



*"To me the sole hope of human salvation lies in teaching."*

— George Bernard Shaw

TEACHER RETIREMENT INVESTMENT COMPANY of TEXAS LTD.

**TRICOT 2022**

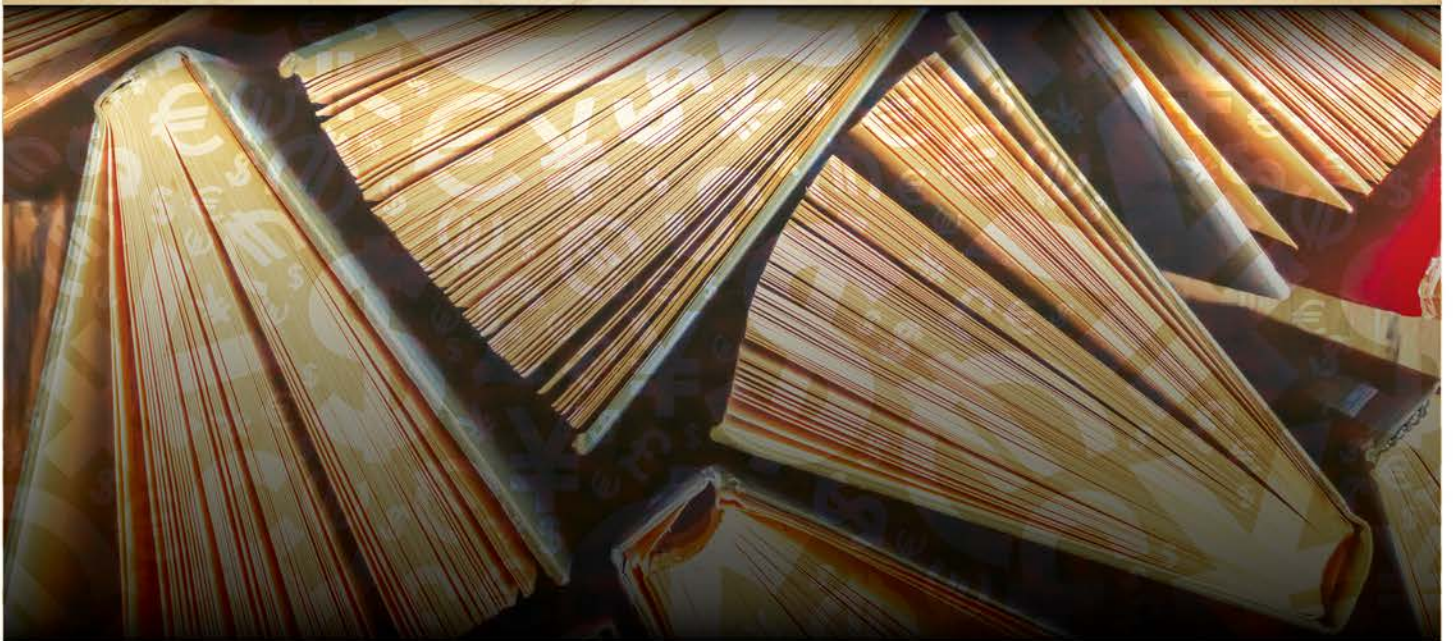
**ANNUAL FINANCIAL REPORT**



A Component Unit of the Teacher Retirement System of Texas  
Fiscal Year Ended August 31, 2022







**Teacher Retirement Investment Company of Texas Ltd.**

**Financial Statements**  
**For the Period Ended August 31, 2022**

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Crowe LLP  
Independent Member Crowe Global

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Teacher Retirement Investment Company of Texas, Ltd.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Teacher Retirement Investment Company of Texas, Ltd. ("TRICOT"), a blended component unit of the Teacher Retirement System of Texas, which is a component unit of the State of Texas, as of and for the year ended August 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TRICOT, as of August 31, 2022, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit 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 TRICOT, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only TRICOT and do not purport to, and do not, present fairly the financial position of the Teacher Retirement System of Texas or the State of Texas, as of August 31, 2022, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to the financial statements, during the year ended August 31, 2022, TRICOT adopted new accounting guidance, GASB Statement 87, *Leases*. The adoption resulted in recording a lease payable and right-of-use lease asset. The impact of adoption was a restatement of the net position as of September 1, 2021. 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.

***Auditor's Responsibility 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.

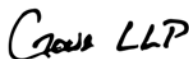
In performing an audit in accordance with GAAS, we

- 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 TRICOT'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.

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.

***Report on Partial Comparative Information***

We have previously audited TRICOT's 2021 financial statements, and we expressed an unmodified opinion on those respective financial statements in our report dated October 29, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it was derived.



Crowe LLP

Dallas, Texas  
November 18, 2022

## Management's Discussion and Analysis Unaudited

The following is Management's Discussion and Analysis (MD&A) of the Teacher Retirement Investment Company of Texas Ltd.'s (TRICOT) financial statements as of August 31, 2022 and for the year then ended. The information presented here should be considered in conjunction with other areas of the TRICOT Annual Financial Report.

### Financial Highlights

Teacher Retirement Investment Company of Texas Ltd., (TRICOT), a private limited company incorporated in the United Kingdom (UK) began operations in fiscal year 2016. TRICOT, as a separate legal entity, is a wholly owned subsidiary and blended component unit of the Teacher Retirement System of Texas (TRS) Pension Trust Fund.

- TRICOT's primary purpose is to increase the size and number of investment opportunities for the TRS portfolio, especially in private equity, real estate, and energy, natural resources, and infrastructure investments.
- TRICOT helps support the sourcing and portfolio management of TRS' total assets under management of more than \$31 billion in Europe.
- Since inception, the TRICOT team has identified 438 potential deals totaling \$34 billion in equity, with 25 opportunities being identified for 2022 (as of Q1). TRICOT deal flow has surpassed pre-COVID levels. TRICOT approved 42 deals in 2021, representing \$679 million in capital across Private Markets.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to TRICOT's financial presentation, which consists of fund financial statements, notes to the financial statements, and required supplementary information.

Collectively, this information presents the net position restricted for fiduciary activities as of August 31, 2022 and summarizes any changes in net position for the year then ended. The information available in each of these sections is summarized as follows:

### Fund Financial Statements

Fiduciary fund financial statements are presented as of August 31, 2022. These financial statements reflect the resources available to pay administrative expenses related to TRICOT's mission.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the TRICOT financial statements. Information available in the notes to the financial statements is described below:

- Note 1 provides a general description of TRICOT and a summary of significant accounting policies, including the basis of accounting, budgets and appropriations, and explanations of major asset and liability classes.
- Note 2 provides information on assets.
- Note 3 describes cash, deposits and deposit risk factors.
- Note 4 provides information on leases.
- Note 5 presents tax disclosure information.
- Note 6 presents restatement information.

### Required Supplementary Information

Required supplementary information for TRICOT consists of Management's Discussion and Analysis.

## Financial Analysis of TRICOT

Net position restricted for fiduciary activities at August 31, 2022 was at \$467,740.

Additions from amounts paid on behalf of TRICOT and transfers in from Teacher Retirement System of Texas (TRS) totaled \$3,548,089.

Deductions from TRICOT's net position restricted for fiduciary activities are predominantly administrative expenses. During fiscal year 2022, administrative expenses and transfers out totaled \$3,736,499.

A condensed summary of TRICOT's financial statements are presented as of August 31, 2022 and for the year then ended. Comparative data in total as of August 31, 2021, and for the year then ended has also been presented.

Fiscal year 2022 Capital Assets and Right to Use Assets decreased due to depreciation and amortization, respectively. Amounts Paid on Behalf of TRICOT decreased while Transfers In from TRS - Cash increased due to tax and financial services being paid directly by TRICOT. Transfers in from TRS Expenditures increased as a result of adding seconded employees and related expenditures associated with those additions.

### Statement of Fiduciary Net Position

As of August 31

	2022	2021	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$ 325,585	\$ 375,884	\$ (50,299)	(13.4)%
Prepays and Other	280,962	332,012	(51,050)	(15.4)
Capital Assets	14,460	21,690	(7,230)	(33.3)
Right to Use Assets	1,407,847	—	1,407,847	—
<b>Total Assets</b>	<b>\$ 2,028,854</b>	<b>\$ 729,586</b>	<b>\$ 1,299,268</b>	<b>178.1 %</b>
<b>Liabilities</b>				
Right to Use Lease Obligations	\$ 1,303,514	\$ —	\$ 1,303,514	— %
Accounts Payable and Other	257,600	187,948	69,652	37.1
<b>Total Liabilities</b>	<b>\$ 1,561,114</b>	<b>\$ 187,948</b>	<b>\$ 1,373,166</b>	<b>730.6 %</b>
<b>Total Fiduciary Net Position</b>	<b>\$ 467,740</b>	<b>\$ 541,638</b>	<b>\$ (73,898)</b>	<b>(13.6)%</b>

### Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended August 31

	2022	2021	Dollar Change	Percentage Change
<b>Additions</b>				
Amount Paid on Behalf of TRICOT	\$ 27,626	\$ 250,825	\$ (223,199)	(89.0)%
Transfers In from TRS - Cash	1,222,215	875,981	346,234	39.5
Transfers In from TRS - Expenditures	2,298,248	1,521,500	776,748	51.1
<b>Total Additions</b>	<b>\$ 3,548,089</b>	<b>\$ 2,648,306</b>	<b>\$ 899,783</b>	<b>34.0 %</b>
<b>Deductions</b>				
Administrative Expenses	\$ 3,736,499	\$ 2,657,838	\$ 1,078,661	40.6 %
<b>Total Deductions</b>	<b>\$ 3,736,499</b>	<b>\$ 2,657,838</b>	<b>\$ 1,078,661</b>	<b>40.6 %</b>
<b>Change in Fiduciary Net Position</b>	<b>\$ (188,410)</b>	<b>\$ (9,532)</b>	<b>\$ (178,878)</b>	<b>1,876.6 %</b>

### **Request for Information**

This financial report is designed to provide a general overview of the Teacher Retirement Investment Company of Texas Ltd. for those with an interest in TRICOT's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Communications Department of the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701.



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**Teacher Retirement Investment Company of Texas Ltd.****Statement of Fiduciary Net Position**

As of August 31, 2022 (With Comparative Data as of August 31, 2021)

	2022	2021
<b>Assets</b>		
<b>Cash (Note 3)</b>		
Cash in Bank	\$ 307,849	\$ 341,387
<b>Total Cash</b>	<b>\$ 307,849</b>	<b>\$ 341,387</b>
<b>Receivables and Other Assets (Note 1E)</b>		
VAT (Value Added Tax) Receivable	\$ 17,736	\$ 34,497
Prepaid Expenses	182,156	219,748
Deposits and Other Assets	98,806	112,264
<b>Total Receivables and Other Assets</b>	<b>\$ 298,698</b>	<b>\$ 366,509</b>
<b>Capital Assets (Note 2)</b>		
Depreciable Assets	\$ 48,140	\$ 48,140
Less Accumulated Depreciation	(33,680)	(26,450)
<b>Total Capital Assets</b>	<b>\$ 14,460</b>	<b>\$ 21,690</b>
<b>Right to Use Assets (Note 2)</b>		
Right to Use Assets	1,987,740	—
Less Accumulated Amortization	(579,893)	—
<b>Total Right to Use Assets</b>	<b>\$ 1,407,847</b>	<b>\$ —</b>
<b>Total Assets</b>	<b>\$ 2,028,854</b>	<b>\$ 729,586</b>
<b>Liabilities (Note 1E)</b>		
Accounts Payable and Other	\$ 115,100	\$ 67,606
Right to Use Lease Obligations (Note 4)	1,303,514	—
Payroll Taxes Payable	99,349	77,705
Corporate Taxes Payable	43,151	42,637
<b>Total Liabilities</b>	<b>\$ 1,561,114</b>	<b>\$ 187,948</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 14,460	\$ 21,690
Restricted for Fiduciary Activities	453,280	519,948
<b>Net Position Restricted for Fiduciary Activities</b>	<b>\$ 467,740</b>	<b>\$ 541,638</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**Teacher Retirement Investment Company of Texas Ltd.****Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended August 31, 2022 (With Comparative Data for August 31, 2021)

	2022	2021
<b>Additions</b>		
Amounts Paid on Behalf of TRICOT	\$ 27,626	\$ 250,825
Transfers In from Teacher Retirement System of Texas:		
of Cash	1,222,215	875,981
of Expense	2,298,248	1,521,500
<b>Total Additions</b>	<b>\$ 3,548,089</b>	<b>\$ 2,648,306</b>
<b>Deductions</b>		
Administrative Expenses		
Salaries and Wages	2,180,352	1,308,908
Payroll Related Costs	193,673	117,150
Professional Fees and Services	226,685	256,423
Materials and Supplies	13,332	9,924
Communications and Utilities	73,582	51,867
Repairs and Maintenance	22,683	20,095
Travel	51,522	54,973
Rentals and Leases	81,182	374,592
Property Tax Expense	93,372	87,166
Payroll Tax Expense	209,567	147,100
Corporate Tax Expense	41,684	56,533
Foreign Transaction (Gain)/Loss/Fees	24,826	(4,618)
Depreciation Expense	7,230	7,230
Amortization Expense	341,335	—
Other Expenses	160,741	143,926
Transfers Out To Teacher Retirement System of Texas	14,733	26,569
<b>Total Deductions</b>	<b>\$ 3,736,499</b>	<b>\$ 2,657,838</b>
<b>Net Change in Net Position</b>	<b>\$ (188,410)</b>	<b>\$ (9,532)</b>
Net Position Restricted for Fiduciary Activities - Beginning of Year	\$ 541,638	\$ 551,170
Prior Period Adjustments (Note 6)	114,512	—
Net Position Restricted for Fiduciary Activities - Beginning of Year, As Restated	656,150	551,170
<b>Net Position Restricted for Fiduciary Activities - End of Year</b>	<b>\$ 467,740</b>	<b>\$ 541,638</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

The accompanying financial statements reflect the financial position of the Teacher Retirement Investment Company of Texas Ltd., (TRICOT), a private limited company incorporated in the United Kingdom (UK). TRICOT, as a separate legal entity, is a wholly owned subsidiary and blended component unit of the Teacher Retirement System of Texas (TRS) Pension Trust Fund. The primary purpose of TRICOT is to increase the size and number of investment opportunities for the TRS portfolio, especially in private equity funds, real assets funds, and co-investments for either of those investment types. TRICOT's Board of Directors is comprised of one Managing Director. The Managing Director position is appointed by the Executive Director of TRS.

TRICOT provides investment advisory services exclusively to TRS pursuant to an intercompany agreement. TRICOT does not make investment decisions or enter into investment contracts and has no authority to legally bind TRS. All investment opportunities are referred to TRS for consideration, due diligence, decision-making, and authorization.

### **B. Measurement Focus, Basis of Presentation and Basis of Accounting**

The financial statements present only the financial position and changes in financial position of TRICOT and include all activities for which TRICOT exercises fiscal control and responsibility. These statements are not intended to, and do not, present fairly the financial position or changes in financial position of TRS. The reporting period is for the fiscal year ended August 31, 2022.

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with TRICOT's financial statements for the year ended August 31, 2021, from which the partial information was derived.

As a blended component unit of the TRS Pension Trust Fund, TRICOT reports its accounts in the same manner, which is as a fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity on behalf of others. TRICOT operations are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, additions and deductions. The fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. All economic resources, including financial, capital assets, and related liabilities, both current and long-term, and changes therein are reported in the fund financial statements.

TRICOT became an employer under UK law this year and must now contribute to UK's National Insurance and State Pension system for its two UK direct-hire employees. TRS employees who are seconded from the Austin, Texas headquarters to TRICOT remain employees and members of TRS for all purposes, including health insurance, pension contributions, benefits, and Social Security and Medicare taxes. The salary and benefit costs to TRS for seconded employees are allocated and transferred to TRICOT for transfer pricing and UK corporate income tax reporting purposes. Additionally, TRS employees provide legal, accounting and administrative services for TRICOT. When non-seconded TRS employees perform work on behalf of TRICOT, the proportionate cost of that labor is allocated to TRICOT. Allocation of the pension liabilities and expense for non-seconded TRS employees is not necessary nor required. TRS' risk management programs apply to TRICOT.

TRICOT's accounting records are maintained in United States (US) dollars. Purchases and receipts made in Great Britain Pounds (GBP) are translated into US dollars at the exchange rate on the dates of the transactions.

### **C. New Accounting Pronouncements**

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB issued the following statements that relate to TRICOT.



*GASB Statement No. 87, Leases*, issued June 2017 and first implemented this year, "increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources...[now] a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources."

*GASB Statement No. 99, Omnibus 2022*, issued April 2022, was issued "to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees."

#### **D. Budgets and Appropriations**

The administrative costs and capital asset outlay for TRICOT are controlled by annual budgets approved by TRS' Board of Trustees and the Managing Director of TRICOT.

#### **E. Assets and Liabilities**

##### **Receivables**

Receivables represent the amount of money owed to TRICOT for goods or services delivered or used for which payments have not been received at fiscal year-end.

- Value Added Tax (VAT) receivables represent amounts owed at fiscal year-end to TRICOT by the United Kingdom for the refund of value added taxes that will not be received until the next fiscal year.
- Corporate Taxes receivable (if applicable) represents a tax deferral based upon timing differences.

##### **Prepaid and Other Assets**

Prepaid expenses reflect payment for expenses related to rental, lease, property use tax, and research costs applicable to a future accounting period. Other Assets are deposits made to retain services and rental properties.

##### **Assets**

Capital assets and Right to Use assets associated with the entity's activities are included in the Statement of Fiduciary Net Position.

Purchases of capital assets are reported at cost on the acquisition date. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is calculated using the straight-line method over the asset's useful life.

Right to Use assets are initially reported at present value of the lease payments. Amortization of these assets is charged as an expense against operations. Amortization is calculated using the straight-line method over the lease contract period.

##### **Liabilities**

Liabilities represent the amount of money owed by TRICOT for goods or services received at fiscal year-end for which payment has not been made as of the balance sheet date.

- Accounts Payable represents the liability for assets or services received at fiscal year-end for which payment has not been made.
- Corporate, Payroll, and Property Taxes Payable represents amounts owed by TRICOT at fiscal year-end but not paid to the United Kingdom until the next fiscal year.
- Right to Use Lease Obligations represent the present value of lease payments due for Right to Use assets.

##### **Related Party Transactions**

As a blended component unit of TRS, TRICOT relies upon TRS for financial resources. Those resources are recognized through three basic types of revenue.

Amounts paid on behalf of TRICOT represent amounts paid by TRS on behalf of TRICOT and recognized as revenue in accordance with GASB 24 *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The associated expenses are also recorded on an accrual basis at the same time in order to present the full costs of operations.

Transfers in of cash from TRS represent cash contributions for operational expenses, net of any reimbursements from TRICOT back to TRS.

- The cash transfers are deposited to TRICOT's bank account to provide operating funds to TRICOT. For fiscal year 2022, TRS contributed \$1,222,215 in cash.
- Transfers in of expense from TRS represent monies paid directly by TRS then allocated to TRICOT for reporting purposes. For fiscal year 2022, TRS contributed \$2,298,248 in transferred expenses.

## Note 2: Assets

Capital assets are presented at historical cost or, if not purchased, at acquisition value at the date of acquisition. To the extent assets are purchased or leased by TRICOT for use in operations, appropriate straight-line depreciation and amortization have been charged over the shorter of the estimated useful lives of the assets or the lease period. Capitalization thresholds for applicable capital asset classes and useful lives for exhaustible assets are shown below:

**Table 2.1: Capitalization of Assets**

Asset Class	Capitalization Threshold	Depreciable Life
Furniture and Equipment	\$ 5,000	5 years
Intangible Right to Use (IRTU) Buildings	100,000	1 - 9 years

The tables below present the composition of TRICOT's assets.

**Table 2.2: Capital Asset Activity**

Asset Class	Balance 9/1/2021	Additions	Deletions	Balance 8/31/2022 (Exhibit I)
<b>Depreciable Assets</b>				
Furniture and Equipment	\$ 48,140	\$ —	\$ —	\$ 48,140
<b>Less Accumulated Depreciation</b>				
Furniture and Equipment	(26,450)	(7,230)	—	(33,680)
<b>Total Net Capital Assets</b>	<b>\$ 21,690</b>	<b>\$ (7,230)</b>	<b>\$ —</b>	<b>\$ 14,460</b>

**Table 2.3: Intangible Right to Use (IRTU) Asset Activity**

Asset Class	Balance 9/1/2021	Adjustments	Additions	Deletions	Balance 8/31/2022 (Exhibit I)
<b>Amortizable Assets - Intangible Right to Use Assets</b>					
Buildings and Building Improvements	\$ —	\$ 1,987,740	\$ —	\$ —	\$ 1,987,740
<b>Less Accumulated Amortization</b>					
Buildings and Building Improvements	—	(238,558)	(341,335)	—	(579,893)
<b>Total Net Amortizable Assets</b>	<b>\$ —</b>	<b>\$ 1,749,182</b>	<b>\$ (341,335)</b>	<b>\$ —</b>	<b>\$ 1,407,847</b>

## Note 3: Deposits

### A. Cash and Deposits

Cash and deposits of TRICOT are maintained in demand deposit accounts with J.P. Morgan Chase Bank, N.A. in the United States (US) and the United Kingdom (UK). As of August 31, 2022, the balance in these accounts totaled \$307,849 and the carrying amount totaled \$307,849.

### B. Deposit Risk Factors

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the system will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TRICOT does not have a formal deposit policy for custodial credit risk.

Deposits in US bank accounts are covered by the Federal Deposit Insurance Corporation (FDIC) which insures bank balances less than \$250,000. Deposits in UK bank accounts are covered by the Financial Services Compensation Scheme (FSCS) which insures bank balances less than £75,000. Deposits more than these insured amounts are uninsured and uncollateralized. As of August 31, 2022, deposits in TRICOT's US bank account were exposed to custodial credit risk. As of August 31, 2022, deposits in TRICOT's UK bank accounts were not exposed to custodial credit risk.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. TRICOT does not have a formal deposit policy for foreign currency risk. As of August 31, 2022, TRICOT held £11,487.

## Note 4: Leases

During fiscal year 2020, TRICOT negotiated a non-cancelable lease agreement for office building space until September 5, 2029. This lease has a break out clause beginning fiscal year 2025.

In fiscal year 2022, TRICOT maintained four lease agreements for apartments for the TRS seconded employees. The leases expire June 6, 2022, December 31, 2022, and July 31, 2023. One lease expired and was not renewed.

The future minimum lease payments for the next seven years are listed in the following table.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Future Min Lease Payments</b>
2023	\$ 184,619	\$ 15,640	\$ 200,259
2024	180,593	13,389	193,982
2025	182,934	11,048	193,982
2026	185,268	8,714	193,982
2027	187,632	6,350	193,982
2028-2029	382,468	5,496	387,964
<b>Total</b>	<b>\$ 1,303,514</b>	<b>\$ 60,637</b>	<b>\$ 1,364,151</b>

## Note 5: Tax Disclosure

### A. Tax on Ordinary Activities

For the period ended August 31, 2022, TRICOT had tax on profit on ordinary activities. The current income tax charge is presented below:

Table 5.A: Tax on Ordinary Activities	
	Amount
<b>Current Tax</b>	
UK Corporation Tax	\$ 47,153
<b>Total Current Tax</b>	<b>\$ 47,153</b>
<b>Deferred Tax</b>	
Origination and reversal of timing differences	\$ (1,020)
Effect of changes in tax rate	212
<b>Total Deferred Tax</b>	<b>\$ (808)</b>
<b>Tax on Profit on Ordinary Activities</b>	<b>\$ 46,345</b>

### B. Factors Affecting the 2022 Total Tax Charge

The tax assessed on profit/loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2021 19.00%). The differences are reconciled below:

Table 5.B: Factors Affecting the Total Tax Charge	
	Amount
Profit on ordinary activities before taxation	\$ 242,805
Profit on ordinary activities at standard united kingdom corporation tax rate	\$ 46,133
<b>Effects of:</b>	
Effect of expenses not deductible	
Effect of tax rate changes	212
<b>Total Tax Expense</b>	<b>\$ 46,345</b>

### C. Factors That May Affect Future Tax Charges

The UK Government announced on March 3, 2021 that the UK corporation tax rate would increase from 19% to 25% from April 1, 2023. This change in tax rate was substantively enacted on May 24, 2021. Accordingly, these rates have been considered when calculating the closing deferred tax balances at the balance sheet date. The deferred tax liability has been calculated based on a closing tax rate of 22.10%, which is a hybrid rate determined in accordance with the expected unwinding of the fixed asset temporary differences in future periods.

### D. 2022 Deferred Tax (Assets)/Liabilities

Table 5.D: Deferred Tax	
	Amount
Deferred tax liability at September 1, 2021	\$ 2,321
Deferred tax credit / (change) to Income Statement	(808)
<b>Deferred tax liability at August 31, 2022</b>	<b>\$ 1,513</b>
<b>Made up of:</b>	
Depreciation in excess of capital allowances	\$ 1,513



### E. Other Tax Expense

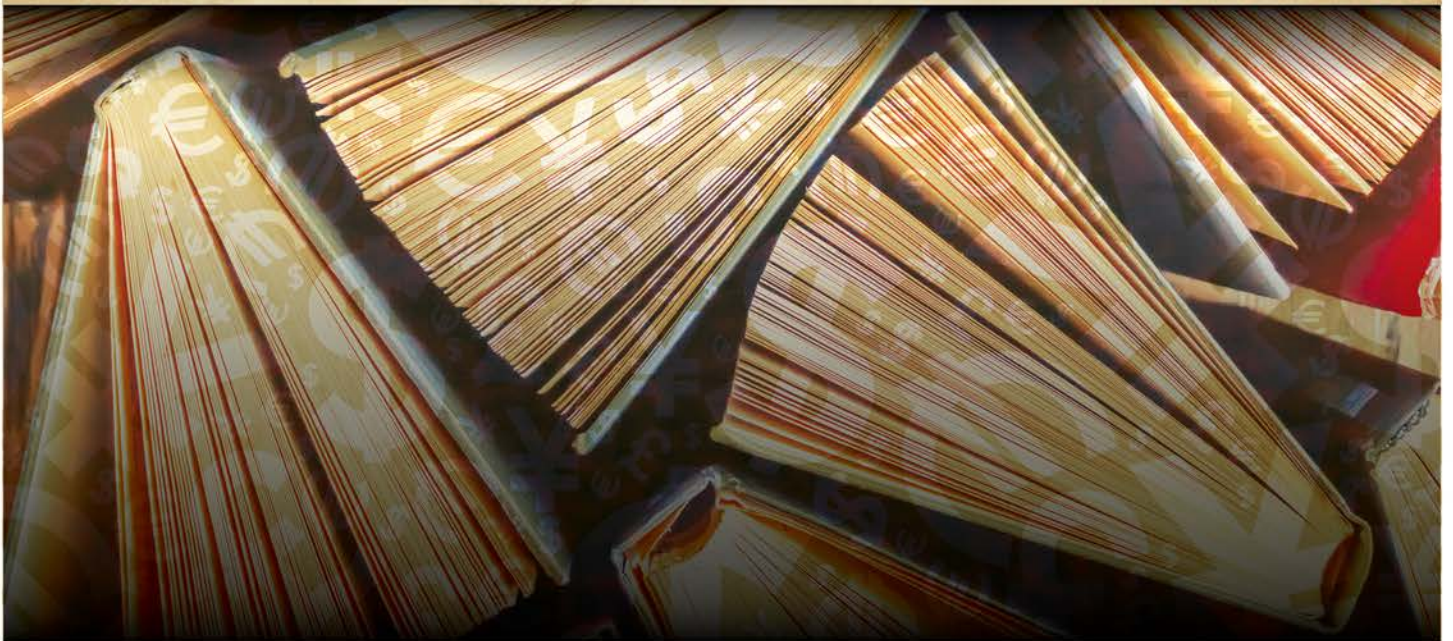
Tax expense also includes amounts paid to Her Majesty's Revenue and Customs office by TRS for seconded employees working in the UK. These costs were allocated to TRICOT per the intercompany agreement. Refer to Note 1.B for more information on seconded employees.

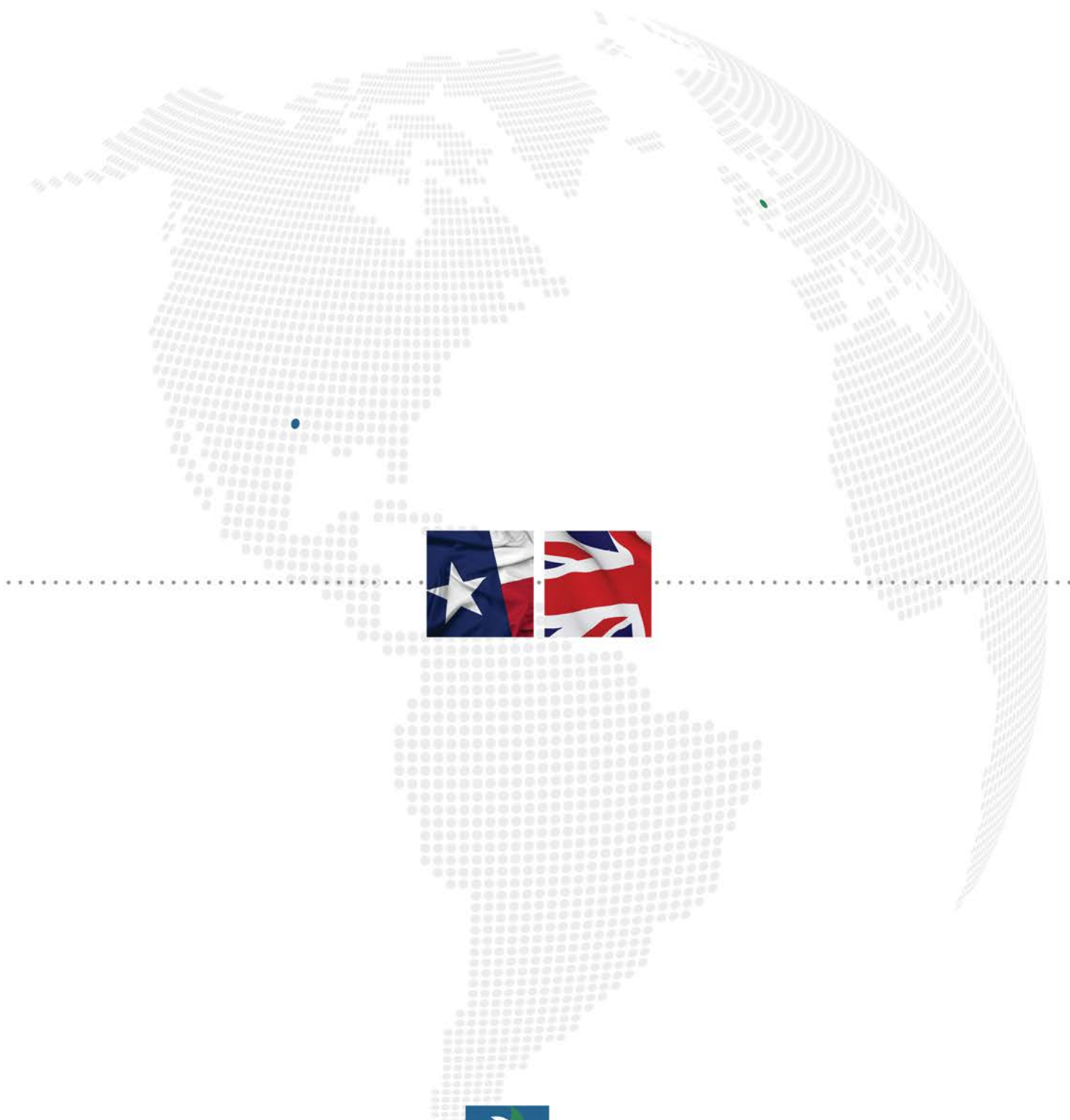
### Note 6: Adjustments to Fund Balances and Net Position

During fiscal year 2022, accounting changes and adjustments were made that required a restatement of beginning net position. The restatement of \$114,512 is due to the implementation of GASB 87 Leases. Pursuant to the requirements in GASB 87, a restatement was reported to properly report right to use assets and obligations related to leases that had not previously been required. The beginning balance and related restatement for 2022 is presented in the table below.

Table 6.1: TRICOT Net Position Restated	
	2022
Beginning Net Position as Previously Reported	\$ 541,638
Prior Period Adjustment	114,512
<b>Beginning Net Position, As Restated</b>	<b>\$ 656,150</b>

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**Teacher Retirement System of Texas**

1000 Red River St. • Austin, Texas 78701-2698 • 1-800-223-8778 • [www.trs.texas.gov](http://www.trs.texas.gov)