

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Independent Auditor's Report and Financial Statements
August 31, 2019 and 2018



HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Basic Financial Statements	17
Required Supplementary Information	
Schedule of Houston Public Media's Proportionate Share of the Net Pension Liability	42
Schedule of Houston Public Media's Contributions for Net Pension Liability	43
Schedule of Houston Public Media's Proportionate Share of the Net OPEB Liability	44
Schedule of Houston Public Media's Contributions for Other Postemployment Benefits	46
Supplementary Information	
Schedule 1 – Primary Institution Schedule of Functional Expenses – 2019	47
Schedule 2 – Component Unit (HPMF) Schedule of Functional Expenses – 2019	48
Schedule 3 – Primary Institution Schedule of Functional Expenses – 2018	49
Schedule 4 – Component Unit (HPMF) Schedule of Functional Expenses – 2018	50
Schedule 5 – Combining Schedule of Revenues and Expenses by Station – 2019	51

Independent Auditor's Report

Board of Regents
University of Houston System
Houston, Texas

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Houston Public Media (the Stations), a division of the University of Houston System (the UH System), as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Stations' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Stations as of August 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the financial statements of the Stations, and do not purport to, and do not, present fairly the financial position of the UH System as of August 31, 2019 and 2018, the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 3 to the financial statements, the business-type activities of the Stations' 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stations' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Houston, Texas
March 10, 2020

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Management's Discussion and Analysis

Years Ended August 31, 2019 and 2018

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of Houston Public Media (the Stations), a division of the University of Houston (UH) System (the UH System), as of and for the years ended August 31, 2019 and 2018. This MD&A offers a summary of significant current year activities of the Stations, resulting changes in net position and currently known economic conditions and facts. This analysis should be read in conjunction with the Stations' financial statements and the notes to the financial statements. Responsibility of the financial statements, related note disclosures and MD&A rests with the Stations' management.

The Stations, licensed to the Board of Regents of the UH System, are located at the UH System's Central campus and are a division of UH. Houston Public Media Foundation (HPMF) is a legally separate and tax-exempt entity meeting all of the following criteria to be discretely presented as a component unit. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Overview of the Financial Statements

The Stations herewith present their financial statements for fiscal years ended August 31, 2019 and 2018. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes accounting principles generally accepted in the United States of America for state and local governments. The three primary financial statements presented are the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. The information contained in the financial statements of the Stations is incorporated within the UH System's Annual Financial Report.

Financial Statements

The financial statements consist of the following:

The *statement of net position* reflects the Stations' assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 and deferred outflows of resources minus liabilities and deferred inflows of resources. Unrestricted net position is available to the Stations for any lawful purpose. Unrestricted net position often has constraints imposed by management, which can be removed or modified. Net investment in capital assets represents the original acquisition value of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Restricted net position represents net position that can be utilized only in accordance with third-party imposed restrictions.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Management's Discussion and Analysis

Years Ended August 31, 2019 and 2018

The *statement of revenues, expenses and changes in net position* identifies operating revenues received by the Stations. Additionally, the operating expenses incurred by the Stations during the fiscal year are displayed. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

The *statement of cash flows* reflects the inflows and outflows of cash and cash equivalents and shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the statement of net position described above. In addition, this statement reconciles cash flows from operating activities to operating income (loss) on the statement of revenues, expenses and changes in net position described above.

This MD&A uses the prior fiscal year as a reference point in illustrating issues and trends for determining whether the Stations' financial health may have improved or deteriorated.

Condensed Financial Information

Summary of Net Position

	<u>2019</u>	<u>2018</u> (restated)	<u>2017</u> (restated)
Assets:			
Current assets	\$ 607,299	58,137	1,289,039
Capital assets, net	3,970,165	4,925,615	5,192,606
Other noncurrent assets	<u>1,659,073</u>	<u>1,669,811</u>	<u>1,545,593</u>
Total assets	6,236,537	6,653,563	8,027,238
Deferred outflows of resources – pension	5,003,842	581,094	769,441
Deferred outflows of resources – OPEB	<u>6,761,092</u>	<u>21,342</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 18,001,471</u>	<u>7,255,999</u>	<u>8,796,679</u>
Liabilities:			
Current liabilities	\$ 1,164,325	5,228,599	9,374,357
Noncurrent liabilities	<u>15,592,166</u>	<u>4,948,284</u>	<u>3,881,471</u>
Total liabilities	16,756,491	10,176,883	13,255,828
Deferred inflows of resources – pension	715,205	950,811	443,210
Deferred inflows of resources – OPEB	<u>2,900,922</u>	<u>452,518</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,372,618</u>	<u>11,580,212</u>	<u>13,699,038</u>
Net position (deficit):			
Net investment in capital assets	\$ 3,954,024	4,829,089	5,017,529
Restricted for endowment funds	1,659,073	1,669,811	1,545,593
Unrestricted deficit	<u>(7,984,244)</u>	<u>(10,823,113)</u>	<u>(11,465,481)</u>
Total net position (deficit)	<u>\$ (2,371,147)</u>	<u>(4,324,213)</u>	<u>(4,902,359)</u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Management's Discussion and Analysis

Years Ended August 31, 2019 and 2018

Summary of Revenues, Expenses and Changes in Net Position

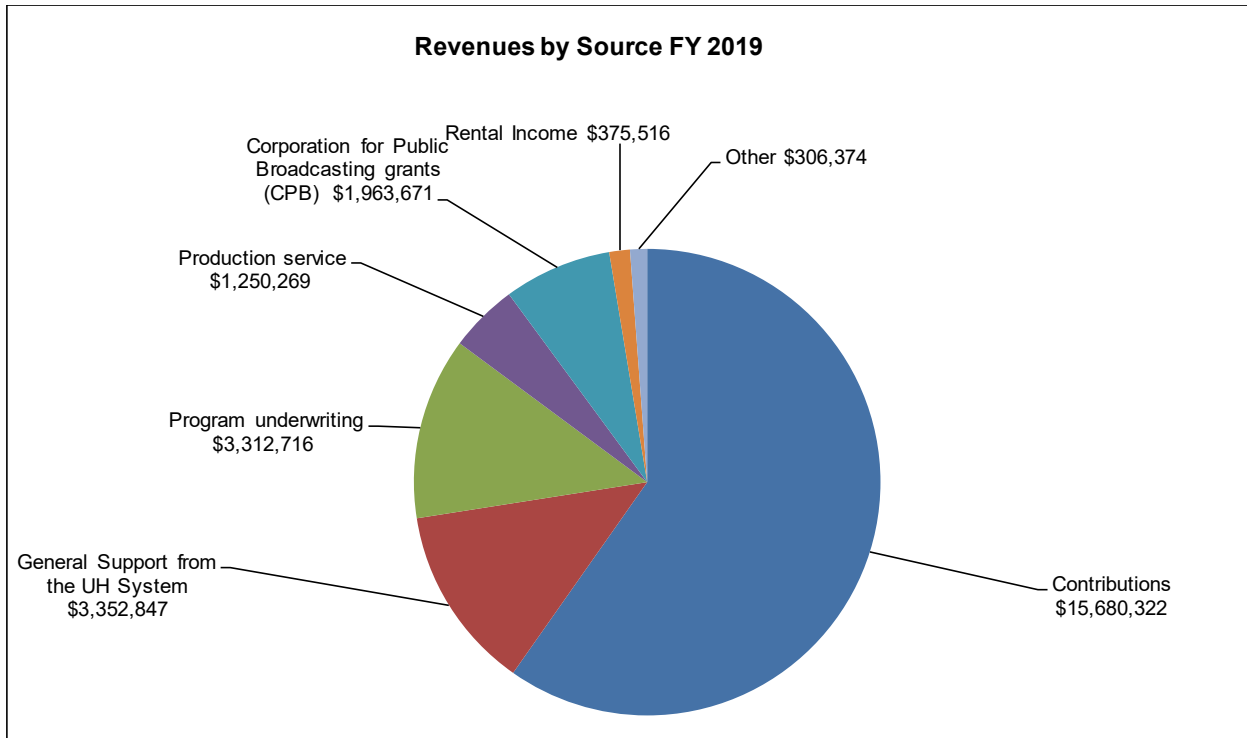
	<u>2019</u>	<u>2018</u> (restated)	<u>2017</u> (restated)
Operating revenues	\$ 26,241,679	24,063,699	22,849,266
Operating expenses	<u>24,370,661</u>	<u>21,334,736</u>	<u>22,453,181</u>
Operating income (loss)	1,871,018	2,728,963	396,085
Nonoperating income (loss):			
Endowment contributions (distributions)	(57,499)	1,205	(56,066)
Gain (loss) from endowment	46,761	123,013	161,864
Other nonoperating income	<u>92,786</u>	<u>113,970</u>	<u>424,647</u>
Change in net position	<u>1,953,066</u>	<u>2,967,151</u>	<u>926,530</u>
Net position (deficit), beginning of year, as previously reported	(4,324,213)	(8,690,910)	(5,828,889)
Adjustment applicable to prior years	<u>-</u>	<u>1,399,546</u>	<u>-</u>
Net position (deficit), beginning of year, as restated	<u>(4,324,213)</u>	<u>(7,291,364)</u>	<u>(5,828,889)</u>
Net position (deficit), end of year	<u>\$ (2,371,147)</u>	<u>(4,324,213)</u>	<u>(4,902,359)</u>

Operating revenues include sources that are primarily used to provide services to the Stations' viewers and listeners. The following schedule presents a summary and comparison of revenues for the fiscal years ended August 31, 2019, 2018 and 2017:

Revenues by Source	<u>FY19</u>		<u>FY18</u>		<u>FY17</u>		<u>2019-2018</u> Increase (Decrease)		<u>2018-2017</u> Increase (Decrease)	
<u>Operating revenues:</u>	(A)	% of	(B)	% of	(C)	% of	(A-B)	% of	(B-C)	% of
	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total
			(restated)		(restated)				(restated)	
Contributions	\$ 15,680,322	60%	12,861,682	53%	12,482,334	55%	2,818,640	129%	379,348	31%
General support from the										
UH System	3,352,847	13%	3,710,830	15%	3,477,018	15%	(357,983)	-16%	233,812	19%
Program underwriting	3,312,716	13%	3,278,399	14%	3,260,551	14%	34,317	2%	17,848	1%
Production service	1,250,269	5%	640,543	3%	682,450	3%	609,726	28%	(41,907)	-3%
Corporation for Public										
Broadcasting (CPB) grants	1,963,671	7%	2,157,791	9%	2,145,514	9%	(194,120)	-9%	12,277	1%
Special events	7,013	0%	9,014	0%	-	0%	(2,001)	0%	9,014	1%
Other	<u>674,841</u>	<u>3%</u>	<u>1,405,440</u>	<u>6%</u>	<u>801,399</u>	<u>4%</u>	<u>(730,599)</u>	<u>-34%</u>	<u>604,041</u>	<u>50%</u>
Total operating revenues	<u>\$ 26,241,679</u>	<u>100%</u>	<u>24,063,699</u>	<u>100%</u>	<u>22,849,266</u>	<u>100%</u>	<u>2,177,980</u>	<u>9%</u>	<u>1,214,433</u>	<u>5%</u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

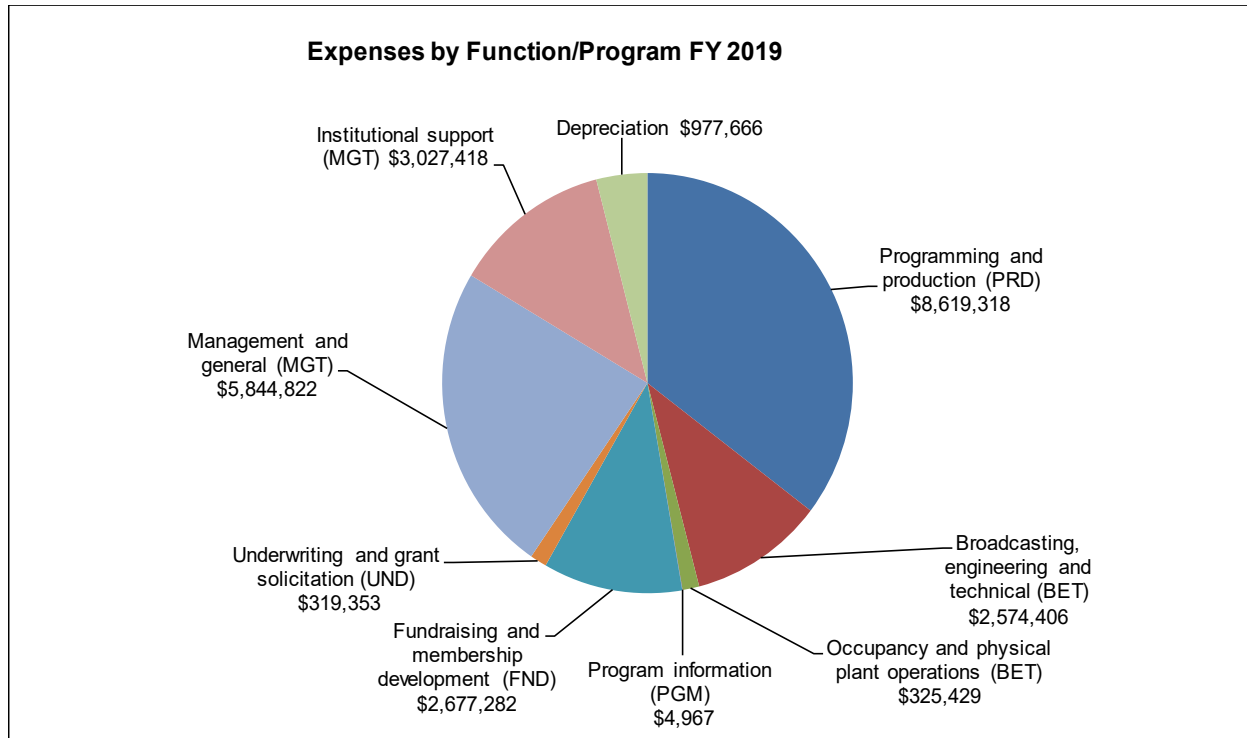
Management's Discussion and Analysis
Years Ended August 31, 2019 and 2018



Operating expenses are the costs necessary to provide those services and to fulfill the mission of the Stations. Alternatively, operating expenses categorized using the natural classification method are disclosed in the schedules of functional expenses. The following schedule presents a summary and comparison of expense for the fiscal years ended August 31, 2019, 2018 and 2017:

Expenses by Function	FY19		FY18		FY17		2018-2017 Increase (Decrease)		2017-2016 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
<u>Operating expenses:</u>										
Programming and production (PRD) \$	8,619,318	35%	8,368,070	39%	7,649,907	34%	251,248	8%	718,163	-64%
Broadcasting, engineering and technical (BET)	2,574,406	10%	2,618,130	11%	4,293,200	19%	(43,724)	-1%	(1,675,070)	150%
Occupancy and physical plant operations (BET)	325,429	1%	325,427	2%	325,429	1%	2	0%	(2)	0%
Program information (PGM)	4,967	0%	1,679	0%	240,142	1%	3,288	0%	(238,463)	21%
Fundraising and membership development (FND)	2,677,282	11%	3,030,798	14%	3,488,328	16%	(353,516)	-12%	(457,530)	41%
Underwriting and grant solicitation (UND)	319,353	1%	50,118	0%	146,379	1%	269,235	9%	(96,261)	9%
Management and general (MGT)	5,844,822	24%	2,613,659	12%	2,274,160	10%	3,231,163	106%	339,499	-30%
Institutional support (MGT)	3,027,418	12%	3,385,403	16%	3,151,589	14%	(357,985)	-12%	233,814	-21%
Depreciation	977,666	4%	941,452	4%	884,047	4%	36,214	1%	57,405	-5%
Total operating expenses	\$ 24,370,661	100%	21,334,736	100%	22,453,181	100%	3,035,925	14%	(1,118,445)	-5%

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Management's Discussion and Analysis
Years Ended August 31, 2019 and 2018



Financial Highlights and Analysis

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources – Fiscal Year 2019 Compared to Fiscal Year 2018

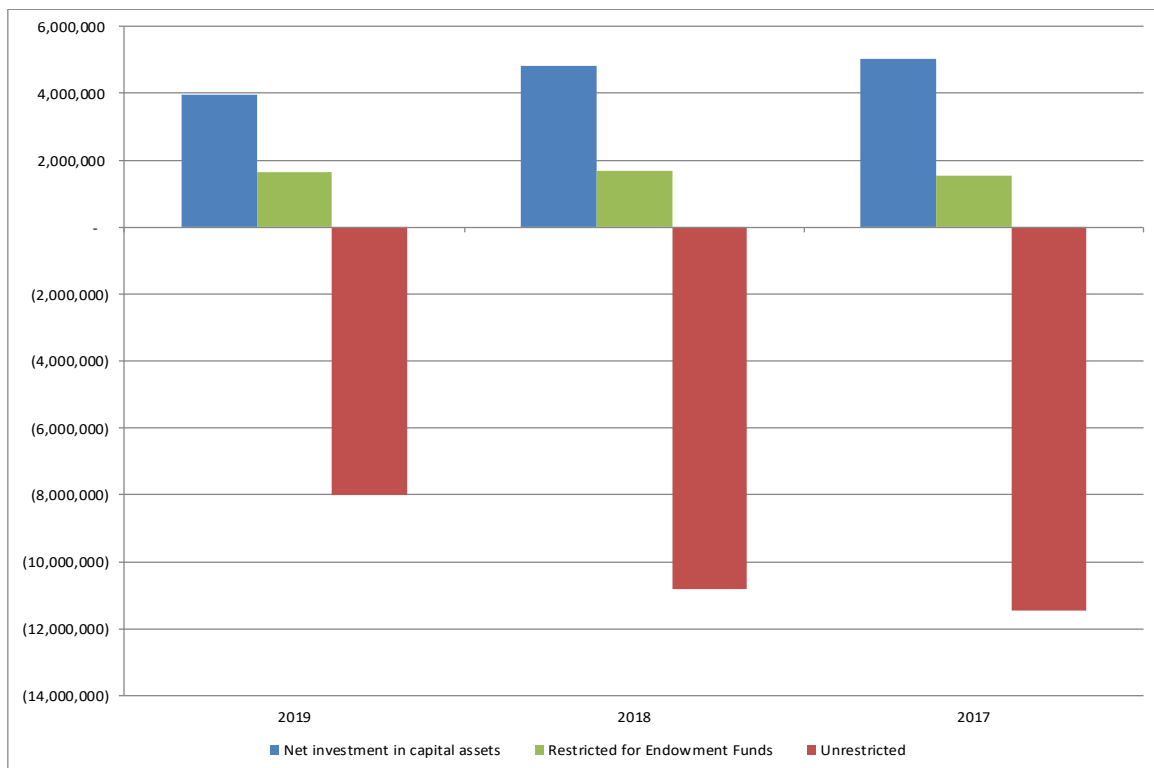
- Current assets increased by \$549,162 due to an increase in cash and cash equivalents and film rights acquired.
- Capital assets decreased by \$955,450 primarily due to current year depreciation on capital assets.
- Other noncurrent assets decreased by \$10,738 mainly due to decrease in market values for investments restricted for endowments.
- Deferred outflows of resources increased by \$11,162,498 due to changes in the Stations' share of the future outflows related to pensions and other postemployment benefits.
- Current liabilities decreased by \$4,064,274, primarily due to decreases in amounts owed to the UH System.
- Non-current liabilities increased \$10,643,882 mainly due to changes in net pension liabilities and net other postemployment benefit liabilities.
- Deferred inflows of resources increased by \$2,212,798 due to changes in the Stations' share of the future inflows related to pensions and other postemployment benefits.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Management's Discussion and Analysis
Years Ended August 31, 2019 and 2018

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources – Fiscal Year 2018 Compared to Fiscal Year 2017

- Current assets decreased by \$1,230,902 due to decreases in accounts receivable, pledge receivable and grant receivable.
- Capital assets decreased by \$266,991 due to fixed assets disposals related to obsolete equipment and increased current year depreciation on capital assets.
- Other noncurrent assets increased by \$124,618 mainly due to unrealized gains on investments restricted for endowments.
- Deferred outflows of resources decreased by \$167,005 due to changes in the Stations' share of the future outflows related to pensions and other postemployment benefits.
- Current liabilities decreased by \$4,145,758, primarily due to decreases in amounts owed to the UH System.
- Noncurrent liabilities increased by \$1,066,813 mainly due to changes in net pension liabilities and net other postemployment benefit liabilities.
- Deferred inflows of resources increased by \$960,119 due to changes in the Stations' share of the future inflows related to pensions and other postemployment benefits.

The following graph illustrates net position in the different categories for fiscal years 2019, 2018 and 2017:



HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Management's Discussion and Analysis

Years Ended August 31, 2019 and 2018

Operating Revenues – Fiscal Year 2019 Compared to Fiscal Year 2018

Operating revenues increased by \$2,177,980 due to increased contributions and services provided to the University.

Operating Revenues – Fiscal Year 2018 Compared to Fiscal Year 2017

Operating revenues increased by \$1,214,433 due to increased contributions and rental income.

Operating Expenses – Fiscal Year 2019 Compared to Fiscal Year 2018

The Stations' expenses increased by \$3,035,925 primarily due to increased pension and Other Postemployment Benefit (OPEB) related fringe benefit expenses.

Operating Expenses – Fiscal Year 2018 Compared to Fiscal Year 2017

The Stations' expenses decreased by \$1,118,445 in FY18 due to decreased spending in broadcasting, engineering and technical, and fundraising and membership development activities.

Capital Asset and Debt Administration

As of the end of fiscal 2019, the Stations had \$3,970,165 of capital assets, net of accumulated depreciation. These assets included buildings and building improvements, furniture and equipment, vehicles, land and indefinite lived intangible assets.

Title to these assets resides with the UH System, which allocates custody of the assets to the Stations for its operational needs. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are depreciated over their recommended useful lives. The Stations capitalize assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of capital assets are provided from the Stations' operating revenues.

Budgetary Revenues

The following table summarizes the Stations' final budget, actual results and variance for revenues for the year ended August 31, 2019:

	Budgeted amounts final	Actual	Variance with final budget favorable (unfavorable)
Operating revenues:			
Contributions	\$ 13,680,776	15,680,322	1,999,546
General support from the UH System	3,710,830	3,352,847	(357,983)
Program underwriting	3,278,399	3,312,716	34,317
Production service	1,200,000	1,250,269	50,269
CPB grants	1,209,385	1,963,671	754,286
Royalties	-	4,993	4,993
Rental income	300,000	375,516	75,516
Other	200,000	301,345	101,345
Total operating revenues	<u>\$ 23,579,390</u>	<u>26,241,679</u>	<u>2,662,289</u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Management's Discussion and Analysis
Years Ended August 31, 2019 and 2018

The variance for actual versus budgeted revenue was due to the following:

- Increase in contributions from realized bequests.
- Increase in CPB grants and other income from gifts and memberships.

Budgetary Expenses

The following table summarizes the Stations' final budget, actual results and variance for expenses for the year ended August 31, 2019:

	Budgeted amounts final	Actual	Variance with final budget favorable (unfavorable)
Operating expenses:			
Programming and production (PRD)	\$ 8,637,365	8,619,318	18,047
Broadcasting, engineering and technical (BET)	2,632,061	2,574,406	57,655
Occupancy and physical plant operations (BET)	325,429	325,429	-
Program information (PGM)	5,679	4,967	712
Fundraising and membership development (FND)	3,030,798	2,677,282	353,516
Underwriting and grant solicitation (UND)	254,607	319,353	(64,746)
Management and general (MGT)	3,936,565	5,844,822	(1,908,257)
Institutional support (MGT)	3,385,401	3,027,418	357,983
Depreciation	941,452	977,666	(36,214)
Total operating expenses	<u>\$ 23,149,357</u>	<u>24,370,661</u>	<u>(1,221,304)</u>

The variance for actual versus budgeted expense was due to the following:

- Increase in fringe benefit costs in the management & general category of expenses.

Requests for Information

Questions regarding the information provided in this Annual Financial Report or requests for additional financial information should be addressed to the Director of Finance, Houston Public Media at: KUHF-FM & KUHT-TV, 4343 Elgin, Houston, Texas 77204-0008.

BASIC FINANCIAL STATEMENTS

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Statements of Net Position

August 31, 2019 and 2018

	2019		2018	
	Primary institution	Component unit (HPMF)	Primary institution (restated)	Component unit (HPMF)
Assets				
Current assets:				
Cash and cash equivalents	\$ 515,129	1,056,012	-	667,901
Accounts receivable, net	3	811,457	42	900,284
Restricted cash and equivalents	-	226,793	-	235,193
Film rights, net	92,167	-	58,095	-
Prepaid expenses	-	-	-	996
Total current assets	<u>607,299</u>	<u>2,094,262</u>	<u>58,137</u>	<u>1,804,374</u>
Noncurrent assets:				
Capital assets, net	3,970,165	14,100	4,925,615	14,100
Investments restricted for innovation and sustainability grants	-	-	-	2,020,268
Investments restricted for endowment	<u>1,659,073</u>	<u>1,678,894</u>	<u>1,669,811</u>	<u>1,663,556</u>
Total noncurrent assets	<u>5,629,238</u>	<u>1,692,994</u>	<u>6,595,426</u>	<u>3,697,924</u>
Total assets	<u>6,236,537</u>	<u>3,787,256</u>	<u>6,653,563</u>	<u>5,502,298</u>
Deferred Outflows of Resources				
Pension-related	5,003,842	-	581,094	-
Other postemployment benefits	<u>6,761,092</u>	<u>-</u>	<u>21,342</u>	<u>-</u>
Total deferred outflows of resources	<u>11,764,934</u>	<u>0</u>	<u>602,436</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 18,001,471</u>	<u>3,787,256</u>	<u>7,255,999</u>	<u>5,502,298</u>

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Statements of Net Position (Continued)

August 31, 2019 and 2018

	2019		2018	
	Primary institution	Component unit (HPMF)	Primary institution (restated)	Component unit (HPMF)
Liabilities				
Current liabilities:				
Due to the UH System	\$ -	-	4,250,365	-
Accounts payable	17,670	90,498	28,423	325,739
Accrued payroll	513,151	-	472,722	-
Employees' compensable leave	416,987	-	394,910	-
Unearned revenue	-	199,403	-	134,238
Net other postemployment benefits liability	200,376	-	-	-
Note payable (HPM Chiller)	16,141	-	82,179	-
Total current liabilities	1,164,325	289,901	5,228,599	459,977
Noncurrent liabilities:				
Net pension liability	8,051,020	-	2,887,317	-
Net other postemployment benefits liability	7,541,146	-	2,046,620	-
Note payable (HPM Chiller)	-	-	14,347	-
Total noncurrent liabilities	15,592,166	0	4,948,284	0
Total liabilities	16,756,491	289,901	10,176,883	459,977
Deferred Inflows of Resources				
Pension-related	715,205	-	950,811	-
Other postemployment benefits	2,900,922	-	452,518	-
Total liabilities and deferred inflows of resources	\$ 20,372,618	289,901	11,580,212	459,977
Net Position				
Net investment in capital assets	3,954,024	14,100	4,829,089	14,100
Restricted:				
Expendable for production and outreach programs	-	226,793	-	235,193
Nonexpendable	1,547,744	1,552,524	1,547,744	1,552,524
Expendable	111,329	304,658	122,067	2,131,300
Unrestricted (deficit)	(7,984,244)	1,399,280	(10,823,113)	1,109,204
Total net position (deficit)	\$ (2,371,147)	3,497,355	(4,324,213)	5,042,321

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended August 31, 2019 and 2018

	2019		2018	
	Primary institution	Component unit (HPMF)	Primary institution (restated)	Component unit (HPMF)
Operating revenues:				
Contributions	\$ 15,680,322	11,061,254	12,861,682	12,130,503
General support from the UH System	3,352,847	-	3,710,830	-
Program underwriting	3,312,716	4,664,283	3,278,399	4,373,412
Production service	1,250,269	4,899	640,543	6,213
Corporation for Public Broadcasting (CPB) grants	1,963,671	-	2,157,791	-
Royalties	4,993	-	-	-
Rental income	375,516	-	760,038	-
Special events	7,013	-	9,014	-
Other	294,332	178,290	645,402	120,331
Total operating revenues	<u>26,241,679</u>	<u>15,908,726</u>	<u>24,063,699</u>	<u>16,630,459</u>
Operating expenses:				
Grants to primary institution	-	12,583,748	-	11,655,553
Programming and production (PRD)	8,619,318	137,225	8,368,070	90,916
Broadcasting, engineering and technical (BET)	2,574,406	44,400	2,618,130	55,662
Occupancy and physical plant operations (BET)	325,429	-	325,427	-
Program information (PGM)	4,967	6,953	1,679	-
Fundraising and membership development (FND)	2,677,282	1,381,599	3,030,798	1,517,596
Underwriting and grant solicitation (UND)	319,353	1,114,834	50,118	1,309,867
Management and general (MGT)	5,844,822	180,003	2,613,659	156,509
Institutional support (MGT)	3,027,418	-	3,385,403	-
Innovation and sustainability	-	2,020,268	-	-
Depreciation	977,666	-	941,452	-
Total operating expenses	<u>24,370,661</u>	<u>17,469,030</u>	<u>21,334,736</u>	<u>14,786,103</u>
Operating income (loss)	<u>1,871,018</u>	<u>(1,560,304)</u>	<u>2,728,963</u>	<u>1,844,356</u>
Nonoperating income (loss):				
Endowment contributions (distributions)	(57,499)	-	1,205	390,316
Gain from endowment	46,761	15,338	123,013	83,400
Other nonoperating income	92,786	-	113,970	-
Total nonoperating income (loss)	<u>82,048</u>	<u>15,338</u>	<u>238,188</u>	<u>473,716</u>
Change in net position	<u>1,953,066</u>	<u>(1,544,966)</u>	<u>2,967,151</u>	<u>2,318,072</u>
Net position (deficit), beginning of year, as previously reported	(4,324,213)	5,042,321	(8,690,910)	2,724,249
Adjustment applicable to prior years (Note 3)	-	-	1,399,546	-
Net position (deficit), beginning of year, as restated	<u>(4,324,213)</u>	<u>5,042,321</u>	<u>(7,291,364)</u>	<u>2,724,249</u>
Net position (deficit), end of year	<u>\$ (2,371,147)</u>	<u>3,497,355</u>	<u>(4,324,213)</u>	<u>5,042,321</u>

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Statements of Cash Flows

Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>Primary</u>	<u>Primary</u>
	<u>institution</u>	<u>institution</u>
		<u>(restated)</u>
Cash flows from operating activities:		
Proceeds from contributions	\$ 15,680,322	12,981,682
Proceeds from CPB grant	1,963,671	2,157,791
Proceeds from other grants	-	784,115
Proceeds from program underwriting	3,312,755	3,544,804
Proceeds from other revenues	1,932,123	2,054,997
Payments to suppliers for goods and services	(1,623,506)	(1,268,560)
Payments to employees	(8,824,221)	(8,668,979)
Payments for broadcasting fees	(4,093,506)	(4,228,160)
Payments for other expenses	(3,483,380)	(2,616,385)
Net cash provided by operating activities	<u>4,864,258</u>	<u>4,741,305</u>
Cash flows from noncapital financing activities:		
Repayments to the UH System	(4,250,365)	(3,937,224)
Gift for endowment purposes	-	58,509
Other nonoperating income	92,786	113,970
Net cash used in noncapital financing activities	<u>(4,157,579)</u>	<u>(3,764,745)</u>
Cash flows from capital and related financing activities:		
Payments for additions to capital assets	(22,216)	(784,774)
Payments for additions of film rights	(88,949)	(54,726)
Payments on note payable (HPM Chiller)	(80,385)	(78,551)
Net cash used in capital and related financing activities	<u>(191,550)</u>	<u>(918,051)</u>
Cash flows from investing activities:		
Purchases of investments	-	(58,509)
Net cash used in investing activities	<u>0</u>	<u>(58,509)</u>
Change in cash and cash equivalents	515,129	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>\$ 515,129</u>	<u>0</u>

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Statements of Cash Flows (Continued)

Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>Primary</u>	<u>Primary</u>
	<u>institution</u>	<u>institution</u>
		<u>(restated)</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,871,018	2,728,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	977,666	941,452
Amortization of film rights	54,877	38,544
Loss on disposal of capital assets	-	110,313
Decrease in accounts receivable	39	342,969
Decrease in pledge receivable	-	120,000
Decrease in grant receivable	-	784,115
Increase (decrease) in accounts payable	(10,753)	25,737
Increase (decrease) in accrued payroll	40,429	(138,683)
Decrease in unearned revenue	-	(76,564)
Increase (decrease) in employees' compensable leave	22,077	(19,024)
(Increase) decrease in deferred outflows of resources – pensions	(4,422,748)	188,347
Increase in deferred outflows of resources – other postemployment benefits	(6,739,750)	(21,342)
Increase (decrease) in deferred inflows of resources – pensions	(235,606)	507,601
Increase in deferred inflows of resources – other postemployment benefits	2,448,404	452,518
Increase (decrease) in net pension liability	5,163,703	(901,256)
Increase (decrease) in net other postemployment benefits liability	5,694,902	(342,385)
Total adjustments	2,993,240	2,012,342
Net cash provided by operating activities	\$ 4,864,258	4,741,305

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

(1) Entity

Houston Public Media ("the Stations" or "Primary Institution") of the University of Houston (UH) System (the UH System), which consists of a noncommercial, listener-supported radio station (KUHF) and a viewer-supported television station (KUHT), serves as Houston's National Public Radio (NPR) affiliate and classical music source and Houston's Public Broadcasting Services (PBS) affiliate. KUHF signed on the air in 1950 as a public radio station. KUHT signed on the air on May 25, 1953, as the nation's first noncommercial educational television station. KUHF provides news and cultural programming at both local and national levels. KUHT provides the building blocks for the Stations' schedule with locally produced and acquired programs selected primarily for their appeal to a national audience; programs chosen on the basis of quality and audience interests are presented uninterrupted by commercial announcements. The Stations, licensed to the Board of Regents of the UH System, are located at the UH System's Central campus and are a division of the UH System. As a division of the UH System, the Stations are exempt from federal income taxes other than taxes on unrelated business income, if any. The Stations operate 24 hours a day. The Stations are located in the sixth largest metropolitan area of the United States. These financial statements present financial information that is attributable to the Stations and do not purport to, and do not, present fairly the financial position of the UH System.

The Stations are dedicated to education and outreach through a wide variety of activities, such as community advancement, and expanding and strengthening partnerships and collaborations with key arts organizations in Houston. In pursuing all the dissimilar goals, the Stations have consistently used cutting edge technology to extend the value of its services.

KUHT is a full-service television station licensed to UH. The studio facilities are on the UH campus in the LeRoy and Lucile Melcher Center for Public Broadcasting. The transmitter facilities are located in Missouri City, Texas. The digital video services offered today include one high-definition program service and two standard-definition services. KUHT was the first Houston television station to offer closed captioning for hearing impaired viewers and descriptive video for visually impaired persons. It was the first in Houston to offer stereo broadcasts and the first to make use of the Second Audio Program capabilities to provide additional services to the Greater Houston area, including access to the Houston Taping for the Blind radio service. The broadcast signal reaches 33 counties in southeast Texas and is carried on numerous cable television systems, as well as both the Dish Network and DirecTV satellite services.

KUHF's new media technologies are rapidly developing with the changing landscape of on-demand media around the world. Services include all news and all music internet streams; podcasts; on-demand shows; user interactive event calendars; RSS feeds; and iPhone, Android and iPad applications.

Houston Public Media Foundation (HPMF), formerly known as the Association for Community Broadcasting (ACB) and as the Association for Community Television (ACT), was organized in 1969, as a Texas nonprofit corporation, primarily for the purpose of providing financial and other support to KUHT, Channel 8, in Houston, Texas. On January 25, 2005, the Board of Regents of the UH System and ACT agreed that the same services provided to KUHT would also be provided to KUHF and thus adopted the ACB name. On January 30, 2014, ACB changed its name to HPMF to be more aligned with the station's new branding under the newly formed Houston Public Media division of UH.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

The UH System and HPMF, as part of an ongoing agreement, have stipulated that all grants for the Stations' programming and other activities will be deposited with the UH System's Office of Sponsored Programs or, at the discretion of the general manager of the Stations, deposited in accounts maintained by HPMF and immediately and exclusively available to the Stations.

HPMF is directed by a Board of Directors, who are elected by other HPMF Directors, and is managed on a daily basis by a combination of Board Officers and the Stations' employees. There are no separately issued financial statements of HPMF.

HPMF is a legally separate and tax-exempt entity meeting all of the following criteria to be discretely presented as a component unit. These criteria are as follows:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The financial statements of the Primary Institution and its component unit, HPMF, are presented using the same categories in order to provide consistency. HPMF is not a governmental entity, and as such, current year data has been made to conform to reporting under Governmental Accounting Standards Board (GASB) standards.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The financial accounting records of the Stations and HPMF are maintained by the UH 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.

The financial statements for both the Stations and HPMF are presented using the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and all expenses are recorded when they have been incurred.

b. Reporting Guidelines

The Stations are reported as a single-purpose business-type activity entity. In addition, the Stations' financial statements have been prepared in accordance with the CPB's *Application Principles of Accounting and Financial Reporting to Public Telecommunications Entities*.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

c. *Deferred Outflows/Inflows of Resources*

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources.

d. *Net Position*

Net investment in capital assets – represents the Stations' or HPMF's original acquisition value of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Nonexpendable restricted net position – represents endowment principal which cannot be used for operational purposes and which is restricted in perpetuity.

Expendable restricted net position – represents income received from an endowment, which are available for purposes restricted by the donors and can include gifts restricted by the donor for a specific purpose.

Unrestricted net position – represents resources that are available for the support of the Stations' or HPMF's operations.

When the Stations or HPMF incur an expense for which both restricted and unrestricted resources may be used, it is the policy of management to use restricted resources first then unrestricted resources.

e. *Revenues*

Operating revenues include sources that are primarily used to provide services to the Stations' audience or to further HPMF's exempt purpose. Substantially, all revenues are considered operating with the exception of net change in fair value of endowments, insurance recoveries and other investment income.

Unrestricted contributions and gifts do not have binding agreements and are recorded as revenues when received. Unrestricted grants are recorded as revenues at the time the grant awards are received and when eligibility requirements have been met. Restricted support and revenues are recognized upon incurring the appropriate expenses or meeting the eligibility requirements.

f. *Accounts Receivable*

Accounts receivable are stated at the amount billed to customers or grantors. Accounts receivable are ordinarily due 30 days after the issuance of an invoice. An allowance for delinquent receivables is provided, which is based upon a review of outstanding receivables, historical collections and existing economic conditions.

g. *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be claims on cash, cash on hand and demand deposits with original maturities of three months or less from the date of acquisition.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Cash and cash equivalents for the Stations represent the Stations' prorated share of commingled cash and cash equivalents held and invested by the UH System acting as the Stations' fiscal agent to optimize the rate of return. All of the funds included in cash and cash equivalents are insured or registered or are securities held by the UH System or its agent in the UH System's name.

Immediately upon formal written notification of an approved appropriation or grant, the UH System permits the Stations to draw cash against the full appropriation or grant (in compliance with the terms of the appropriation or grant) regardless of whether the UH System has received the related funds.

For current unrestricted and restricted accounts, the UH System allocated a percentage of the interest income earned to the Stations at a fixed rate based on its monthly average cash balance.

h. Capital Assets

Capital assets represent buildings and equipment acquired primarily for the operation of the Stations. Title of the buildings and equipment rests with the State of Texas (the State) in the name of the UH System and, therefore, such assets can be transferred to or from the Stations at the discretion of the UH System. The threshold for capitalization of assets is \$5,000 and over. Capital assets are stated at cost at the date of acquisition or estimated acquisition value at the date of donation. Expenditures for repairs and maintenance are charged to current operating expenses as incurred.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	22-30 years
Furniture and equipment	5-10 years
Intangible and other assets	5 years
Land	Not depreciable
Indefinite-lived intangible assets	Not depreciable

Useful lives are established by a uniform classification system maintained by the State and are measured from the date of acquisition.

i. Film Rights

Film rights purchased are amortized over the respective contract periods on a straight-line basis or over the period of expected usage. Estimated useful lives of such rights range from one to five years.

j. In-kind Contributions

In-kind contributions included in revenues and expenses in the accompanying statements of revenues, expenses and changes in net position consist of general support from the UH System, which is further described in Note 11.

The fair value of merchandise contributed by third parties in connection with the Stations' fundraising activities is not included in the accompanying financial statements. Donated in-kind contributions of services and other intangibles, as well as promotional merchandise and donated personal services, are also not included in the accompanying financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

k. Unearned Revenues

Grant and program underwriting revenues received relating to the period after fiscal year-end are reported as unearned revenues.

l. Advertising

Advertising costs are charged to operations when incurred.

m. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. Employees' Compensable Leave

The Stations' employees are classified as State employees and as such are entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from State employment provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees.

Full-time State employees earn annual leave from 8 to 21 hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Accrued leave in excess of the normal maximum is converted to sick leave at the conclusion of the fiscal year. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

o. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) plan and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

p. Other Postemployment Benefits

The Stations participants in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), which is a multiple-employer, cost-sharing defined OPEB plan and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. For purposes of measuring the total OPEB liability and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

q. Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net position.

(3) Restatement of Prior Year Financial Statements

Certain restatements have been made to the 2018 financial statements for the correction of the GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75) adoption in the amount of \$624,711 and for the recognition of additional contributions in the amount of \$2,586,264 .

The items listed below reflect corrections made to items that were incorrect in the financial statements previously issued March 14, 2019:

	As Restated	As Previously Reported	Effect of
Primary Institution			
Statement of Revenues, Expenses and Changes in Net Position			
Contributions	\$ 12,861,682	11,674,964	1,186,718
Total operating revenues	24,177,669	22,990,951	1,186,718
Management and general (MGT) expenses	2,613,659	1,988,948	624,711
Total operating expenses	21,334,736	20,710,025	624,711
Operating income	2,842,933	2,280,926	562,007
Change in net position	2,967,151	2,405,144	562,007
Adjustment applicable for prior years (Note 3)	1,399,546	-	1,399,546
Net position (deficit), end of year	(4,324,213)	(6,285,766)	1,961,553
Statement of Net Position			
Other postemployment benefits	21,342	646,053	(624,711)
Total deferred outflow of resources	602,436	1,227,147	(624,711)
Total assets and deferred outflows of resources	7,255,999	7,880,710	(624,711)
Due to the UH System	4,250,365	6,836,629	(2,586,264)
Total current liabilities	5,228,599	7,814,863	(2,586,264)
Total liabilities	10,176,883	12,763,147	(2,586,264)
Total liabilities and deferred inflows of resources	11,580,212	14,166,476	(2,586,264)
Unrestricted (deficit)	(10,823,113)	(12,784,666)	1,961,553
Total net position (deficit)	(4,324,213)	(6,285,766)	1,961,553
Statement of Cash Flows			
Proceeds from contributions	12,981,682	11,794,964	1,186,718
Net cash provided by operating activities	4,855,275	3,668,557	1,186,718
Repayments to the UH System	(3,937,224)	(2,750,506)	(1,186,718)
Net cash used in noncapital and related financing activities	(3,878,715)	(2,691,997)	(1,186,718)
Operating income	2,842,933	2,280,926	562,007
Increase in deferred outflows of resources - OPEB	(21,342)	(646,053)	624,711
Total adjustments	2,012,342	1,387,631	624,711

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

(4) Endowment Funds

a. Primary Institution

Gifts to the UH System are placed in the UH System's endowment fund, which is a pooled investment of individual endowments benefiting the entire UH System.

The Endowment Fund allocated income (net of management fees) to the individual endowments based on an income allocation policy that establishes the income payment rate as a percentage on the average of the outstanding endowment's fair value in the previous twelve fiscal quarters. That percentage was 4% in fiscal years 2019 and 2018. If an endowment was in existence less than twelve quarters, the average was based on the number of quarters in existence.

The deposits and investments of the Stations and HPMF are exposed to certain inherent risks, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The deposits and investments with the Endowment Fund are exposed to risks that have the potential to result in losses.

Those risks and their definitions are:

- Credit risk – the risk an insurer or counterparty to an investment will not fulfill its obligation.
- Custodial risk – the risk that in the case of default by the counterparty a government will be unable to recover its deposit/investment or collateralizing securities in the possession of an outside party.
- Concentration risk – the risk of loss attributable to the size of a government's investment in a single issuer.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of investments.
- Foreign currency risk – the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment.

During fiscal years 2019 and 2018, the Endowment Management Committee of the UH System Board of Regents continued to review existing objectives, risks, asset allocation and manager structure within the endowment portfolio. 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. Further information regarding the investment balances and risks with the Endowment Fund, which does not have a credit rating, may be obtained from the UH System Office of the Treasurer.

The following summarizes the Stations' activity for the years ended August 31, 2019 and 2018.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Balance, September 1, 2017	\$ 1,545,593
FY18 net contributions	1,205
FY18 unrealized gain	<u>123,013</u>
Balance, August 31, 2018	1,669,811
FY19 net distributions	(57,499)
FY19 unrealized gain	<u>46,761</u>
Balance, August 31, 2019	<u><u>\$ 1,659,073</u></u>

The assets of the Stations' endowments totaled \$1,659,073 and \$1,669,811 at August 31, 2019 and 2018, respectively. Unrealized gains and losses for each year are recorded in the accompanying statements of revenues, expenses and changes in net position.

b. Component Unit (HPMF)

The gifts received by HPMF to create endowed accounts are invested in the HPMF Endowment Fund Investment Pool (the Investment Pool), which is operated and overseen by the HPMF Endowment Fund (the Endowment) and Gift Committee. The Investment Pool combines the assets of all endowment fund accounts and is allocated to external investment managers. The objectives of the Investment Pool are to protect the real value of the Endowment, while maximizing the amount distributed annually for endowed spending as further described in the HPMF Endowment Fund Investment Policy. Thus, in any given year, any excess over the amount distributed from the Endowment will be reinvested to protect the capital against erosion by inflation.

The Endowment's spending policy is consistent with its investment objective of achieving long-term real growth in its assets. In order to achieve such long-term real growth, the Endowment should have as a goal that its total distributions and expenses not exceed the Endowment's total inflation-adjusted return on investments. Consistent with the Endowment's long-term investment objectives, the Board of Directors established the spending policy, which generally permits total distributions and expenses (including but not limited to investment management fees) not in excess of an amount equal to 4% of the average net asset value of the Endowment over the prior three years (or the life of the Endowment if shorter than three years). The Board of Directors may authorize distributions in excess of the 4% when the Stations have the need to fund one-time capital expenditures.

The Endowment has a related operating account to which annual income distributed from the endowment funds is deposited and to which expenditures, in accordance with the donor's wishes, may be charged. In the event that there is a balance in the Endowment operating account at fiscal year-end, it will automatically be transferred back to the endowment funds on a prorated basis (according to the income distributed). This procedure is called "Endowment Capitalization." It is in the Endowment's best interests that surplus funds are capitalized, since they will yield new units and thus generate additional income in future years.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

The Investment Pool is invested with an external investment manager in commingled funds who invests, for example, in marketable securities, fixed income, alternative investments, real estate and cash equivalents. The Investment Pool reported a fair value of \$1,678,894 and \$1,663,556 as of August 31, 2019 and 2018, respectively, which has been estimated by fund managers in the absence of readily available market values and is not publicly traded. These investments are domestic and international in nature and risks associated with these investments include liquidity risk, market risk, event risk, foreign exchange risk, interest rate risk and investment manager risk.

The University of Houston Foundation (U of H Foundation) holds the Investment Pool and does not have a credit rating. Further information regarding the investment balances and risks with the U of H Foundation may be obtained from HPMF business offices by calling 713.748.8888.

The following summarizes HPMF's activity for the years ended August 31, 2019 and 2018:

Balance, September 1, 2017	\$ 1,189,840
FY18 net contributions	390,316
FY18 realized/unrealized gain	<u>83,400</u>
Balance, August 31, 2018	1,663,556
FY19 realized/unrealized gain	<u>15,338</u>
Balance, August 31, 2019	<u><u>\$ 1,678,894</u></u>

(5) Accounts Receivable

Accounts receivable as of August 31, 2019, comprised the following:

	<u>Primary institution</u>	<u>Component unit (HPMF)</u>
Accounts receivable	\$ 3	811,457
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total	<u><u>\$ 3</u></u>	<u><u>811,457</u></u>

Accounts receivable as of August 31, 2018, comprised the following:

	<u>Primary institution</u>	<u>Component unit (HPMF)</u>
Accounts receivable	\$ 42	900,284
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total	<u><u>\$ 42</u></u>	<u><u>900,284</u></u>

Accounts receivable for the Stations and HPMF consist primarily of production grants and underwriting support.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

(6) Capital Assets

Capital asset activities for the year ended August 31, 2019, were as follows for the Stations:

	<u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2019</u>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	-	-	12,706,461
Furniture and equipment	8,861,401	22,216	319,167	8,564,450
Vehicles	53,295	-	53,295	-
Intangible and other assets	75,000	-	-	75,000
Total capital assets	21,696,157	22,216	372,462	21,345,911
Less accumulated depreciation	16,770,542	977,666	372,462	17,375,746
Net capital assets	\$ 4,925,615	(955,450)	0	3,970,165

Capital asset activities for the year ended August 31, 2019, were as follows for HPMF:

	<u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2019</u>
Capital assets:				
Land	\$ 14,100	-	-	14,100
Program costs	652,089	-	-	652,089
Furniture and equipment	424,249	-	-	424,249
Other assets	4,050	-	-	4,050
Accounting software – FM	55,105	-	-	55,105
Accounting software – TV	55,105	-	-	55,105
Total capital assets	1,204,698	0	0	1,204,698
Less accumulated depreciation	1,190,598	-	-	1,190,598
Net capital assets	\$ 14,100	0	0	14,100

Capital asset activities for the year ended August 31, 2018, were as follows for the Stations:

	<u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2018</u>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	-	-	12,706,461
Furniture and equipment	8,581,944	784,774	505,317	8,861,401
Vehicles	53,295	-	-	53,295
Intangible and other assets	75,000	-	-	75,000
Total capital assets	21,416,700	784,774	505,317	21,696,157
Less accumulated depreciation	16,224,094	941,452	395,004	16,770,542
Net capital assets	\$ 5,192,606	(156,678)	110,313	4,925,615

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Capital asset activities for the year ended August 31, 2018, were as follows for HPMF:

	<u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2018</u>
Capital assets:				
Land	\$ 14,100	-	-	14,100
Program costs	652,089	-	-	652,089
Furniture and equipment	424,249	-	-	424,249
Other assets	4,050	-	-	4,050
Accounting software – FM	55,105	-	-	55,105
Accounting software – TV	55,105	-	-	55,105
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	1,204,698	0	0	1,204,698
Less accumulated depreciation	1,190,598	-	-	1,190,598
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 14,100	0	0	14,100

(7) Investments Restricted for Endowment and Programs

The Stations' investments restricted for endowment are placed in the UH System's endowment fund (the Endowment Fund), which is a pooled investment of individual endowments. HPMF has investments restricted for endowment and investments restricted for programs in an external investment pool held with the U of H Foundation. None of the external investment pools are publicly registered and the investments may only be redeemed by action of the Board of Directors. The Endowment Fund attempts to preserve the real (inflation adjusted) purchasing power of endowment assets, when measured over rolling periods of at least five years, and to outperform the capital markets in which the endowment assets are invested, measured over rolling periods of three to five years. The U of H Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The U of H Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Stations' and HPMF's investments are carried 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.

In accordance with GASB No. 72, Fair Value Measurement and Application, for investments in pooled funds, the fair value is determined as the number of units or shares held in the fund multiplied by the price per unit or shares as publicly quoted. Investments restricted for endowment in which a public market does not exist are based on the Stations' and HPMF's ownership interest in the net asset value (NAV) of each fund as reported by the fund managers. Investments are reported at NAV and are not categorized according to fair value.

The Stations had the following recurring fair value measurements as of August 31, 2019 and 2018:

- Pooled investments of \$1,659,073 and \$1,669,811, respectively, are valued at fair value per share of the pool's underlying portfolio.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

HPMF had the following recurring fair value measurements as of August 31, 2019 and 2018:

- Pooled investments of \$1,678,894 and \$3,683,824, respectively, are valued at fair value per share of the pool's underlying portfolio.

(8) Film Rights

KUHT pays for the right to use certain films in its broadcasting activities. The costs of those rights are amortized over the purchased periods. Changes in the costs of film rights for the years ended August 31, 2019 and 2018, were as follows:

Balance, September 1, 2017	\$ 41,913
FY18 additions	54,726
FY18 amortization	<u>(38,544)</u>
Balance, August 31, 2018	58,095
FY19 additions	88,949
FY19 amortization	<u>(54,877)</u>
Balance, August 31, 2019	<u><u>\$ 92,167</u></u>

(9) Due to the UH System

Since the Stations maintain all cash balances with the UH System's treasury department, the UH System permits the Stations to overdraw their claims on cash account from time to time. The amount disclosed in the "Due to the UH System" account represents the amount by which the Stations have overdrawn their claim on cash account with the UH System as of August 31, 2018.

(10) Unrestricted Net Deficit

In prior years, the Stations experienced a net excess of expenses over revenues, resulting in an increasing net deficit of unrestricted net position. The net deficit of unrestricted net position at August 31, 2019 and 2018 (restated), was \$7,984,244 and \$10,823,113, respectively. The deficit resulted mainly due to operating expenses exceeding operating revenues over several years.

(11) General Support from the UH System

General support from the UH System includes building and related occupancy costs donated by the UH System and is recorded in operating revenues and expenses. The occupancy costs are determined based on the net book value of the building and tower, as well as the square footage of the building and tower utilized by the Stations. Occupancy cost was \$325,429 and \$325,427 in the fiscal years 2019 and 2018, respectively. The UH System also provides indirect administrative support and maintenance support to the Stations, which are recorded in operating revenues and expenses based on the UH System's allocation methods. Indirect administrative support amounted to \$3,027,418 and \$3,385,403 in fiscal years 2019 and 2018, respectively.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

(12) Corporation for Public Broadcasting Grants

CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the *Communications Act*, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the *Communications Act*, CSG funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds recordkeeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission.

(13) Pension Plans, Optional Retirement Program and Other Postemployment Benefits Plan

The State has joint contributory retirement plans for substantially all of its employees. The Stations participate in the plans administered by the Teacher Retirement System of Texas (the Retirement System). Future pension costs are the liabilities of the Retirement System. The Retirement System does not account for each State agency separately. Annual financial reports prepared by the Retirement System include audited financial statements and actuarial assumptions and conclusions.

The State has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System (TRS).

The State has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), TRS and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS1) and Judicial Retirement System of Texas Plan Two (JRS2)
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan

The ERS, LECOS, JRS2, TRS and TESRS plans are administered through trust; the JRS1 plan is on a pay-as-you-go basis. The Stations only participate in the TRS plan and the ORP.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

TRS Plan

The Retirement System is the administrator of the TRS plan, a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation for certain employers. No on-behalf payments were made by the State for the Stations.

The employers of the TRS plan include the State, TRS, the State's public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002, are covered by the system. Employees of TRS and State colleges, universities and medical schools are members of the TRS plan.

The TRS plan provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of the TRS plan are authorized by State law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005, and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLA).

The audited Comprehensive Annual Financial Report (CAFR) for TRS may be obtained from:

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698
<http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>

For the years ended August 31, 2019 and 2018, the Stations' contributions to the TRS plan were \$393,159 and \$348,079, respectively. The contribution rates for the employers and the members are presented in the table below:

Required Contribution Rates	Year Ended August 31, 2019	Year Ended August 31, 2018
Employer (the Stations)	6.80%	6.80%
Members	7.70%	7.70%

The total pension liability is determined by annual actuarial valuations. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2018, 2017, 2016, 2015 and 2014, measurement dates.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

	2018	2017–2015	2014
Actuarial Valuation Date	August 31, 2018	August 31, 2017, 2016 and 2015	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Floating Market Value	Level Percent, Open	Level Percent, Open
Actuarial Assumptions:			
Discount Rate	6.91%	8.00%	8.00%
Investment Rate of Return	8.00%	8.00%	8.00%
Long-term Expected Rate of Return	7.25%	-	-
Municipal Bond Rate	3.69%	-	-
Inflation	2.30%	2.50%	3.00%
Salary Increase, Including Inflation	3.05% to 9.05%	3.50% to 9.50%	4.25% to 7.25%
Mortality:			
Active	90% of the RP-2014 Employee Mortality for males and females with full generational projection using Scale BB	90% of the RP-2014 Employee Mortality for males and females	1994 Group Annuity Mortality Table, set back six years for males and females
Postretirement	2018 TRS of Texas Healthy Pensioner Mortality Tables with full generation projection using Scale BB	2015 TRS of Texas Healthy Pensioner Mortality Tables	Client-specific tables multiplied by 80%
Ad Hoc Postemployment Benefit Changes	None	None	None

The actuarial assumptions used in the 2018 actuarial valuations were primarily based on the results of an actuarial experience study for the three-year period ended August 31, 2017. The actuarial assumptions used in the 2017, 2016 and 2015 actuarial valuations were primarily based on the results of an actuarial experience study for the four-year period ended August 31, 2014, and adopted in September 2015.

There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate used to measure the total pension liability was 6.91% and 8.00% for the years ended August 31, 2019 and 2018, respectively. The projected cash flows into and out of the pension plan assumed that active members, employers and the non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the Non-OASDI (old age, survivor and disability insurance) surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions, including asset class of investment portfolio, target allocation, real rate of return on investments and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio for the measurement period ended August 31, 2018, are presented below:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
<i>Global Equity</i>		
U.S. Treasury	18%	5.7%
Non-U.S. Developed	13%	6.9%
Emerging Markets	9%	9.0%
Directional Hedge Funds	4%	3.5%
Private Equity	13%	10.2%
<i>Stable Value</i>		
U.S. Treasury	11%	1.1%
Absolute Return	0%	0.0%
Stable Value Hedge Funds	4%	3.1%
Cash	1%	-0.3%
<i>Real Return</i>		
Global Inflation Linked Bonds	3%	0.7%
Real Assets	14%	5.2%
Energy and Natural Resources	5%	7.5%
Commodities	0%	0.0%
<i>Risk Parity</i>		
Risk Parity	5%	3.7%
Total	100%	

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Stations' net pension liability as of August 31, 2019. The result of the analysis is presented in the table below:

**Sensitivity of the Stations' Proportionate Share of the
Net Pension Liability to Changes in the Discount Rate**

1% Decrease (5.91%)	Current Discount Rate (6.91%)	1% Increase (7.91%)
\$ 12,658,651	\$ 8,051,020	\$ 4,929,633

The pension plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets and fiduciary net position may be obtained from TRS' fiscal 2018 and 2017 CAFRs.

At August 31, 2019 and 2018, the Stations reported a liability of \$8,051,020 and \$2,887,317, respectively, for their proportionate share of the collective net pension liability. The collective net pension liability at August 31, 2019, was measured as of August 31, 2018, and the total pension liability used to calculate the

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

net pension liability was determined by an actuarial valuation as of that date. The collective net pension liability at August 31, 2018, was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Stations' proportion at August 31, 2018, was 0.0152381%, which was an increase from the 0.0116575% measured at the prior measurement date. The Stations' proportion of the collective net pension liability at August 31, 2019, was based on their contributions to the pension plan relative to the contributions of all the employers and the nonemployer-contributing entity to the plan for the period September 1, 2017 through August 31, 2018. The Stations' proportion of the collective net pension liability at August 31, 2018, was based on their contributions to the pension plan relative to the contributions of all the employers and the nonemployer-contributing entity to the plan for the period September 1, 2016 through August 31, 2017.

For the years ended August 31, 2019 and 2018, the Stations recognized pension expense of \$1,063,178 and \$174,960, respectively. At August 31, 2019, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 52,280	205,795
Changes of assumptions	3,024,074	94,502
Net difference between projected and actual investment return	-	159,146
Change in proportion and contribution difference	1,534,329	255,762
Contributions subsequent to the measurement date	<u>393,159</u>	<u>-</u>
Total	<u>\$ 5,003,842</u>	<u>715,205</u>

At August 31, 2018, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 54,534	201,017
Changes of assumptions	169,791	97,202
Net difference between projected and actual investment return	-	271,649
Change in proportion and contribution difference	8,690	380,943
Contributions subsequent to the measurement date	<u>348,079</u>	<u>-</u>
Total	<u>\$ 581,094</u>	<u>950,811</u>

The \$393,159 reported as deferred outflows of resources at August 31, 2019, resulting from contributions subsequent to the measurement date will be recognized as a reduction in net pension liability for the year ending August 31, 2019.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2019, will be recognized in pension expense in the following years:

Year Ending August 31:	
2020	\$ 867,821
2021	532,912
2022	464,012
2023	767,052
2024	754,826
Thereafter	<u>508,855</u>
	<u>\$ 3,895,478</u>

ERS Plan – Other Postemployment Benefits Plan

Employees Retirement System is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. The special funding situation pertains to certain junior colleges, which does not include the Stations.

The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments (COLAs).

The audited Comprehensive Annual Financial Report (CAFR) for Employees Retirement System may be obtained from:

Employees Retirement System of Texas
200 E. 18th Street
Austin, Texas 78701

For the years ended August 31, 2019 and 2018, the Stations' contributions to the ERS plan were \$753,684 and \$75,497, respectively. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive an employer contribution. The contribution requirements for the employers in the measurement periods are presented in the table below.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Required Employer Contribution Amounts	Year Ended August 31, 2019	Year Ended August 31, 2018
Retiree Only	\$ 621.90	\$ 617.30
Retiree & Spouse	1,334.54	970.98
Retiree & Children	1,099.06	854.10
Retiree & Family	1,811.70	1,207.78

Actuarial assumptions:

The total OPEB liability is determined by annual actuarial valuations. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2018 and 2017, measurement dates.

	2018	2017
Actuarial Valuation Date	August 31, 2018	August 31, 2017
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Actuarial Assumptions:		
Discount Rate	3.96%	3.51%
Inflation	2.50%	2.50%
Salary Increase, Including Inflation	2.50% to 9.50%	2.50% to 9.50%
Healthcare Cost and Trend Rate	7.30% for FY 2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to 4.50% for FY2027 and later years	8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY2027 and later years
Aggregate Payroll Growth	3.00%	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee	Experience-based tables of rates that are specific to the class of employee
Mortality:		
State Agency Members		
Service Retirees, Survivors and Other Inactive Members	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disability Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014
Active Members	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014
Higher Education Members		
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability Retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB
Ad Hoc Postemployment Benefit Changes	None	None

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Many of the actuarial assumptions used in the valuation were primarily based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016, for state agency members and for the period September 1, 2010 to August 31, 2017, for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a) Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the Trustees from TRS;
- b) Assumed expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- c) Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- d) Percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends; and,
- e) Discount rate assumption was increased from 3.51% to 3.96% to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.96% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.51%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates essentially on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.51%. At August 31, 2018, the plan fiduciary net position as a percentage of the total OPEB liability was 1.27%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Station's net OPEB liability. The result of the analysis is presented in the table below.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

**Sensitivity of the Stations' Proportionate Share of the
Net OPEB Liability to Changes in the Discount Rate**

1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
\$ 8,507,498	\$ 7,741,522	\$ 6,150,324

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the Station's net OPEB liability. The result of the analysis is presented in the table below:

**Sensitivity of the Stations' Proportionate Share of the
Net OPEB Liability to Changes in the Healthcare Trend Rates**

1% Decrease (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)	1% Increase (8.3% decreasing to 5.5%)
\$ 6,068,524	\$ 7,741,522	\$ 8,581,338

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2018 and 2017 CAFRs.

At August 31, 2019 and 2018, the Stations reported a liability of \$7,741,522 and \$2,046,620, respectively for their proportionate share of the collective net OPEB liability. The collective net OPEB liability at August 31, 2019, was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The collective net OPEB liability at August 31, 2018, was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Stations' proportion at August 31, 2018, was 0.0241780%, which was an increase from the 0.0060066% measured at the prior measurement date. The Stations' proportion of the collective net OPEB liability at August 31, 2019, was based on their contributions to the OPEB plan relative to the contributions of all the employers and the nonemployer-contributing entity to the plan for the period September 1, 2017 through August 31, 2018. The Stations' proportion of the collective net OPEB liability at August 31, 2018, was based on their contributions to the OPEB plan relative to the contributions of all the employers and the nonemployer-contributing entity to the plan for the period September 1, 2016 through August 31, 2017.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

For the years ended August 31, 2019 and 2018, the Stations recognized OPEB expense of \$1,421,365 and \$734,238, respectively. At August 31, 2019, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	262,533
Changes of assumptions	-	2,638,389
Net difference between projected and actual investment return	3,393	-
Effect of change in proportion and contribution difference	6,740,233	-
Contributions subsequent to the measurement date	<u>17,466</u>	<u>-</u>
Total	\$ <u><u>6,761,092</u></u>	<u><u>2,900,922</u></u>

At August 31, 2018, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	24,594
Changes of assumptions	-	427,924
Net difference between projected and actual investment return	606	-
Contributions subsequent to the measurement date	<u>20,736</u>	<u>-</u>
Total	\$ <u><u>21,342</u></u>	<u><u>452,518</u></u>

The \$17,466 reported as deferred outflows of resources at August 31, 2019, resulting from contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability for the year ending August 31, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2019, will be recognized in pension expense in the following years:

Year Ending August 31:		
2020	\$	758,546
2021		758,546
2022		758,546
2023		866,390
2024		700,676
Thereafter		<u>-</u>
	\$	<u><u>3,842,704</u></u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

Optional Retirement Program

The State of Texas has also established an Optional Retirement Program (the ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP is an individualized defined contribution plan which provides for the purchase of annuity or mutual fund contracts.

For employees participating prior to September 1, 1995, the contributions to the ORP by the Stations and by each participant during fiscal year 2009 were 8.50% of the participants' annual compensation. For employees hired on September 1, 1995, or later, the percentages of the Stations' and participants' contributions were 6% of the participants' annual compensation. The percentages are established by the Texas Legislature and may fluctuate over time. Employee contribution rates for 2019 and 2018 are 6.65% for ORP participants. The State contribution rate for the ORP is 6.6% for 2019 and 2018. Contributions to the plan by the Stations and employee contributions were not material for 2019 and 2018. Since these are individual investment product contracts, the State has no additional or unfunded liability for the ORP. These contributions represent 100% of the required contribution.

(14) Leases

The Stations have entered into operating leases for various business purposes, including a tower antenna; fundraising software; utility van; fax and copy machine and KUHT server; web host connection in support of their operations; transmitting facility; and other equipment. The Stations have short- and long-term operating leases. During the years ended August 31, 2019 and 2018, lease expense was \$431,125 and \$419,848, respectively.

Future minimum lease payments under noncancellable operating lease agreements are as follows:

<u>Year Ending August 31:</u>	
2020	\$ 193,073
2021	198,151
2022	203,381
2023	208,768
2024	208,364
2025 - 2029	1,041,752
2030 - 2034	1,207,676
2034 - 2039	1,299,622
	<u>\$ 4,560,787</u>

(15) Transactions Between Primary Institution and Component Unit

Cash expenditures made by HPMF on behalf of the Stations, such as expenditures associated primarily with fundraising for the Stations and production of the Stations' local programs, are recorded as revenues and expenses for the Stations. Such cash expenditures for the fiscal years ended August 31, 2019 and 2018, amounted to \$2,624,104 and \$2,975,731, respectively, and have been included in the contributions, special events and production service revenues and in operating expenses in the accompanying statements of revenues, expenses and changes in net position.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

(16) Income Taxes

The UH System, of which the Stations are 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 (IRC). However, as a state college or university, the UH System is subject to unrelated business income pursuant to IRC Section 511(a)(2)(B). No material unrelated business income tax was incurred for the years ended August 31, 2019 and 2018. HPMF, whose purpose is to raise money for the Stations, is exempt from income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). No material unrelated business income tax was incurred by HPMF for the years ended August 31, 2019 and 2018. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(17) Risk Management

The Stations and HPMF are exposed to various risks of loss related to torts, injuries to employees and natural disasters. The UH System and HPMF carry commercial insurance to cover losses to which they may be exposed.

(18) Long-term Liabilities

The changes in long-term liabilities for the Stations for the year ended August 31, 2019, were as follows:

<u>Business-type Activities</u>	<u>Balance, August 31, 2018</u>	<u>Decreases</u>	<u>Balance, August 31, 2019</u>	<u>Amounts Due in One Year</u>
Notes payable:				
HPM Chiller replacement	\$ <u>96,526</u>	<u>80,385</u>	<u>16,141</u>	<u>16,141</u>

The changes in long-term liabilities for the Stations for the year ended August 31, 2018, were as follows:

<u>Business-type Activities</u>	<u>Balances, August 31, 2017</u>	<u>Decreases</u>	<u>Balances, August 31, 2018</u>	<u>Amounts Due in One Year</u>
Notes payable:				
HPM Chiller replacement	\$ <u>175,077</u>	<u>78,551</u>	<u>96,526</u>	<u>82,179</u>

The HPM Chiller was purchased by the UH System for the Stations. The note is unsecured and bears interest at 2.31% payable monthly. The Stations will be repaying the note remaining balance of \$16,141 in the year ended August 31, 2020.

The changes in long-term liabilities for HPMF for the year ended August 31, 2018, were as follows.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Notes to Basic Financial Statements

August 31, 2019 and 2018

<u>Business-type Activities</u>	<u>Balance, August 31, 2017</u>	<u>Decreases</u>	<u>Balance, August 31, 2018</u>	<u>Amounts Due in One Year</u>
Pledge payable to primary institution	\$ 120,000	120,000	0	0

(19) Future Change in Accounting Principle

The GASB recently issued its Statement No. 84 (GASB No. 84), *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included for fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Stations expects to first apply GASB No. 84 during the year ending August 31, 2020, using a retrospective recognition method. The impact of applying the Statement has not been determined.

The GASB recently issued its Statement No. 87 (GASB No. 87), *Leases*. The Statement establishes 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 of resources or outflows of resources based on the payment provisions of the contract. The Stations expects to first apply GASB No. 87 during the year ending August 31, 2021, using a prospective recognition method. The impact of applying the Statement has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Schedule of Houston Public Media's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas Plan
Year Ended August 31, 2019

	2019	2018	2017	2016	2015
Houston Public Media's Proportion of the Net Pension Liability	0.0152381%	0.0116575%	0.0097372%	0.0098429%	0.0111260%
Houston Public Media's Proportionate Share of the Net Pension Liability	\$ 8,051,020	2,887,317	3,788,573	3,487,671	2,972,528
Houston Public Media's Covered Payroll	\$ 4,981,187	3,631,247	3,967,210	3,784,423	4,078,174
Houston Public Media's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161.63%	79.51%	92.75%	92.16%	72.89%
Houston Public Media's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

Significant assumptions and other inputs used to measure the total pension liability in the 2018, 2017, 2016, 2015 and 2014 actuarial valuations were as follows:

	2018	2017-2015	2014
Actuarial Valuation Date	August 31, 2018	August 31, 2017, 2016 and 2015	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Floating Market Value	Level Percent, Open	Level Percent, Open
Actuarial Assumptions:			
Discount Rate	6.91%	8.00%	8.00%
Investment Rate of Return	8.00%	8.00%	8.00%
Long-term Expected Rate of Return	7.25%	-	-
Municipal Bond Rate	3.69%	-	-
Inflation	2.30%	2.50%	3.00%
Salary Increase, Including Inflation	3.05% to 9.05%	3.50% to 9.50%	4.25% to 7.25%
Mortality:			
Active	90% of the RP-2014 Employee Mortality for males and females with full generational projection using Scale BB	90% of the RP-2014 Employee Mortality for males and females	1994 Group Annuity Mortality Table, set back six years for males and females
Postretirement	2018 TRS of Texas Healthy Pensioner Mortality Tables with full generation projection using Scale BB	2015 TRS of Texas Healthy Pensioner Mortality Tables	Client-specific tables multiplied by 80%
Ad Hoc Postemployment Benefit Changes	None	None	None

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Schedule of Houston Public Media's Contributions for Net Pension Liability
Teacher Retirement System of Texas Plan
Year Ended August 31, 2019

Contributions	2019	2018	2017	2016	2015	2014
Statutorily Required Contributions	\$ 393,159	348,079	279,606	263,636	300,321	282,076
Contributions in Relation to the Statutorily Required Contributions	\$ 393,159	348,079	279,606	263,636	300,321	282,076
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-
Houston Public Media's Covered-Employee Payroll	\$ 5,149,204	4,981,187	3,631,247	3,303,303	3,784,423	4,078,174
Contributions as a Percentage of Covered-Employee Payroll	7.64%	6.99%	7.70%	7.98%	7.94%	6.92%

Actuarial Assumptions

The following assumptions were developed and recommended based on an experience study performed in 2018:

- Investment Rate of Return – 7.25% per annum, compounded annually, composed of an assumed 2.30% inflation rate and a 4.95% real rate of return, net of investment expenses.
- Mortality Rates – Active Mortality: RP-2014 Employee Mortality Tables for males and females multiplied by 90% with full generational projection using Scale BB.
- Rates of Salary Increases – Inflation rate of 2.30%, plus productivity component of 0.75%, plus step-rate/promotional component.
- Postretirement Mortality – The 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB, used for service retirement annuitants, beneficiaries and survivors.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Schedule of Houston Public Media's Proportionate Share of the Net OPEB Liability

Employees Retirement System of Texas Plan

Year Ended August 31, 2019

	<u>2019</u>	<u>2018</u>
Houston Public Media's Proportion of the Net OPEB Liability	0.02417803%	0.00600658%
Houston Public Media's Proportionate Share of the Net OPEB Liability	\$ 7,741,522	2,046,620
Houston Public Media's Covered Payroll	\$ 5,206,072	6,159,708
Houston Public Media's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	148.70%	33.23%
Houston Public Media's Plan Fiduciary Net Position as a Percentage of the OPEB	1.27%	2.04%

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Schedule of Houston Public Media's Proportionate Share of the Net OPEB Liability (Continued)

Employees Retirement System of Texas Plan

Year Ended August 31, 2019

Significant assumptions and other inputs used to measure the total OPEB liability in the 2018 and 2017 actuarial valuations were as follows:

	2018	2017
Actuarial Valuation Date	August 31, 2018	August 31, 2017
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Actuarial Assumptions:		
Discount Rate	3.96%	3.51%
Inflation	2.50%	2.50%
Salary Increase, Including Inflation	2.50% to 9.50%	2.50% to 9.50%
Healthcare Cost and Trend Rate	7.30% for FY 2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to 4.50% for FY2027 and later years	8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY2027 and later years
Aggregate Payroll Growth	3.00%	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee	Experience-based tables of rates that are specific to the class of employee
Mortality:		
State Agency Members		
Service Retirees, Survivors and Other Inactive Members	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disability Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014
Active Members	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014
Higher Education Members		
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability Retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB
Ad Hoc Postemployment Benefit Changes	None	None

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)

Schedule of Houston Public Media's Contributions for Other Postemployment Benefits

Employees Retirement System of Texas Plan

Year Ended August 31, 2019

	2019	2018	2017
Statutorily Required Contributions	\$ 17,466	20,736	807,216
Contributions in Relation to the Statutorily Required Contributions	\$ 17,466	20,736	807,216
Contribution Deficiency (Excess)	\$ -	-	-
Houston Public Media's Covered-Employee Payroll	\$ 2,978,740	5,206,072	6,159,708
Contributions as a Percentage of Covered-Employee Payroll	0.59%	0.40%	13.10%

Actuarial Assumptions

Reference the table on the prior page related to assumptions that were developed and recommended based on an experience study performed in 2018 and 2017.

SUPPLEMENTARY INFORMATION

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Primary Institution Schedule of Functional Expenses
Year Ended August 31, 2019

Schedule 1

Class	Programming and production (PRD)	Broadcasting, engineering and technical (BET)	Program information (PGM)	Total	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Total	Grand Total
Salaries and wages	\$ 3,111,738	922,958	-	4,034,696	281,225	1,097,896	-	1,379,121	5,413,817
Fringe benefits	916,447	256,336	-	1,172,783	85,594	2,214,533	-	2,300,127	3,472,910
Financial and legal services	-	23,928	-	23,928	332	270,888	-	271,220	295,148
Fundraising	17,707	5,001	-	22,708	410,922	12,787	-	423,709	446,417
Membership fees	30,187	1,042	-	31,229	1,140	37,231	-	38,371	69,600
Other expenses	334,150	238,922	3,969	577,041	1,341,623	1,247,770	316,946	2,906,339	3,483,380
Mail services	1,118	1,676	67	2,861	169,621	3,286	113	173,020	175,881
Printing and reproduction services	431	-	250	681	89,894	6,602	-	96,496	97,177
Professional services	62,087	-	-	62,087	122,463	173,649	-	296,112	358,199
Program rights	3,946,875	92,436	-	4,039,311	-	54,120	-	54,120	4,093,431
Rental and leases	109,962	295,864	-	405,826	1,482	23,817	-	25,299	431,125
Repairs and maintenance	26,719	182,072	-	208,791	-	84,108	-	84,108	292,899
Supplies and materials	31,881	66,716	681	99,278	163,744	596,525	194	760,463	859,741
Telephone	-	192,746	-	192,746	15	1,220	-	1,235	193,981
Travel	29,941	5,598	-	35,539	9,227	20,390	2,100	31,717	67,256
Utilities	-	289,111	-	289,111	-	-	-	-	289,111
Broadcasting fees	75	-	-	75	-	-	-	-	75
	8,619,318	2,574,406	4,967	11,198,691	2,677,282	5,844,822	319,353	8,841,457	20,040,148
In-kind	-	325,429	-	325,429	-	3,027,418	-	3,027,418	3,352,847
	<u>\$ 8,619,318</u>	<u>2,899,835</u>	<u>4,967</u>	<u>11,524,120</u>	<u>2,677,282</u>	<u>8,872,240</u>	<u>319,353</u>	<u>11,868,875</u>	<u>23,392,995</u>
Percentage of total expenses before depreciation	37%	12%	—%	49%	11%	39%	1%	51%	100%

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Component Unit (HPMF) Schedule of Functional Expenses
Year Ended August 31, 2019

Schedule 2

Class	Grants to Primary	Programming and production (PRD)	Broadcasting, engineering and technical (BET)	Program information (PGM)	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Innovation and Sustainability	Grand Total
Financial and legal services	\$ -	-	-	-	336	116,930	-	-	117,266
Fundraising	-	27,873	-	-	397,539	8,228	1,329	-	434,969
Grants to KUHF-FM	6,291,874	-	-	-	-	-	-	-	6,291,874
Grants to KUHT-TV	6,291,874	-	-	-	-	-	-	-	6,291,874
Innovation and sustainability grants	-	-	-	-	-	-	-	2,020,268	2,020,268
Membership fees	-	-	-	-	780	1,708	-	-	2,488
Other expenses	-	84,804	-	6,953	485,121	24,061	1,113,392	-	1,714,331
Mail services	-	-	-	-	165,029	13	-	-	165,042
Printing and reproduction services	-	94	-	-	89,245	5,677	-	-	95,016
Professional services	-	23,300	44,400	-	77,078	20,402	-	-	165,180
Program rights	-	-	-	-	-	-	-	-	-
Rental and leases	-	1,154	-	-	1,219	18	-	-	2,391
Repairs and maintenance	-	-	-	-	-	691	-	-	691
Supplies and materials	-	-	-	-	162,568	624	113	-	163,305
Telephone	-	-	-	-	15	-	-	-	15
Travel	-	-	-	-	2,669	1,651	-	-	4,320
	<u>\$ 12,583,748</u>	<u>137,225</u>	<u>44,400</u>	<u>6,953</u>	<u>1,381,599</u>	<u>180,003</u>	<u>1,114,834</u>	<u>2,020,268</u>	<u>17,469,030</u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Primary Institution Schedule of Functional Expenses
Year Ended August 31, 2018

Schedule 3

Class	Programming and production (PRD)	Broadcasting, engineering and technical (BET)	Program information (PGM)	Total	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Total	Grand total
Salaries and wages	\$ 3,257,336	968,438	-	4,225,774	158,585	936,226	42,334	1,137,145	5,362,919
Fringe benefits	461,857	137,943	1,220	601,020	25,277	751,564	6,198	783,039	1,384,059
Financial and legal services	30	16,665	-	16,695	470	316,295	-	316,765	333,460
Fundraising	2,308	8,260	440	11,008	562,030	23,516	-	585,546	596,554
Membership fees	28,173	13,884	-	42,057	-	30,320	892	31,212	73,269
Other expenses	391,320	178,458	10	569,788	1,788,645	257,876	76	2,046,597	2,616,385
Mail services	687	3,744	-	4,431	126,794	1,831	139	128,764	133,195
Printing and reproduction services	263	-	-	263	91,308	9,969	-	101,277	101,540
Professional services	86,695	-	-	86,695	97,009	183,800	-	280,809	367,504
Program rights	4,106,291	121,869	-	4,228,160	-	-	-	-	4,228,160
Rental and leases	433	396,046	-	396,479	-	23,369	-	23,369	419,848
Repairs and maintenance	450	192,069	-	192,519	-	36,370	-	36,370	228,889
Supplies and materials	8,317	78,389	-	86,706	169,750	28,575	479	198,804	285,510
Telephone	20	185,305	-	185,325	-	150	-	150	185,475
Travel	23,890	2,902	9	26,801	10,930	13,798	-	24,728	51,529
Utilities	-	314,158	-	314,158	-	-	-	-	314,158
	8,368,070	2,618,130	1,679	10,987,879	3,030,798	2,613,659	50,118	5,694,575	16,682,454
In-kind	-	325,427	-	325,427	-	3,385,403	-	3,385,403	3,710,830
	<u>\$ 8,368,070</u>	<u>2,943,557</u>	<u>1,679</u>	<u>11,313,306</u>	<u>3,030,798</u>	<u>5,999,062</u>	<u>50,118</u>	<u>9,079,978</u>	<u>20,393,284</u>
Percentage of total expenses before depreciation	41%	14%	—%	55%	15%	30%	—%	45%	100%

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Component Unit (HPMF) Schedule of Functional Expenses
Year Ended August 31, 2018

Schedule 4

Class	Grants to Primary	Programming and production (PRD)	Broadcasting, engineering and technical (BET)	Program information (PGM)	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Grand Total
Financial and legal services	\$ -	-	-	-	470	112,675	-	113,145
Fundraising	-	2,000	-	-	561,054	2,709	-	565,763
Grants to KUHF-FM	5,827,776	-	-	-	-	-	-	5,827,776
Grants to KUHT-TV	5,827,777	-	-	-	-	-	-	5,827,777
Innovation and sustainability grants	-	-	55,662	-	-	-	-	55,662
Membership fees	-	-	-	-	-	905	-	905
Other expenses	-	81,380	-	-	478,555	19,692	1,307,849	1,887,476
Mail services	-	-	-	-	117,286	985	1,235	119,506
Printing and reproduction services	-	-	-	-	90,886	9,137	-	100,023
Professional services	-	2,000	-	-	96,249	-	-	98,249
Rental and leases	-	128	-	-	-	180	-	308
Repairs and maintenance	-	-	-	-	-	591	-	591
Supplies and materials	-	181	-	-	167,515	9,000	783	177,479
Travel	-	5,227	-	-	5,581	635	-	11,443
	<u>\$ 11,655,553</u>	<u>90,916</u>	<u>55,662</u>	<u>0</u>	<u>1,517,596</u>	<u>156,509</u>	<u>1,309,867</u>	<u>14,786,103</u>

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Combining Schedule of Revenues and Expenses by Station
Year Ended August 31, 2019

Schedule 5

	KUHF-FM	KUHT-TV	Totals
Operating revenues:			
Contributions	\$ 8,059,417	7,620,905	15,680,322
General support from the UH System	1,678,633	1,674,214	3,352,847
Program underwriting	1,679,686	1,633,030	3,312,716
Production service	647,047	603,222	1,250,269
CPB grants	503,912	1,459,759	1,963,671
Rental income	187,758	187,758	375,516
Special events	-	7,013	7,013
Royalties	-	4,993	4,993
Other	164,218	130,114	294,332
Total operating revenues	<u>12,920,671</u>	<u>13,321,008</u>	<u>26,241,679</u>
Operating expenses:			
Salaries and wages	2,706,967	2,706,850	5,413,817
Fringe benefits	1,725,483	1,747,427	3,472,910
Financial and legal services	131,001	164,147	295,148
Fundraising	140,268	306,149	446,417
Membership fees	20,478	49,122	69,600
Other expenses	2,485,336	998,044	3,483,380
Mail services	89,382	86,499	175,881
Printing and reproduction services	48,810	48,367	97,177
Professional services	244,220	113,979	358,199
Program rights	1,851,642	2,241,789	4,093,431
Rental and leases	178,273	252,852	431,125
Repairs and maintenance	125,993	166,906	292,899
Supplies and materials	437,004	422,737	859,741
Telephone	97,272	96,709	193,981
Travel	23,453	43,803	67,256
Utilities	141,505	147,606	289,111
Broadcasting fees	38	37	75
In-kind	1,678,633	1,674,214	3,352,847
Depreciation	34,080	943,586	977,666
Total operating expenses	<u>12,159,838</u>	<u>12,210,823</u>	<u>24,370,661</u>
Operating income	<u>760,833</u>	<u>1,110,185</u>	<u>1,871,018</u>
Nonoperating income (loss):			
Endowment distributions	(51,524)	(5,975)	(57,499)
Gain from endowment	27,831	18,930	46,761
Other nonoperating income	46,393	46,393	92,786
Total nonoperating income (loss)	<u>22,700</u>	<u>59,348</u>	<u>82,048</u>
Change in net position	<u>\$ 783,533</u>	<u>1,169,533</u>	<u>1,953,066</u>