

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

University of Houston System Endowment Fund

Results of the 2025 Financial Statement Audit, Including Required
Communications

August 31, 2025

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

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"> • As of and for the year ended August 31, 2025. • Conducted in accordance with our contract dated April 17, 2025.
Our Responsibilities	<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>
Audit Scope & Inherent Limitations to Reasonable Assurance	<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>
Extent of Our Communication	<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>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.</p>
Your Responsibilities	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>



Matter	Discussion
Distribution Restriction	<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"> • The Board of Regents, Audit and Compliance Committee, and Management • Others within the Entity

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 entry include the following:

- Adjustment to correct accounting for \$10M loan

Uncorrected Misstatements

No uncorrected misstatements to report.

Other Required Communications

Other Material Communications

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachments)

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

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
Financial Reporting Services
5000 Gulf Freeway
Technology Bridge 1, Room 232
Houston, Texas 77023

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' audit of our financial statements as of and for the year ended August 31, 2025.

Our representations are current and effective as of the date of Forvis Mazars' report: March 4, 2026.

Our engagement with Forvis Mazars is based on our contract for services dated: April 17, 2025.

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 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 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, 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, 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, citizens, 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 have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of the financial statements and known facts thereafter without consideration of potential mitigating effects of management's plans and concluded substantial doubt does not exist.
17. 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, 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, etc., that could negatively impact the entity's ability to 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, and other assets; reviewing allowances for uncollectible amounts; evaluating liquidity plans, etc.

Related Parties

18. 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.

19. 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

20. 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.
21. 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

22. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
23. 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

24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have everything we need to keep our books and records.
26. 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.
27. We are in agreement with the adjusting journal entries you have proposed, and they have been

posted to the entity's accounts.

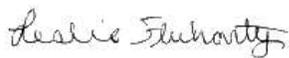
Governmental Accounting & Disclosure Matters

28. 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.
29. Components of net position (restricted, and unrestricted) are properly classified and, if applicable, approved.
30. 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.
31. 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.

Accounting & Disclosure

32. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
33. Except as reflected in the financial statements, there are no:
- a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, net position.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

- e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or anticipated asset retirement obligations.
34. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.



Leslie Fluharty, Executive Director, Financial Reporting, University of Houston System

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Karin Livingston, Sr. Associate Vice Chair/Vice President, Finance, University of Houston System

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University of Houston System Endowment Fund

Independent Auditor's Report and Financial Statements

August 31, 2025 and 2024



University of Houston System Endowment Fund
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August 31, 2025 and 2024

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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, 2025 and 2024, 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 Endowment Fund as of August 31, 2025 and 2024, 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, 2025 and 2024, 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 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
March 4, 2026**

University of Houston System Endowment Fund Management's Discussion and Analysis (Unaudited) August 31, 2025

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, 2025, as compared to the fiscal year ended August 31, 2024, with summary comparisons for the fiscal year ended August 31, 2023. This MD&A offers a summary of significant current year activities of the University of Houston System (UH System) Endowment Fund (Endowment Fund), resulting in changes in net position, 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 2025, 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 2,229 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. While the University of Houston Victoria (UHV) campus transitioned to the Texas A&M University System effective September 1, 2025, UHV's 98 endowments valued at \$17,263,177 are included in the financial statements as of August 31, 2025.

Management of the Fund

The Endowment Fund retains 109 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 below.

**University of Houston System Endowment Fund
Management's Discussion and Analysis (Unaudited)
August 31, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Developed U.S. Equity</u>			
Northern Trust	19%	11%	11%
Columbia Management	-	6	6
Vulcan Value Partners	-	5	5
Cougar Investment Fund	<1	<2	<2
DePrince Race & Zollo Small Cap Value	2	-	-
Granahan Focused SC Growth	2	-	-
Subtotal – developed U.S. equity	<u>23</u>	<u>23</u>	<u>22</u>
<u>Developed International Equity</u>			
William Blair	4	6	4
Silchester	4	5	5
Global Alpha	-	4	3
Acadian Non-Us All Cap Equity	3	-	-
Subtotal – developed international equity	<u>11</u>	<u>15</u>	<u>12</u>
<u>Developing Markets</u>			
Doddington Emerging Markets	-	1	1
Somerset	-	1	-
Edgbaston Asian Equity	1	1	1
Subtotal – developing markets	<u>1</u>	<u>3</u>	<u>2</u>
<u>Global Equity</u>			
Arrowstreet Global Equity	7	4	4
Jennison Global Opportunity Fund	6	-	-
Subtotal – Global Equity	<u>13</u>	<u>4</u>	<u>4</u>
<u>Absolute Return</u>			
Anchorage Capital Partners	-	1	-
HBK	1	1	2
Davidson Kempner	<1	1	2
Whipporwill	-	1	-
Standard Life	-	1	-
400 Capital Credit Opps	2	2	2
Subtotal – absolute return	<u>3</u>	<u>7</u>	<u>6</u>
<u>Hedged Equity</u>			
Highline Capital	-	1	-
Lakewood	-	1	-
SRS Partners	1	1	1.5
Broad Reach Fund Limited Class	2	-	-
Evanston Alpha Strategies	1	-	-
Subtotal – hedged equity	<u>4</u>	<u>3</u>	<u>1.5</u>

**University of Houston System Endowment Fund
Management's Discussion and Analysis (Unaudited)
August 31, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Marketable Real Assets			
Vanguard	-	1	1
T. Rowe Price	-	1	1
Subtotal – marketable real assets	-	2	2
Fixed Income			
Lord Abbett	2	4.2	4.2
Loop Capital (Formerly Smith Graham)	3	4.5	4.5
Loomis Sayles	-	1.6	1.6
PIMCO	1	1.6	1.6
Barings U.S. High Yield Fund	2	-	-
Subtotal – fixed income	8	11.9	11.9
Private Investments			
Berwind Property Group VII	<1	<1	<1
Berwind Property Group VIII	-	<1	<1
Newlin Realty Partners	-	<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
Trace Energy (formerly 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
Advent International GPE X	<1	-	-
GCM Grosvenor Advance	<1	<1	<1
EnCap Energy VII-B	-	<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
TrueBridge Capital Partners VIII	<1	-	-
Dover Street VIII	<1	<1	<1
Dover Street X	<1	<1	<1
LiveOak Venture Partners I	<1	<1	0
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

**University of Houston System Endowment Fund
Management's Discussion and Analysis (Unaudited)
August 31, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Mercury Fund V	<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	<1
Acme Fund III	<1	<1	<1
Silver Lake Partners VII	<1	<1	<1
SV Life Sciences Fund VI	<1	<1	<1
Great Hill Equity Partners V	<1	<1	<1
Mill Point Capital Partners III	<1	1	-
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
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	<1
Thoma Bravo XIII-A	<1	<1	<1
Thoma Bravo XIV-A	<1	<1	<1
Energy Spectrum VII	<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	1	-
Windrose health Investors VI	<1	-	-
Dalfen Last Mile Industrial Fund V	<1	-	-
Khosla Ventures Opportunity II	<1	-	-
Khosla Ventures Seed F	<1	-	-

**University of Houston System Endowment Fund
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	<u>2025</u>	<u>2024</u>	<u>2023</u>
Khosla Ventures VIII	<1	-	-
KLCP Domestic Fund III	<1	-	-
Subtotal – private investments	<u>32</u>	<u>31</u>	<u>38</u>
Cash and equivalents	<u>5</u>	<u>3</u>	<u>3</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, 2025, 2024, and 2023 was 4% of the average market value for the 12 prior fiscal quarters. If an endowment has been in existence for 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 2023 through 2025, endowment payouts to the beneficiary accounts, excluding distributed income returned to principal, in total and by the System’s components were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
University of Houston	\$33,535,480	\$31,418,321	\$29,002,071
UH – Clear Lake	1,281,999	1,245,065	1,169,459
UH – Downtown	1,765,744	1,751,173	1,612,583
UH – Victoria	626,949	615,670	581,108
System-wide endowments	<u>5,848,365</u>	<u>5,786,108</u>	<u>5,480,380</u>
Totals	<u>\$43,058,537</u>	<u>\$40,816,337</u>	<u>\$37,845,601</u>

Overview of the Financial Statements

The financial statements for the fiscal year ended August 31, 2025 are presented comparatively to financial statements issued for the fiscal year ended August 31, 2024. 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.

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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, 2025, the Endowment Fund's assets totaled \$1.285 billion and liabilities totaled \$69.4 million, resulting in a net position of \$1.216 billion.

The net position of the Endowment Fund as contributed by the UH System's components as of August 31, 2025 compared to the corresponding values as of August 31, 2024 and 2023 was as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
University of Houston	\$952,586,988	\$862,005,038	\$785,766,425
UH – Clear Lake	36,616,881	34,047,761	31,228,552
UH – Downtown	51,313,603	49,201,663	45,009,811
UH – Victoria	17,263,177	16,332,744	15,240,961
System-wide endowments	<u>158,253,473</u>	<u>151,453,851</u>	<u>142,104,711</u>
Totals	<u>\$1,216,034,121</u>	<u>\$1,113,041,057</u>	<u>\$1,019,350,460</u>

Variance Analysis – Changes in the Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change 2025-2024</u>	<u>2023</u>
Total assets	\$1,285,525,689	\$1,161,755,834	\$123,769,855	\$1,065,404,503
Total liabilities	69,491,565	48,714,777	20,776,788	46,054,043
Restricted, Nonexpendable endowments	848,345,038	795,091,006	53,254,032	723,518,238
Restricted, expendable endowments	68,910,047	66,937,885	1,972,162	61,693,693
Unrestricted endowments	<u>298,779,039</u>	<u>251,012,166</u>	<u>47,766,873</u>	<u>234,138,529</u>
Net position	<u>\$1,216,034,121</u>	<u>\$1,113,041,057</u>	<u>\$102,993,067</u>	<u>\$1,019,350,460</u>

- Total assets: The \$123.7 million increase in fiscal year 2025 is primarily attributable to increases in contributions to the endowment as well as increases in the fair value of investments.
- Total liabilities: The \$20.7 million increase in liabilities is primarily attributable to an increase in amounts payable to other System components at fiscal year-end 2025.

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- Restricted, nonexpendable endowments: The \$53.2 million increase in restricted nonexpendable endowments is primarily attributable to an increase in the fair value of investments.
- Restricted, expendable endowments: The \$1.9 million increase in restricted expendable endowments is primarily attributable to an increase in the fair value of investments.
- Unrestricted endowments: The \$47.7 million increase is primarily attributable to an increase in the fair value of investments.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position contain 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 2025, the Endowment Fund received \$51.7 million of gifts and other receipts, interest, and investment income of \$20.5 million and a \$90.5 million net increase in the fair value of investments. The Endowment Fund’s total deductions for fiscal year 2025 were \$59.7 million, including \$43.1 million earmarked for distribution to the beneficiary endowment accounts under the planned payout policy, \$8.5 million for management fees, and \$8.1 million for gift acquisition and fundraising efforts. As a result of these activities, the Endowment Fund realized an increase in net position of \$102.9 million for fiscal year 2025.

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

	<u>2025</u>	<u>2024</u>	<u>Change 2025–2024</u>	<u>2023</u>
Contributions to endowments	\$51,719,454	\$23,727,378	\$27,992,076	\$22,102,454
Net realized and unrealized appreciation (depreciation)	90,482,612	107,220,251	(16,737,639)	53,434,934
Other nonoperating expenses	(59,674,373)	(57,727,920)	(1,946,453)	(55,408,811)
Interest and investment income	20,465,368	19,470,888	994,480	15,010,078
Increase (decrease) in net position	<u>\$102,993,061</u>	<u>\$ 92,690,597</u>	<u>\$10,302,464</u>	<u>\$ 35,138,655</u>

- Contributions to endowments increased \$27.9 million in 2025 as compared to 2024.
- Changes in investment activities included a \$90.4 million net appreciation in the fair value of investments in fiscal year 2025 compared to \$107.2 million net appreciation in fiscal year 2024. This net change is the result of fluctuations in natural resources, global equities, and private real assets in fiscal year 2025. Interest and investment income increased by \$994.4 thousand as compared to 2024. Fund deductions increased by \$1.9 million from 2024 to 2025. 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 \$751K from fiscal year 2025 compared to fiscal year 2024. 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.

Interfund Loan

During fiscal year 2025, the Endowment Fund advanced a loan to the UHS Athletics Department to support operating expenses during their transition to the Big 12 Athletics Conference. This agreement represents intra-university financing within the University of Houston System and does not constitute debt issued by the Endowment Fund. The loan is recorded as receivable of the Endowment Fund; accordingly, it did not increase the Fund's outstanding debt. Key terms include a principal amount of \$10,000,000, an interest rate of 5.1% per annum, and a maturity of August 31, 2035. Repayments are expected from Athletics self-generated revenues for ticket sales, conference distributions, media rights, advertising, and facility rental fees. As of August 31, 2025, the receivables balance was \$10,000,000 and management did not record an allowance for credit losses. The agreement was subsequently modified to provide a three-year period, from fiscal year 2026 through fiscal year 2028, in which interest does not accrue and repayment is not required, increasing the term of the loan by three years. Additionally, in fiscal year 2026 a second loan to support operating expenses during the transition to the Big 12 conference will be provided, totaling \$8,865,859. This loan will also be repaid from self-generated revenues for ticket sales, conference distributions, media rights, advertising, and facility rental fees. The terms of the loan will be the same as the terms of the existing loan. No additional loans are anticipated.

Economic Outlook

Global growth is now projected at 2.8% in 2025, down from earlier expectations of 3.2%, with only a modest recovery to 3.0% in 2026. This marks a sharp downgrade from prior forecasts and remains well below the historical (2000–19) average of 3.8%. The revision reflects persistent uncertainty, tariff-related trade disruptions, and slowing momentum in advanced economies. Emerging markets continue to outperform, with growth near 3.7% in 2025 and 3.9% in 2026, while advanced economies are expected to expand by just 1.4% in 2025 and 1.5% in 2026.

Inflation is easing but remains uneven across regions. Global headline inflation is forecast to decline to 4.2% in 2025 and 3.6% in 2026, supported by cooling demand and falling energy prices. However, the U.S. is likely to see inflation above its 2% target through 2026, while the eurozone and many emerging markets experience more subdued price pressures. Central banks have begun rate cuts, but policy divergence persists. The Federal Reserve has initiated an easing cycle amid labor market softness, while the European Central Bank and Bank of England remain cautious.

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Faster disinflation could accelerate monetary easing, improving financial conditions. Structural reforms and AI-driven productivity gains may provide tailwinds. However, geopolitical shocks—particularly tariff escalations and Red Sea shipping disruptions—pose risks of renewed commodity price spikes. Fiscal strains and potential government shutdowns in major economies could amplify volatility.

Policymakers face a delicate balancing act: guiding inflation to target while supporting growth amid fiscal constraints. Renewed focus on fiscal consolidation is critical to rebuild buffers and maintain debt sustainability. Structural reforms—particularly those enhancing productivity and labor market flexibility—remain essential for medium-term growth. Multilateral cooperation on trade, and debt resolution, is increasingly urgent.

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.

Basic Financial Statements

University of Houston System Endowment Fund
Statements of Net Position
August 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 61,994,289	\$ 41,591,887
Interest and dividends receivable	3,303,315	860,286
Investment purchased receivable	12,500,000	-
Total Current Assets	77,797,604	42,452,173
Noncurrent assets		
Loan to University of Houston Athletics	10,000,000	-
Investments	1,197,728,085	1,119,303,661
Total long-term assets	1,207,728,085	1,119,303,661
Total Assets	1,285,525,689	1,161,755,834
Liabilities		
Current liabilities		
Payable for investments purchased	682,645	253,226
Deferred revenue	7,650,000	-
Due to other components	61,158,920	48,461,551
Total Liabilities	69,491,565	48,714,777
Net Assets		
Restricted nonexpendable endowments	848,345,038	795,091,006
Restricted for expendable endowments	68,910,047	66,937,885
Unrestricted	298,779,039	251,012,166
Total Net Position	\$ 1,216,034,124	\$ 1,113,041,057

University of Houston System Endowment Fund
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Nonoperating Revenues (Expenses)		
Interest and investment income	\$ 20,465,374	\$ 19,470,888
Net realization and unrealized appreciation (depreciation)	90,482,612	107,220,251
Other nonoperating expenses	<u>(59,674,373)</u>	<u>(57,727,920)</u>
Total Nonoperating Revenues (Expenses)	51,273,613	68,963,219
Contributions to Endowments	<u>51,719,454</u>	<u>24,727,378</u>
Change in Net Position	102,993,067	93,690,597
Net Position, Beginning of Year	<u>1,113,041,057</u>	<u>1,019,350,460</u>
Net Position, End of Year	<u>\$ 1,216,034,124</u>	<u>\$ 1,113,041,057</u>

University of Houston System Endowment Fund
Statements of Cash Flows
Years Ended August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities	<u>\$ -</u>	<u>\$ -</u>
Cash Flows From Noncapital and Related Financing		
Activities		
Contributions to endowments	51,719,454	24,727,378
Increase in due to other components	<u>12,697,369</u>	<u>2,841,502</u>
Net cash provided by noncapital and related financing activities	<u>64,416,823</u>	<u>27,568,880</u>
Cash Flows From Capital and Related Financing		
Activities	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	2,671,379,473	1,971,316,878
Payments to purchase investments	(2,727,343,815)	(1,994,266,442)
Interest and dividends received on investments	20,465,374	19,470,888
Payments for asset management and stewardship	<u>(8,515,453)</u>	<u>(9,266,369)</u>
Net cash used in investing activities	<u>(44,014,421)</u>	<u>(12,745,045)</u>
Increase in Cash and Cash Equivalents	20,402,402	14,823,835
Cash and Cash Equivalents, Beginning of Year	<u>41,591,887</u>	<u>26,768,052</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,994,289</u>	<u>\$ 41,591,887</u>

University of Houston System Endowment Fund
Notes to Basic Financial Statements
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Note 1. Reporting Entity

University of Houston System (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 (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, 2025 and 2024, 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 2,229 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.

Note 2. Summary of Significant Accounting Policies

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.

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.

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.

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

University of Houston System Endowment Fund
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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.

Net Position

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

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

Restricted for expendable endowments: Net position for restricted expendable endowment funds represents resources 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 represents resources donated by third parties or created internally by the System and consists of 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.

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.

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 2025 and 2024, 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

University of Houston System Endowment Fund
Notes to Basic Financial Statements
August 31, 2025 and 2024

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.

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 2025 and 2024, 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, 2025 and 2024 was \$8,100,383 and \$7,645,214, respectively.

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.

Note 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.

Note 4. Derivatives

Derivatives are investment products that may be a security or contract that derives their 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, 2025 or 2024 and held no direct derivative instruments at August 31, 2025 or 2024.

University of Houston System Endowment Fund
Notes to Basic Financial Statements
August 31, 2025 and 2024

Note 5. Cash and Investments

Composition of Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and securities maturing within three months totaling \$61,994,289 and \$41,591,887 at August 31, 2025 and 2024, 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.

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

	<u>2025</u>	<u>2024</u>
Cash	\$ 24,970	\$ 6,411
Money market funds	61,969,319	41,585,476
Total cash and cash equivalents	<u>\$ 61,994,289</u>	<u>\$ 41,591,887</u>

Reconciliation of Cash and Investments to Statements of Net Position

Total cash and investments are as follows at August 31:

<u>Type of Security</u>	<u>Fair Value</u>	
	<u>2025</u>	<u>2024</u>
Cash	\$ 24,970	\$ 6,411
Money market funds	61,969,319	41,585,476
U.S. nongovernment obligations	9,317,755	7,430,387
U.S. government agencies	13,132,051	14,451,598
Fixed income (nongovernment/agency)	12,290,610	21,920,162
U.S. equity securities	306,947,199	264,574,475
Global equities excluding U.S.	322,081,058	247,972,937
Hedged equity funds	55,923,187	30,075,590
Inflation hedge funds (including REITs)	-	21,139,998
Absolute return funds	12,022,998	41,710,152
Private equity investments	466,013,227	470,028,362
Total investments	1,259,722,374	1,160,895,548
Less cash and cash equivalents	<u>(61,994,289)</u>	<u>(41,591,887)</u>
Total noncurrent investments	<u>\$ 1,197,728,085</u>	<u>\$ 1,119,303,661</u>

University of Houston System Endowment Fund
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Investment Maturities

The Endowment Fund had the following investments and weighted-average maturities as of August 31:

Investment Type	2025		2024	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. government obligations ⁽¹⁾	\$ 9,317,755	4.92	\$ 7,430,387	4.96
U.S. government agencies ⁽¹⁾	13,132,051	24.67	14,451,598	24.76
U.S. fixed income (nongovernment/ agency) ⁽¹⁾	12,290,610	12.39	21,920,162	9.75
Equity, mutual funds, other investments	<u>1,224,981,958</u>	Untenured	<u>1,117,093,401</u>	Untenured
Total investments at fair value	<u>\$ 1,259,722,374</u>		<u>\$ 1,160,895,548</u>	
Weighted average maturity of tenured portfolio		14.65		13.89

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

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 65% of the overall investment portfolio (portfolio) at the end of fiscal year 2025. Marketable alternative investments (*i.e.*, inflation hedges, commingled funds invested in marketable securities, absolute return, and hedged equity) represent 5% of the portfolio, and nonmarketable alternative investments (*i.e.*, venture capital, private equity, real estate, natural resources, energy) constitute 32% 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 nonmarketable 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.

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, 2025 and 2024, the System did not have a securities-lending agreement with its custodian.

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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 nonmarketable alternative investments are excluded from this limitation. At August 31, 2025 and 2024, the Endowment Fund's total investments at fair value under a master trust custodian agreement with a third-party financial institution were \$171,067,180 and \$201,403,099, respectively. The third-party custodian operates its business worldwide and, at August 31, 2025 and 2024, 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, 2025 and 2024, the Endowment Fund's investments at fair value not covered by the master trust custodian agreement were \$1,103,775,862 and \$960,099,509, 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 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.

University of Houston System Endowment Fund
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The credit quality (ratings) of tenured securities and concentration of credit exposure as a percentage of total investments are as follows as of August 31, 2025:

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
U S Treas-CPI Inflat	1.63%	04/15/2030	\$ 750,084	NA	0.06%
US Treasury Bond	2.38%	02/15/2042	126,656	NA	0.01%
U S Treasury Note	1.25%	12/31/2026	967,540	NA	0.08%
U S Treasury Note	2.63%	05/31/2027	810,340	NA	0.06%
U S Treasury Note	1.25%	04/30/2028	282,339	NA	0.02%
U S Treasury Note	2.38%	05/15/2029	1,842,283	NA	0.15%
U S Treasury Note	3.75%	06/30/2030	1,754,095	NA	0.14%
U S Treasury Note	3.50%	02/15/2033	2,422,550	NA	0.19%
U S Treasury Note	4.63%	02/15/2035	361,869	NA	0.03%
FHLMC Pool #G0-8667	3.50%	09/01/2045	74,553	NA	0.01%
FHLMC Pool #G0-8707	4.00%	05/01/2046	102,424	NA	0.01%
FHLMC Pool #G0-8732	3.00%	11/01/2046	278,164	NA	0.02%
FHLMC Pool #G6-7702	4.00%	01/01/2047	381,524	NA	0.03%
FHLMC Pool #RA-8249	5.50%	11/01/2052	969,926	NA	0.08%
FHLMC Pool #SB-8186	4.50%	09/01/2037	407,582	NA	0.03%
FHLMC Pool #SD-1392	3.50%	07/01/2052	597,564	NA	0.05%
FHLMC Pool #SD-1966	4.00%	11/01/2052	652,318	NA	0.05%
FHLMC Pool #SD-5420	6.00%	05/01/2054	262,990	NA	0.02%
FHLMC Pool #SD-7524	3.00%	08/01/2050	613,025	NA	0.05%
FHLMC Pool #SD-8349	5.50%	08/01/2053	1,128,101	NA	0.09%
FHLMC Pool #SD-8475	5.50%	10/01/2054	325,450	NA	0.03%
FHLMC Pool #SL-1202	5.50%	05/01/2055	419,367	NA	0.03%
FNMA Pool #0AE0949	4.00%	02/01/2041	36,162	NA	0.00%
FNMA Pool #0AH3384	3.50%	01/01/2041	202,833	NA	0.02%
FNMA Pool #0AL0160	4.50%	05/01/2041	47,722	NA	0.00%
FNMA Pool #0AL7521	5.00%	06/01/2039	144,876	NA	0.01%
FNMA Pool #0AL7767	4.50%	06/01/2044	80,943	NA	0.01%
FNMA Pool #0CB2283	2.00%	12/01/2051	535,026	NA	0.04%
FNMA Pool #0FM7973	4.00%	08/01/2051	501,618	NA	0.04%
FNMA Pool #0FS2535	2.50%	08/01/2052	344,350	NA	0.03%
FNMA Pool #0FS5635	4.00%	11/01/2052	861,762	NA	0.07%
FNMA Pool #0FS6523	5.50%	11/01/2038	297,113	NA	0.02%
FNMA Pool #0FS6838	5.50%	11/01/2053	419,887	NA	0.03%
FNMA Pool #0MA4562	2.00%	03/01/2052	280,697	NA	0.02%
FNMA Pool #0MA4656	4.50%	06/01/2052	248,140	NA	0.02%
FNMA Pool #0MA4785	5.00%	10/01/2052	482,073	NA	0.04%
FNMA Pool #0MA4807	5.50%	10/01/2052	507,064	NA	0.04%
FNMA Pool #0MA5443	5.00%	08/01/2054	840,619	NA	0.07%
GNMA II Pool #0MA8348	5.00%	10/20/2052	701,505	NA	0.06%
GNMA II Pool #0MA9018	6.00%	07/20/2053	386,672	NA	0.03%
AS Mileage Plan IP Ltd 144a	5.31%	10/20/2031	125,128	NA	0.01%
Baker Hughes Holdings LLC	3.34%	12/15/2027	172,232	A	0.01%
Bank of America Corp	4.47%	05/15/2061	335,560	AAA	0.03%
Bank of America Corp	3.42%	12/20/2028	614,069	A-	0.05%
Bank of New York Mellon Corp	1.92%	10/24/2031	264,837	A-	0.02%
Bank 2018-Bnk12 Bn12 As	5.61%	07/21/2039	232,578	A-	0.02%
Benchmark 2022-B33 Mort B33 A5	3.46%	03/15/2055	253,776	NA	0.02%
W R Berkley Corp	2.63%	12/15/2026	292,512	BBB-	0.02%
Blackstone Private Credit Fund	7.20%	12/12/2028	107,146	BBB-	0.01%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
CME Group Inc	5.70%	02/01/2030	\$ 233,188	BBB	0.02%
Cantor Fitzgerald LP 144a	5.64%	05/19/2029	207,972	A-	0.02%
Capital One Financial Corp	5.38%	04/01/2038	98,390	BBB-	0.01%
Charter Communications Operations	3.98%	03/20/2030	197,432	BBB+	0.02%
Citigroup Inc	4.40%	03/15/2030	227,234	AA-	0.02%
Comision Federal de Elect 144a	6.45%	01/24/2035	226,463	BBB	0.02%
Cousins Properties LP	5.88%	10/01/2034	206,734	BBB	0.02%
Eastman Chemical Co	5.00%	08/01/2029	203,700	BBB	0.02%
Eversource Energy	5.13%	05/15/2033	225,538	BBB	0.02%
F&G Annuities & Life Inc	6.50%	06/04/2029	208,376	BBB-	0.02%
Fifth Third Bancorp	4.77%	07/28/2030	126,479	BBB+	0.01%
Ford Credit Auto Owner 2 A 144a	4.37%	02/15/2038	377,261	AAA	0.03%
Ford Motor Credit Co LLC	6.13%	03/08/2034	245,815	BBB-	0.02%
Fortitude Group Holdings 144a	6.25%	04/01/2030	51,976	NA	0.00%
General Motors Financial Co Inc	3.10%	01/12/2032	266,715	BBB	0.02%
Gerda Trade Inc	5.75%	06/09/2035	117,128	BBB	0.01%
Goldman Sachs Group Inc	2.64%	02/24/2028	292,893	BBB+	0.02%
Goldman Sachs Group Inc	2.60%	02/07/2030	280,458	BBB+	0.02%
Home Partners Oo Amer 3 A 144a	2.20%	01/17/2041	307,961	NA	0.02%
Intel Corp	3.15%	05/11/2027	122,563	BBB	0.01%
JPMorgan Chase & Co	6.20%	04/14/2034	210,982	BBB	0.02%
Jefferies Financial Group Inc	5.14%	01/24/2031	618,138	A	0.05%
Kroger Co	5.00%	09/15/2034	124,658	BBB	0.01%
Leidos Inc	5.75%	03/15/2033	209,662	BBB	0.02%
Lincoln Financial Global 144a	5.30%	01/13/2030	207,220	A+	0.02%
Mars Inc 144a	5.20%	03/01/2035	151,337	A	0.01%
Micron Technology Inc	6.00%	05/07/2036	199,870	BBB	0.02%
Minera Mexico Sa de CV 144a	2.70%	04/15/2032	88,013	BBB-	0.01%
Morgan Stanley	5.63%	02/12/2032	203,460	BBB	0.02%
Morgan Stanley Bank of C29 A4	2.94%	01/21/2033	382,781	A-	0.03%
New York Life Global Fund 144a	3.33%	05/15/2049	643,819	NA	0.05%
Orbia Advance Corp SAB De 144a	4.76%	06/11/2027	75,154	AA+	0.01%
Charles Schwab Corp	6.80%	05/13/2030	204,098	NR	0.02%
South Bow USA Infrastructure Holdings	5.03%	10/01/2029	202,446	BBB-	0.02%
Synchrony Financial	5.94%	08/02/2030	258,850	BBB-	0.02%
Targa Resources Partners LP	6.88%	01/15/2029	305,841	BBB	0.02%
Textron Inc	5.50%	05/15/2035	152,712	BBB	0.01%
Triton Container Fin 1a A 144a	2.11%	09/20/2045	354,162	A	0.03%
United Airlines 2018-1 Class A	3.10%	01/07/2030	137,692	NA	0.01%
United Airlines 2016-1 Class A	3.50%	09/01/2031	86,497	NA	0.01%
Mexico Government International	6.25%	02/15/2037	213,202	BBB+	0.02%
Wells Fargo & Co	4.90%	01/24/2028	252,145	BBB+	0.02%
Wells Fargo & Co	5.39%	04/24/2034	385,762	BBB+	0.03%

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

Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
U S Treas-CPI Inflat	0.13%	04/15/2025	\$ 831,836	NA	0.07%
U S Treasury Note	1.25%	12/31/2026	1,739,134	NA	0.15%
U S Treasury Note	2.63%	05/31/2027	72,683	NA	0.01%
U S Treasury Note	1.25%	04/30/2028	315,461	NA	0.03%
U S Treasury Note	2.38%	05/15/2029	1,811,829	NA	0.16%
U S Treasury Note	4.13%	11/15/2032	387,186	NA	0.03%
U S Treasury Note	3.50%	02/15/2033	2,272,259	NA	0.20%
FHLMC Multiclass Mtg 5231 Va	4.00%	07/25/2033	293,301	NA	0.03%
FHLMC Pool #G0-1837	5.00%	07/01/2035	10,004	NA	0.00%
FHLMC Pool #G0-8588	4.00%	05/01/2044	25,895	NA	0.00%
FHLMC Pool #G0-8615	3.50%	11/01/2044	10,431	NA	0.00%
FHLMC Pool #G0-8667	3.50%	09/01/2045	82,685	NA	0.01%
FHLMC Pool #G0-8681	3.50%	12/01/2045	183,388	NA	0.02%
FHLMC Pool #G0-8687	3.50%	01/01/2046	267,365	NA	0.02%
FHLMC Pool #G0-8698	3.50%	03/01/2046	49,782	NA	0.00%
FHLMC Pool #G0-8699	4.00%	03/01/2046	84,473	NA	0.01%
FHLMC Pool #G0-8707	4.00%	05/01/2046	117,745	NA	0.01%
FHLMC Pool #G0-8732	3.00%	11/01/2046	308,121	NA	0.03%
FHLMC Pool #G0-8747	3.00%	02/01/2047	306,759	NA	0.03%
FHLMC Pool #G1-8561	3.00%	07/01/2030	3,573	NA	0.00%
FHLMC Pool #G6-0024	3.50%	05/01/2043	48,151	NA	0.00%
FHLMC Pool #G6-7702	4.00%	01/01/2047	434,885	NA	0.04%
FHLMC Pool #Ra-8249	5.50%	11/01/2052	1,068,689	NA	0.09%
FHLMC Pool #Sb-8186	4.50%	09/01/2037	488,870	NA	0.04%
FHLMC Pool #Sd-1392	3.50%	07/01/2052	687,681	NA	0.06%
FHLMC Pool #Sd-1966	4.00%	11/01/2052	729,602	NA	0.06%
FHLMC Pool #Sd-5420	6.00%	05/01/2054	302,452	NA	0.03%
FHLMC Pool #Sd-7524	3.00%	08/01/2050	696,382	NA	0.06%
FHLMC Pool #Sd-8289	5.50%	01/01/2053	290,513	NA	0.03%
FNMA Pool #0254903	5.00%	10/01/2033	40,965	NA	0.00%
FNMA Pool #0555330	5.50%	04/01/2033	21,796	NA	0.00%
FNMA Pool #0725231	5.00%	02/01/2034	6,824	NA	0.00%
FNMA Pool #0725690	6.00%	08/01/2034	12,715	NA	0.00%
FNMA Pool #0725704	6.00%	08/01/2034	13,927	NA	0.00%
FNMA Pool #0725773	5.50%	09/01/2034	44,928	NA	0.00%
FNMA Pool #0735925	5.00%	10/01/2035	52,667	NA	0.00%
FNMA Pool #0745428	5.50%	01/01/2036	30,212	NA	0.00%
FNMA Pool #0995112	5.50%	07/01/2036	12,282	NA	0.00%
FNMA Pool #0Ad0198	5.50%	09/01/2038	16,130	NA	0.00%
FNMA Pool #0Ad7128	4.50%	07/01/2040	41,312	NA	0.00%
FNMA Pool #0Ae0698	4.50%	12/01/2040	5,559	NA	0.00%
FNMA Pool #0Ae0949	4.00%	02/01/2041	40,944	NA	0.00%
FNMA Pool #0Ah3384	3.50%	01/01/2041	229,316	NA	0.02%
FNMA Pool #0AI0160	4.50%	05/01/2041	53,838	NA	0.00%
FNMA Pool #0AI1697	4.00%	10/01/2041	6,275	NA	0.00%
FNMA Pool #0AI3322	4.00%	02/01/2043	8,386	NA	0.00%
FNMA Pool #0AI3519	4.50%	11/01/2041	7,514	NA	0.00%
FNMA Pool #0AI3802	3.00%	02/01/2028	27,546	NA	0.00%

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FNMA Pool #0AI4911	3.00%	10/01/2027	\$ 11,456	NA	0.00%
FNMA Pool #0AI7306	4.50%	09/01/2042	29,378	NA	0.00%
FNMA Pool #0AI7521	5.00%	06/01/2039	175,185	NA	0.02%
FNMA Pool #0AI7767	4.50%	06/01/2044	91,229	NA	0.01%
FNMA Pool #0AI8383	4.50%	10/01/2045	15,166	NA	0.00%
FNMA Pool #0AI9578	4.00%	06/01/2045	12,023	NA	0.00%
FNMA Pool #0As5696	3.50%	08/01/2045	19,144	NA	0.00%
FNMA Pool #0Bm1909	4.00%	02/01/2045	172,261	NA	0.01%
FNMA Pool #0Cb2283	2.00%	12/01/2051	592,248	NA	0.05%
FNMA Pool #0Fm7973	4.00%	08/01/2051	555,171	NA	0.05%
FNMA Pool #0Fs2535	2.50%	08/01/2052	378,665	NA	0.03%
FNMA Pool #0Fs5635	4.00%	11/01/2052	674,929	NA	0.06%
FNMA Pool #0Fs6523	5.50%	11/01/2038	374,641	NA	0.03%
FNMA Pool #0Ma3088	4.00%	07/01/2047	41,133	NA	0.00%
FNMA Pool #0Ma4562	2.00%	03/01/2052	306,370	NA	0.03%
FNMA Pool #0Ma4656	4.50%	06/01/2052	274,003	NA	0.02%
FNMA Pool #0Ma4785	5.00%	10/01/2052	541,992	NA	0.05%
FNMA Pool #0Ma4807	5.50%	10/01/2052	561,359	NA	0.05%
GNMA li Pool #0005056	5.00%	05/20/2041	24,176	NA	0.00%
GNMA li Pool #0Ma3663	3.50%	05/20/2046	83,890	NA	0.01%
GNMA li Pool #0Ma8348	5.00%	10/20/2052	802,513	NA	0.07%
GNMA li Pool #0Ma8569	5.00%	01/20/2053	1,036,925	NA	0.09%
GNMA li Pool #0Ma9018	6.00%	07/20/2053	513,858	NA	0.04%
American Express Co	3.95%	08/01/2025	277,866	BBB+	0.02%
Baker Hughes Holdings LLC	3.34%	12/15/2027	169,743	A-	0.01%
Bank 2018-Bnk12 Bn12 As	4.47%	05/15/2061	324,867	AAA	0.03%
Bank of America Corp	3.42%	12/20/2028	602,619	A-	0.05%
Bank of America Corp	1.92%	10/24/2031	327,627	A-	0.03%
Bank of New York Mellon Corp	5.61%	07/21/2039	285,230	A-	0.02%
Blackstone Private Credit Fund	2.63%	12/15/2026	502,044	BBB-	0.04%
Boeing Co	3.25%	02/01/2035	161,480	BBB-	0.01%
California St	4.60%	04/01/2038	370,264	AA-	0.03%
Campbell Soup Co	5.40%	03/21/2034	139,458	BBB-	0.01%
Cantor Fitzgerald LP 144A	7.20%	12/12/2028	105,779	BBB-	0.01%
Capital One Financial Corp	5.70%	02/01/2030	231,541	BBB	0.02%
Carmax Auto Owner Trust 2 2 A3	3.49%	02/16/2027	305,582	AAA	0.03%
CBRE Services Inc	5.95%	08/15/2034	105,727	BBB+	0.01%
Charles Schwab Corp	5.64%	05/19/2029	387,983	A-	0.03%
Citigroup Inc	3.98%	03/20/2030	252,416	BBB+	0.02%
Citigroup Inc	3.79%	03/17/2033	180,086	BBB+	0.02%
Cousins Properties LP	5.88%	10/01/2034	367,256	BBB	0.03%
Eastman Chemical Co	5.00%	08/01/2029	304,395	BBB	0.03%
Eversource Energy	5.13%	05/15/2033	225,302	BBB+	0.02%
Exelon Corp	5.15%	03/15/2029	590,301	BBB	0.05%
F&G Annuities & Life Inc	6.50%	06/04/2029	204,012	BBB-	0.02%
Fifth Third Bancorp	4.77%	07/28/2030	124,261	BBB+	0.01%
GE Healthcare Technologies Inc	4.80%	08/14/2029	226,769	BBB	0.02%
General Motors Financial Co Inc	2.70%	08/20/2027	393,117	BBB	0.03%

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Issuer	Coupon Rate	Maturity Date	Fair Value	S&P Risk Rating	Concentration of Credit Exposure
Goldman Sachs Group Inc	2.64%	02/24/2028	\$ 286,269	BBB+	0.02%
Goldman Sachs Group Inc	2.60%	02/07/2030	313,091	BBB+	0.03%
Home Partners Of Amer 3 A 144A	2.20%	01/17/2041	315,179	NA	0.03%
Hyundai Auto Receivables B A4	0.60%	02/16/2027	414,188	AAA	0.04%
Intel Corp	3.15%	05/11/2027	335,346	BBB+	0.03%
J.P. Morgan Mortgag 4 A12 144A	3.00%	10/25/2052	405,941	NA	0.03%
JBS Usa Holding Lux Sarl	5.50%	01/15/2030	151,074	BBB-	0.01%
Jefferies Financial Group Inc	6.20%	04/14/2034	315,738	BBB	0.03%
Jones Lang Lasalle Inc	6.88%	12/01/2028	107,714	BBB+	0.01%
Jpmorgan Chase & Co	4.01%	04/23/2029	515,093	A-	0.04%
Jpmorgan Chase & Co	2.07%	06/01/2029	311,154	A-	0.03%
Kroger Co	5.00%	09/15/2034	124,685	BBB	0.01%
Kyndryl Holdings Inc	3.15%	10/15/2031	559,138	BBB-	0.05%
Marsh & McLennan Cos Inc	5.15%	03/15/2034	181,410	A-	0.02%
Mexico Government International	6.00%	05/07/2036	201,432	BBB	0.02%
Microchip Technology Inc	5.05%	03/15/2029	229,412	NA	0.02%
Morgan Stanley	2.94%	01/21/2033	373,953	A-	0.03%
Morgan Stanley Bank of C29 A4	3.33%	05/15/2049	629,896	NA	0.05%
Morgan Stanley Bank of C32 A4	3.72%	12/15/2049	874,710	NA	0.08%
Morgan Stanley Capital I L5 A4	2.73%	05/15/2054	794,205	AAA	0.07%
Nov Inc	3.60%	12/01/2029	573,867	BBB	0.05%
Paypal Holdings Inc	5.15%	06/01/2034	436,611	A-	0.04%
Polaris Inc	6.95%	03/15/2029	160,866	BBB	0.01%
Public Storage Operating Co	2.25%	11/09/2031	530,522	A	0.05%
Simon Property Group LP	2.20%	02/01/2031	376,962	A-	0.03%
South Bow USA Infrastruct 144A	5.03%	10/01/2029	199,568	BBB-	0.02%
Southern California Edison Co	4.20%	03/01/2029	74,007	A-	0.01%
State Street Corp	5.16%	05/18/2034	307,152	A	0.03%
Synchrony Financial	5.94%	08/02/2030	254,475	BBB-	0.02%
Tapestry Inc	7.85%	11/27/2033	80,297	BBB	0.01%
Targa Resources Partners LP	6.88%	01/15/2029	411,180	BBB	0.04%
T-Mobile Usa Inc	3.38%	04/15/2029	380,128	BBB	0.03%
Towd Point Mortgage 2 A1 144A	3.25%	03/25/2058	174,828	NA	0.02%
Toyota Auto Receivables 2 A A3	1.23%	06/15/2026	130,928	NA	0.01%
Triton Container Fin 1A A 144A	2.11%	09/20/2045	397,728	A	0.03%
United Airlines 2016-1 Class A	3.10%	01/07/2030	146,216	NA	0.01%
United Airlines 2018-1 Class A	3.50%	09/01/2031	88,000	NA	0.01%
Unitedhealth Group Inc	5.00%	04/15/2034	137,263	A+	0.01%
Viatis Inc	2.70%	06/22/2030	132,048	BBB-	0.01%
Vmware LLC	3.90%	08/21/2027	781,334	BBB	0.07%
W R Berkley Corp	6.25%	02/15/2037	214,694	BBB+	0.02%
Wells Fargo & Co	5.57%	07/25/2029	294,297	BBB+	0.03%
Wells Fargo & Co	5.39%	04/24/2034	383,666	BBB+	0.03%
Wells Fargo Bank NA	6.17%	08/07/2026	252,218	A+	0.02%
Wisconsin Power and Light Co	3.95%	09/01/2032	395,959	A	0.03%

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Alternative Investments

Investments reported at fair value of approximately \$411,995,160 and \$407,841,320 as of August 31, 2025 and 2024, 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:

Nonregulation 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, 2025, 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 nonpublicly 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.

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.

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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.

Note 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 date, 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.

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 were as follows as of August 31.

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August 31, 2025				
Investment Category	Level 1	Level 2	Level 3	Total
Equities	\$ 45,446	\$ -	\$ -	\$ 45,446
Externally managed domestic	55,252,786	-	-	55,252,786
Externally managed international	-	-	-	-
Fixed income – money market and bond mutual bonds	19,902,503	-	-	19,902,503
Corporate obligations	12,290,610	-	-	12,290,610
U.S. government agencies	13,132,051	-	-	13,132,051
U.S. government obligations	9,317,755	-	-	9,317,755
Totals	\$ 109,941,151	\$ -	\$ -	\$ 109,941,151

August 31, 2024				
Investment Category	Level 1	Level 2	Level 3	Total
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 bonds	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	\$ 259,173,444	\$ -	\$ -	\$ 259,173,444

Investments measured at NAV were as follows as of August 31:

August 31, 2025				
Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity funds	\$ 284,373,406	\$ -	As needed	30 60 days
Externally managed domestic	233,822,778	52,643,788	N/A	30–60 days
Externally managed international	243,983,548	55,615,915	N/A	30–60 days
International equities	322,904,863	-	As needed	5 days
Other commingled funds	2,702,339	-	As needed	3 days
Totals	\$ 1,087,786,934	\$ 108,259,703		

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August 31, 2024				
Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
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
Totals	<u>\$ 860,130,217</u>	<u>\$ 121,750,501</u>		

Equity Funds

This type includes investments in one fund at August 31, 2025 and 2024 that invests primarily in U.S. equities. Managers have the ability to shift investments from small-cap 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.

Externally Managed Domestic

This type includes investments in 47 and 52 funds at August 31, 2025 and 2024, 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 14% and 12% of this class is invested in natural resources, 20% and 2% in venture capital, 4% and 12% in real estate, 48% and 60% in private equity, and 13% and 13% in multi strategies at August 31, 2025 and 2024, 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.

Externally Managed International

This type includes investments in 43 and 44 funds at August 31, 2025 and 2024, 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 11% and 5% of the portfolio is invested in real estate, 56% and 46% in private equity, 27% and 16% in venture capital, 6% and 8% in the secondary market, 0% and 25% in public and private domestic and global equities, and 1% and 0% is invested in natural resources at August 31, 2025 and 2024, 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.

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

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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.

International Equities

This type includes investments in six and five funds at August 31, 2025 and 2024, 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.

Other Commingled Funds

This type includes investments in three funds at August 31, 2025 and 2024 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 83% 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.

Note 7. Receivable for Investments Purchased

The Endowment Fund purchases and sells investments throughout the year and will occasionally have a receivable or payable at year-end related to the timing of investment ownership or cash being transferred to or from the Endowment Fund. As of August 31, 2025, management had paid \$12,500,000 to purchase an investment, but this investment transaction had not settled. A receivable was booked to account for the investment not yet received.

Note 8. Deferred Revenue

The Endowment Fund receives contributions throughout the year and records revenues in accordance with the description noted in Note 1. In certain circumstances, a donor will make a financial contribution to the Endowment Fund prior to the final execution of the endowment agreement. The Endowment Fund still expects to receive these amounts in the future, but until the final endowment agreement is executed, the contribution is not recorded in revenue. The amount of deferred revenue recorded was \$7,650,000 and \$0 as of August 31, 2025 and 2024, respectively.

Note 9. Due to Other Components

Due to other components consists of the following at August 31:

	<u>2025</u>	<u>2024</u>
Payable to System components under the income payout policy	\$ 43,058,537	\$ 40,816,337
Payable to System components for institutional advancement	8,100,383	7,645,214
Payable to System for related-party loan	<u>10,000,000</u>	<u>-</u>
Total due to other components	<u>\$ 61,158,920</u>	<u>\$ 48,461,551</u>

Note 10. Related-Party Transactions

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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, 2025 and 2024. The total estimated value of these in-kind contributions received from the System was \$0 for fiscal years 2025 and 2024.

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. No interest or principal has been paid on this note as of August 31, 2025.

Note 11. 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, 2025 and 2024 were estimated to be \$8,515,453 and \$9,266,369, respectively, and were included in net appreciation of investments on the accompanying statements of revenues, expenses, and changes in net position.

Note 12. 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, 2025 and 2024. Accordingly, no provision for income taxes has been made in the accompanying financial statement.

Note 13. 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.

At a regular meeting held on August 21, 2025, the University of Houston Board of Regents voted to delegate authority to the Chancellor to negotiate and execute any documents and take any and all actions to effectuate the

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approved legislation to transition the University of Houston-Victoria to the Texas A&M University System beginning September 1, 2025 for Fiscal Year 2026.

In Fiscal Year 2026 a second loan to UHS Athletics Department to support operating expenses during the transition to the Big 12 conference will be provided, totaling \$8,865,859. This loan will also be repaid from self-generated revenues for ticket sales, conference distributions, media rights, advertising, and facility rental fees. The terms of the loan will be the same as the terms of the existing loan.