program services	8,981,051	-	8,981,051
General and administrative	514,445	-	514,445
Fundraising	137,886	-	137,886
Total Expenses	9,633,382	-	9,633,382
Reclassification of net assets-donation matching	16,325	(16,325)	-
Change in net assets	3,030,223	48,751,254	51,781,477
Net assets, beginning of year	4,801,910	232,156,455	236,958,365
Net assets, end of year	$ 7,832,133	$ 280,907,709	$ 288,739,842

See notes to consolidated financial statements.

THE UNIVERSITY OF TEXAS
LAW SCHOOL FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Return on investments, net	$ 319,661	$ 18,941,551	$ 19,261,212
Contributions	324,468	5,042,509	5,366,977
Change in value of beneficial interests in charitable remainder trusts	-	1,517,272	1,517,272
Oil and gas royalties	138,568	-	138,568
Other revenues	91,966	-	91,966
Net assets released from restrictions	8,661,710	(8,661,710)	-
Total revenues and net assets released from restrictions	9,536,373	16,839,622	26,375,995
Expenses:			
Program services	8,051,071	-	8,051,071
General and administrative	650,495	-	650,495
Fundraising	148,423	-	148,423
Total Expenses	8,849,989	-	8,849,989
Reclassification of net assets-donation matching	25,000	(25,000)	-
Change in net assets	711,384	16,814,622	17,526,006
Net assets, beginning of year	4,090,526	215,341,833	219,432,359
Net assets, end of year	$ 4,801,910	$ 232,156,455	$ 236,958,365

See notes to consolidated financial statements.

THE UNIVERSITY OF TEXAS
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Endowment payout	$ 6,525,682	$ -	$ -	$ 6,525,682
Support to the Law School	2,455,369	-	110,000	2,565,369
Personnel	-	311,150	-	311,150
Other assistance to the Law School (note 13)	-	100,000	-	100,000
Finance and accounting	-	37,540	27,246	64,786
Insurance	-	35,815	-	35,815
Communication	-	2,400	-	2,400
Travel	-	151	-	151
Other	-	27,389	640	28,029
Total Expenses	$ 8,981,051	$ 514,445	$ 137,886	$ 9,633,382

See notes to consolidated financial statements.

THE UNIVERSITY OF TEXAS
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Endowment payout	$ 5,120,711	$ -	$ -	$ 5,120,711
Support to the Law School	2,905,360	50,000	109,000	3,064,360
Personnel	-	302,096	-	302,096
Other assistance to the Law School (note 13)	-	170,000	-	170,000
Finance and accounting	-	32,076	39,423	71,499
Insurance	-	30,996	-	30,996
Communication	-	1,943	-	1,943
Travel	-	1,942	-	1,942
Other	25,000	61,442	-	86,442
Total Expenses	$ 8,051,071	$ 650,495	$ 148,423	$ 8,849,989

See notes to consolidated financial statements.

THE UNIVERSITY OF TEXAS
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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended August 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	$ 51,781,477	$ 17,526,006
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donated Investments	(456,474)	(168,443)
Net realized and unrealized gains on investments	(53,422,140)	(16,532,898)
Change in value of beneficial interests in charitable remainder trusts	(97,255)	(1,517,272)
Contributions restricted for perpetual endowments	(4,969,586)	(6,978,293)
Changes in operating assets and liabilities that provided (used) cash		
Contributions receivable	1,546,022	4,231,894
Notes Receivable	25,000	25,000
Prepaid expenses	(29,095)	(3,846)
Accounts payable and accrued expenses	4,641	(160,725)
Deferred Revenue	(3,830)	37,156
Net cash used in operating activities	(5,621,240)	(3,541,421)
Cash Flows from Investing Activities		
Purchases of investments	(70,823,414)	(258,409,926)
Proceeds from sales of investments	69,616,678	256,068,468
Net cash used in investing activities	(1,206,736)	(2,341,458)
Cash Flows from Financing Activities		
Contributions restricted for perpetual endowments	4,969,586	6,978,293
Net change in cash and cash equivalents	(1,858,390)	1,095,414
Cash and cash equivalents, beginning of year	1,953,512	858,098
Cash and cash equivalents, end of year	$ 95,122	$ 1,953,512

See notes to consolidated financial statements.

NOTE 1: ORGANIZATION

The University of Texas Law School Foundation (the "Foundation") was chartered in 1952 for the purpose of providing support to The University of Texas School of Law (the "Law School"). Such support includes administrative, faculty, and student support. The Foundation's revenues are derived primarily from investment returns and contributions from donors, typically Law School alumni or law firms.

UTLSF Holdings, LLC (the "LLC"), a wholly-owned subsidiary of the Foundation, was formed in 2016 for the purpose of managing and holding the ownership of property. As of August 31, 2021, the Foundation had not yet transferred the property to the LLC. The LLC had no assets, liabilities, or activity as of or during the years ended August 31, 2021 and 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation – The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Net Asset Classifications – Net assets, revenues, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Foundation, or at the discretion of the Board of Trustees (the "Board") for the Foundation's use.

With Donor Restrictions – These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets which are required to be maintained permanently are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Fair Value Measurements – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent from the entity.

Level 3 – Unobservable inputs that reflect the entity' s own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments – Investments are reported at fair value using a market approach. Investment transactions in securities are recorded on the trade date and investment income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Realized and unrealized gains or losses, interest, and dividends arc reported as investment return or loss, net of related fees, in the consolidated statements of activities.

Contributions Receivable – Contributions receivable are recorded at the amount the Foundation expects to receive from donors. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Although the Foundation has not historically experienced significant uncollectible amounts, an allowance for uncollectible contributions receivable has been established (Note 5).

Beneficial Interests in Charitable Remainder Trusts – The Foundation has been named as a beneficiary of two irrevocable charitable remainder trusts. The investments are recorded at fair value based on market prices provided by the third-party trustees.

Deferred Revenue – Deferred revenue includes prepayments of rent from tenants or other prepayments for which the activity pertains to the subsequent fiscal year and will be included with other revenues in the consolidated statements of activities when the revenue is earned.

Contributions Revenue – All contributions are recorded at their fair value and are considered to be available for operations of the Foundation unless specifically restricted by the donor. The Foundation recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. This is reported in the consolidated statements of activities as net assets released from restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-Kind Contributions – Non-cash items and other in-kind contributions are recorded at their fair value on the date they are received. Donated services are recognized as contributions during the period services are rendered if the services (a) create or enhance non-financial assets, and (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In-kind contributions were not significant during the years ended August 31, 2021 and 2020.

Functional Allocation of Expenses – The accompanying consolidated financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes – The Foundation is a nonprofit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended August 31, 2021 and 2020. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its tax returns; however, there are no examinations currently in process. The LLC is a disregarded entity for federal income tax purposes

Recently Issued Accounting Pronouncement **–** In February 2016, the FASB issued ASU 2016-02 – (Topic 842): Leases, which supersedes the requirements in Accounting Standards Codification (ASC) Topic 840, Leases. ASU No. 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the guidance of ASU No. 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU No. 2016-02 is largely unchanged from that applied under ASC Topic 840. In June 2020, FASB issued ASU 2020-05, Leases, Effective Dates for Certain Entities. With this update, ASU No. 2016-02 will be effective for annual reporting periods beginning after December 15, 2021, and an early adoption is permitted as of the standard's issuance date. ASU No. 2016-02 required a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief.

Management is in the process of evaluating the impact that the provisions of ASU 2016-02 may have on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management does not expect the adoption to have a material impact on the consolidated financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year for general expenditure were as follows as of August 31:

	2021	2020
Cash and cash equivalents	$ 95,122	$ 1,953,512
Investments, excluding Level 3 investments (Note 6)	257,835,836	207,419,289
Contributions receivable due in less than one year (Note 5)	1,629,480	2,469,770
Beneficial interests in charitable remainder trusts	13,949,542	13,852,287
	273,509,980	225,694,858
Less amounts unavailable for general expenditure within one year:		
Donor-restricted endowment funds (Note 8)	(268,786,305)	(217,748,650)
Donor-restricted term endowment funds (Note 8)	(198,078)	(165,292)
Permanently donor-restricted contributions receivable for the endowment in less than one year	(1,058,769)	(1,592,941)
Total financial assets available for general expenditure within one year	$ 3,466,828	$ 6,187,975

The Board ensures the Foundation' s financial stability by approving an annual budget prior to the start of each fiscal year. The Foundation maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Foundation. Certain net assets with donor restrictions that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions can or will be met as part of general operations within the next year.

NOTE 4: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, beneficial interests in charitable remainder trusts, and contributions receivable. The Foundation places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities, including those underlying the beneficial interests in charitable remainder trusts, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. Two third-party trustees hold beneficial interests in trust for the benefit of the Foundation. One trust accounted for 90% and 91%, respectively, of the total balance as of August 31, 2021 and 2020.

The Foundation does not maintain collateral for its contributions receivable. As of August 31, 2021 and 2020, two donors accounted for 13% of total contributions receivable. One donor comprised 26% of total contribution revenue during the years ended August 31, 2021 and 2020.

NOTE 5: CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of August 31:

	2021	2020
Amounts expected to be collected in:		
Less than one year	$ 1,629,480	$ 2,469,770
One to five years	1,745,585	2,552,176
More than five years	1,500	2,000
	3,376,565	5,023,946
Less allowance for uncollectible accounts	272,846	329,000
Less discount to net present value	120,378	165,583
Contributions receivable, net	$ 2,983,341	$ 4,529,363

The present value of anticipated future cash flows on long-term unconditional promises to give was calculated using a discount rate of 5% and 2% as of August 31, 2021 and 2020, respectively.

NOTE 6: INVESTMENTS

Investments reported at fair value were as follows as of August 31,2021:

	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Public equity	$ 118,607,340	$ 30,040,405	$ -	$ 148,647,745
Fixed income	24,494,430	-	-	24,494,430
Flexible capital	11,540,144	-	-	11,540,144
Real estate investment trusts	12,779,424	-	371,401	13,150,825
Inflation-protected securities	6,232,426	-	-	6,232,426
Real estate	-	-	6,930,147	6,930,147
Art	-	-	3,057,348	3,057,348
Private equity	-	-	3,534,759	3,534,759
Cash equivalents	599,759	-	-	599,759
	$ 174,253,523	$ 30,040,405	$ 13,893,655	218,187,583
Investments measured at NAV				53,541,908
Total investments at fair value				$ 271,729,491

Investments reported at fair value were as follows as of August 31, 2020:

	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Public equity	$ 88,525,680	$ 22,452,468	$ -	$ 110,978,148
Fixed income	19,600,233	-	-	19,600,233
Flexible capital	10,251,664	-	-	10,251,664
Real estate investment trusts	9,561,842	-	-	9,561,842
Inflation-protected securities	5,708,129	-	-	5,708,129
Real estate	-	-	5,548,981	5,548,981
Art	-	-	3,057,348	3,057,348
Private equity	-	-	618,523	618,523
Cash equivalents	254,490	-	-	254,490
	$ 133,902,038	$ 22,452,468	$ 9,224,852	165,579,358
Investments measured at NAV				51,064,783
Total fair value				$ 216,644,141

A summary of activity and changes in Level 3 investments during the years ended August 31 follows:

	2021	2020
Balance, beginning of year	$ 9,224,852	$ 8,339,363
Purchase of investments	2,598,378	938,309
Gain (loss) on investments, net	2,039,740	(52,820)
Transfers in/out of Level 3	30,685	-
Balance, end of year	$ 13,893,655	$ 9,224,852

Level 1 investments include cash equivalents and marketable investments, including publicly traded investments such as stock, mutual funds, equity funds, and exchange traded funds. These investments are classified within Level I of the fair market value hierarchy because they are valued using quoted market prices, broker dealer quotations or other alternative pricing sources with reasonable levels of price transparency.

Level 2 investments include certain public equity funds with valuations obtained from readily-available pricing sources for comparable instruments. These funds are subject to liquidity restrictions and may not be able to be liquidated monthly.

Level 3 investments include real estate, art, and private equity funds since observable inputs are minimal. Art and real estate values are determined by taking into account appraised value. Appraisals are obtained approximately every five years, and in the interim, carrying values are determined by taking into account appraised value, and changes in the market since the appraisal was obtained. The private equity funds are reflected in the financial statements at fair value based on the audited financial statements of the private equity funds. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement.
Level 3 private equity funds are illiquid.

The investments measured at Net Asset Value ("NAV") per share (collectively, the "NAV Funds") are measured at fair value using the NAV practical expedient and have therefore been excluded from the fair value hierarchy leveling table. The NAV Funds are limited partnerships in which the Foundation holds an ownership as a limited partner. The NAV Funds invest globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through investment funds, including private equity funds, private realty funds, natural resources funds, and hedge funds. The Foundation takes into consideration consultation with the funds' investment managers and related audited financial information to determine the overall reasonableness of fair values reported. The NAV Funds include various accounts with different investment strategies, each set to attain a growing stream of current income and appreciation of principal that offsets inflation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

The following table summarizes the investments for which fair value is measured at NAV as of August 31, 2021 and 2020, respectively.

	Fair Vaue at August 31, 2021	Fair Vaue at August 31, 2020	Unfunded Commitments	Redemption Frequency (if currently eligible)
TIFF Keystone Fund, LP	$ 20,636,315	$ 21,131,429	$ 4,027,200	Quarterly
Shellback Offshore Fund, Ltd.	6,373,653	4,233,991	Not applicable	Quarterly
Nut Tree Offshore Fund Ltd.	6,179,758	4,617,564	Not applicable	Quarterly
Varde Investment Partners Offshore, Ltd.	5,050,906	4,267,473	Not applicable	Annual
Junto Offshore Fund Ltd.	4,748,755	4,217,326	Not applicable	Quarterly
Abrams Capital Partners II, LP	4,645,184	4,000,000	Not applicable	2 Year Lock-up/Annual
Farallon Capital Institutional Partners, L.P.	4,248,968	3,970,000	Not applicable	Annual
Coatue Offshore Fund	1,658,369	-	3,333,333	18 Month Lock-up; Quarterly thereafter
Coatue Opportunity Offshore Fund I, Ltd.	-	4,627,000	Not applicable	Illiquid during investment period
	$ 53,541,908	$ 51,064,783	$ 7,360,533	

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Furthermore, the regulatory environment for private equities is evolving, and changes in regulation related to these funds could affect the fair value of the investments held by the Foundation. The Foundation believes that the effect of any future regulatory change on the Foundation's assets would not be material.

Return on investments was comprised of the following during the years ended August 31:

	2021	2020
Interest and dividends	$ 3,090,149	$ 3,261,700
Unrealized (losses) gains, net	43,188,530	(1,305,813)
Realized gains, net	10,233,611	17,838,711
Investment fees	(533,628)	(533,386)
Return on Investment, net	$ 55,978,662	$ 19,261,212

NOTE 7: BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS

The charitable remainder trusts hold investments in cash equivalent funds, common stock, and bond funds. The larger of the two trusts will establish an endowed chair for the Law School. The smaller trust will establish a scholarship fund to assist financially needy students at the Law School. These trusts provide for the payment of distributions to designated beneficiaries over the trust terms (the designated beneficiaries' lifetimes). The present value attributable to the future interest of the Foundation was treated as a permanently donor-restricted contribution in the period that each trust was established, and the amounts are reflected in the donor-restricted endowment (Note 8). In subsequent years, the change in present value attributable to the future interest is recorded as an increase or decrease in net assets with donor restrictions.

Because the third-party trustees have the discretion to make gifts of net income to charitable, religious, and educational organizations, and based on the trustees' history of distributing gifts to such organizations, it has been assumed that the return on investments not distributed by the trustees approximates the discount rate used by the Foundation to calculate the present value of its remainder interest. Therefore, the present value is assumed to be the current value of the assets in the trust. There are certain real estate and mineral interests where only book value is provided by the trustee. Therefore, balances presented may be different between the fair value and book value of those assets; however, management does not believe any differences would be material to the consolidated financial statements.

NOTE 8: ENDOWMENTS

The Foundation's endowments comprised more than 754 individual funds, classified according to donors' restrictions as term endowments or true donor-restricted endowments. Term endowments are similar to the donor-restricted endowment funds except that both the income and corpus of the funds may be used for purposes stipulated by the donors. The term endowment funds are classified as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the donors' intention.

Net assets with donor restrictions included term endowments to support the following purposes as of August 31:

	2021	2020
Scholarships	$ 123,651	$ 106,209
Lectureships	74,427	59,083
Total term endowments	$ 198,078	$ 165,292

The Foundation interprets the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Donor-restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment. The earnings portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

In certain donor endowment agreements the Foundation has agreed to match donations and these contributions are to be included in the corpus of the permanent endowment. These changes in donor restrictions and donation matching amounts are reflected as reclassifications of net assets in the consolidated statements of activities.

Net assets with permanent donor restrictions (including contributions receivable) comprised true donor-restricted endowments to support the following purposes as of August 31:

	2021	2020
Scholarships	$ 91,064,529	$ 81,778,015
Chairs	37,002,625	37,023,412
Faculty dvelopment and excellence	16,610,140	16,610,140
Centers and clinics	11,310,320	11,259,692
Professorships	5,414,653	5,414,653
Library	3,228,971	3,228,971
Advocacy	2,180,468	2,035,468
Research professorships	1,212,508	1,212,508
Lecutureships	832,356	782,356
Fellowships	194,099	194,099
Other purposes	3,450,272	9,008,172
	$ 172,500,941	$ 168,547,486

<u>Investment Policies</u>
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The Foundation employs an outsourced chief investment officer to manage its endowment assets and hire investment managers. The Foundation's Investment Committee provides oversight and monitors the investment and financial objectives of the Foundation.

<u>Spending Policy and How the Investment Objectives Relate to the Spending Policy</u>
The Foundation has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair values over the 12 quarters ending December 31 of the preceding year. For the years ended August 31, 2021 and 2020, the spending rates from endowments was 4.0%. The Foundation also has a policy to annually evaluate distributions from endowments where the fair value is less than 100% of the corpus, and make distributions from these endowments on a case by case basis. In establishing these policies, the Foundation considered the long-term expected return on its endowment assets and the long-term nature of an endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowments to grow at a rate greater than inflation. This is consistent with the Foundation' s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets with donor restrictions, excluding term endowments, during the years ended August 31 were as follows:

	2021	2020
Endowment net assets, beginning of year	$ 217,748,650	$ 196,267,103
Contributions	4,969,586	6,978,293
Change in beneficial interests	97,255	1,517,272
Donation matching	(16,325)	(25,000)
Return on investments	53,219,880	18,941,551
Management fees	(707,059)	(746,639)
Appropriations	(6,525,682)	(5,183,930)
Endowment net assets, end of year	$ 268,786,305	$ 217,748,650

Descriptions of endowment net assets, excluding term endowments, classified with donor restrictions were as follows as of August 31:

	2021	2020
Permanently donor-restricted net assets-		
The portion of perpetual enfowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	$ 170,142,262	$ 165,212,585
Temporarily donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	$ 98,644,043	$ 52,536,065

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of August 31:

	2021	2020
Temporarily donor-restricted net assets, including unappropriated endowment earnings:		
Scholarships	$ 46,048,710	$ 20,314,354
Faculty development and excellence	18,886,996	14,353,048
Chairs	17,850,023	10,290,939
Centers and clinics	8,025,338	5,151,157
Professorships	6,917,696	4,575,726
Library	3,364,679	2,274,783
Advocacy	1,499,080	818,639
Research professorships	1,100,881	651,389
Lectureships	733,953	455,923
Fellowships	280,257	184,079
Other purposes	3,699,155	4,538,932
Permanently donor-restricted endowments (corpus only, including contributions receivable)	172,500,941	168,547,486
Total	$ 280,907,709	$ 232,156,455

NOTE 10: CONDITIONAL PROMISES TO GIVE

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. Further, the total amount of these intentions cannot be determined. These gifts will be recorded as contribution revenue in the period that they become unconditional.

NOTE 11: RENTAL INCOME

The Foundation leases its building space to a third-party tenant under a non-cancelable operating lease which commenced on April 30, 2020. The building is included with real estate investments as of August 31, 2021 and 2020. Rental income, net of expenses, were recorded with interest and dividends included within return on investments in the consolidated statements of activities during the years ended August 31, 2021 and 2020.

Future rental income as of August 31, 2021 was as follows:

2022	$ 149,143
2023	160,942
2024	163,425
2025	178,175
2026	185,289
Thereafter	370,756
Total	$ 1,207,730

NOTE 12: EMPLOYEE RETIREMENT PLAN

The Foundation sponsors a safe harbor 401(k) retirement plan (the "Plan") for certain employees over the age of 21 who have completed 1,000 hours of service. Eligible participants may elect to contribute a percentage of their compensation within the limits established by the Internal Revenue Code. The Foundation makes a contribution equal to 15% of the employee's salary each Plan year, which is 100% vested to the employee. The Foundation may also make additional discretionary contributions to eligible participants. The Foundation contributed $38,085 and $36,595 to the Plan during the years ended August 31, 2021 and 2020, respectively.

NOTE 13: RELATED PARTY TRANSACTIONS

Board members made contributions to the Foundation during the years ended August 31, 2021 and 2020 totaling $518,074 and $1,194,934, respectively. Contributions receivable from Board members totaled $640,803 and $523,527 as of August 31, 2021 and 2020, respectively.

The Foundation has a memorandum of understanding with the Law School to provide space, utilities, equipment, and assistance with development activities. Payments made to the Law School for such assistance during the years ended August 31, 2021 and 2020 totaled $100,000 and $170,000, respectively.

NOTE 14: RISKS & UNCERTAINTIES

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

NOTE 15: SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 28, 2021 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.