# HOUSTON PUBLIC MEDIA

(A Division of the University of Houston System)

Independent Auditor's Report and Financial Statements

August 31, 2018 and 2017

BKD
CPAs & Advisors

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

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BKD
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# 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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, in 2018, the Stations adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 GASB, 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 14, 2019

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

Management's Discussion and Analysis

Years Ended August 31, 2018 and 2017

## 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, 2018 and 2017. 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, 2018 and 2017. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB), 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.

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

During 2018, the Stations adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Financial information for 2017 and 2016 has not been restated for the adoption of GASB 75.

### Summary of Net Position

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ 58,137 | 1,289,039 | 668,387 |
| Capital assets, net | 4,925,615 | 5,192,606 | 5,503,009 |
| Other noncurrent assets | 1,669,811 | 1,545,593 | 1,573,143 |
| Total assets | 6,653,563 | 8,027,238 | 7,744,539 |
| Deferred outflows of resources – pension | 581,094 | 769,441 | 640,992 |
| Deferred outflows of resources – OPEB | 646,053 | - | - |
| Total assets and deferred outflows of resources | $ 7,880,710 | 8,796,679 | 8,385,531 |
| Liabilities: | | | |
| Current liabilities | $ 7,814,863 | 10,773,903 | 10,152,816 |
| Noncurrent liabilities | 4,948,284 | 3,881,471 | 3,686,266 |
| Total liabilities | 12,763,147 | 14,655,374 | 13,839,082 |
| Deferred inflows of resources – pension | 950,811 | 443,210 | 546,822 |
| Deferred inflows of resources – OPEB | 452,518 | - | - |
| Total liabilities and deferred inflows of resources | $ 14,166,476 | 15,098,584 | 14,385,904 |

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

Management's Discussion and Analysis

Years Ended August 31, 2018 and 2017

### Summary of Net Position (Continued)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net position (deficit): | | | |
| Net investment in capital assets | $ 4,829,089 | 5,017,529 | 5,209,693 |
| Restricted for endowment funds | 1,669,811 | 1,545,593 | 1,439,795 |
| Unrestricted deficit | (12,784,666) | (12,865,027) | (12,649,861) |
| Total net position (deficit) | $ (6,285,766) | (6,301,905) | (6,000,373) |

### Summary of Revenues, Expenses and Changes in Net Position

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | $ 22,990,951 | 22,045,851 | 23,564,590 |
| Operating expenses | 20,710,025 | 22,453,181 | 26,968,328 |
| Operating income (loss) | 2,280,926 | (407,330) | (3,403,738) |
| Nonoperating income (loss): | | | |
| Loss from sale of KUHA | - | - | (659,988) |
| Endowment contributions (distributions) | 1,205 | (56,066) | (54,336) |
| Gain (loss) from endowment | 123,013 | 161,864 | 36,073 |
| Change in net position | 2,405,144 | (301,532) | (4,081,989) |
| Net position (deficit), beginning of year, as previously reported | (6,301,905) | (6,000,373) | (1,918,384) |
| Adjustment for adoption of new accounting standard | (2,389,005) | - | - |
| Net position (deficit), beginning of year, as restated | (8,690,910) | (6,000,373) | (1,918,384) |
| Net position (deficit), end of year | $ (6,285,766) | (6,301,905) | (6,000,373) |

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, 2018, 2017 and 2016.

**HOUSTON PUBLIC MEDIA**
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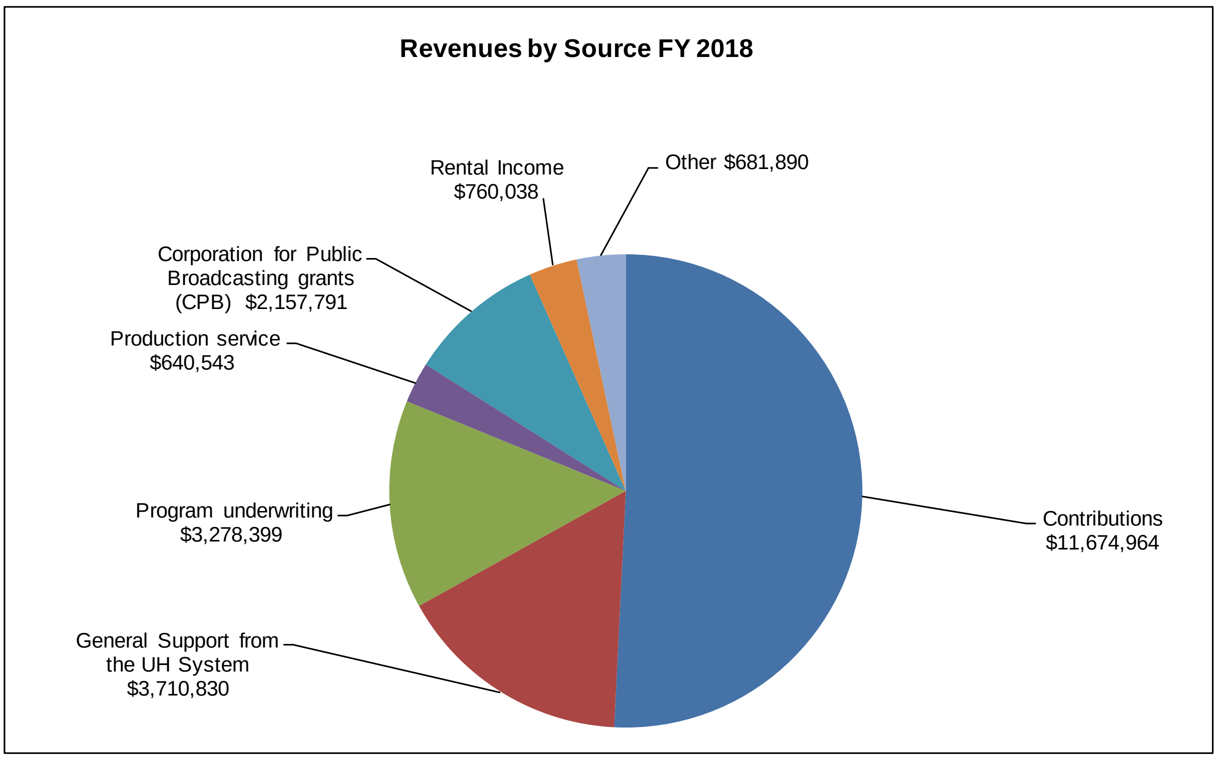
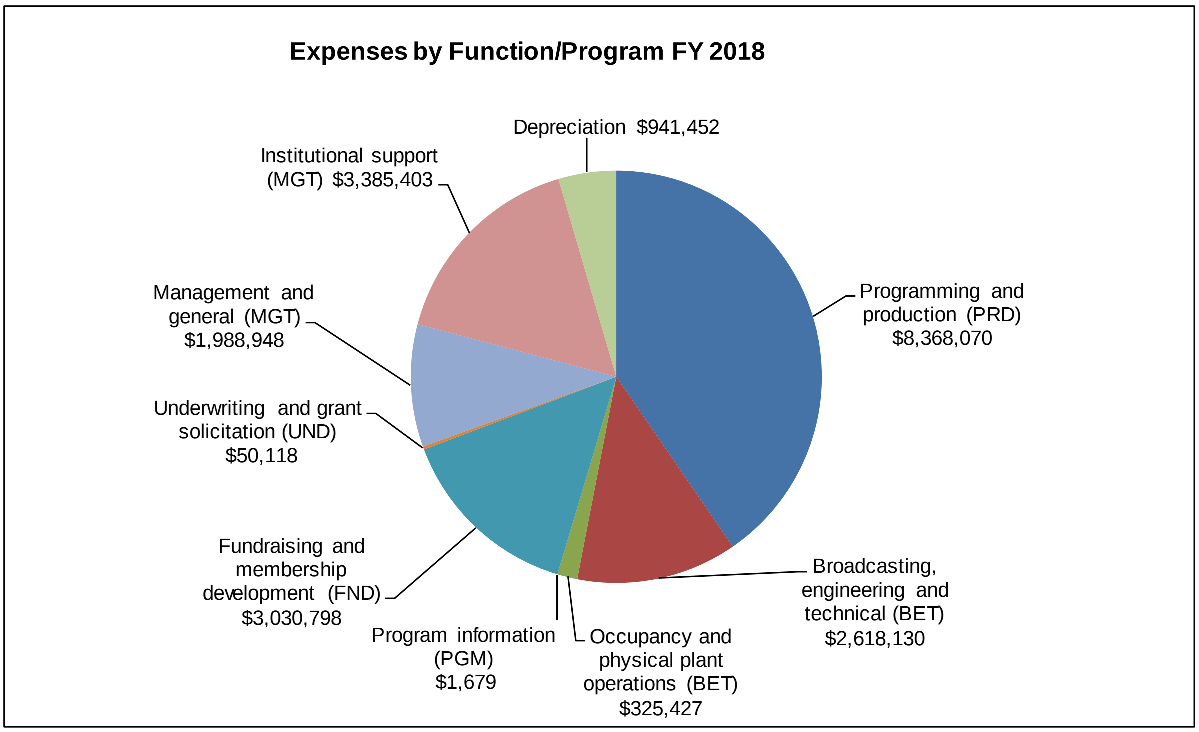
Management's Discussion and Analysis
Years Ended August 31, 2018 and 2017

| **Revenues by Source** | | **FY18** | | **FY17** | | **FY16** | | **2018–2017 Increase (Decrease)** | | **2017–2016 Increase (Decrease)** | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | (A) Amount | % of Total | (B) Amount | % of Total | (C) Amount | % of Total | (A-B) Amount | % of Total | (B-C) Amount | % of Total |
| Contributions | $ | 11,674,964 | 51% | 11,254,272 | 51% | 10,076,960 | 43% | 420,692 | 45% | 1,177,312 | -78% |
| General support from the UH System | | 3,710,830 | 16% | 3,477,018 | 16% | 6,609,857 | 28% | 233,812 | 25% | (3,132,839) | 206% |
| Program underwriting | | 3,278,399 | 14% | 3,260,551 | 15% | 4,169,672 | 18% | 17,848 | 2% | (909,121) | 60% |
| Production service | | 640,543 | 3% | 682,450 | 3% | 103,431 | 0% | (41,907) | -4% | 579,019 | -38% |
| Corporation for Public Broadcasting (CPB) grants | | 2,157,791 | 9% | 2,145,514 | 10% | 2,338,322 | 10% | 12,277 | 1% | (192,808) | 13% |
| Special events | | 9,014 | 0% | - | 0% | - | 0% | 9,014 | 1% | - | 0% |
| Other | | 1,519,410 | 7% | 1,226,046 | 5% | 266,348 | 1% | 293,364 | 31% | 959,698 | -63% |
| Total operating revenues | $ | 22,990,951 | 100% | 22,045,851 | 100% | 23,564,590 | 100% | 945,100 | 4% | (1,518,739) | -6% |




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, 2018, 2017 and 2016.

| **Expenses by Function** | **FY18** | | **FY17** | | **FY16** | | **Increase (Decrease)** | | **Increase (Decrease)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating expenses: | (A) Amount | % of Total | (B) Amount | % of Total | (C) Amount | % of Total | (A-B) Amount | % of Total | (B-C) Amount | % of Total |
| Programming and production (PRD) | $ 8,368,070 | 40% | 7,649,907 | 34% | 7,794,784 | 29% | 718,163 | -41% | (144,877) | 3% |
| Broadcasting, engineering and technical (BET) | 2,618,130 | 12% | 4,293,200 | 19% | 4,502,438 | 17% | (1,675,070) | 96% | (209,238) | 5% |
| Occupancy and physical plant operations (BET) | 325,427 | 2% | 325,429 | 1% | 480,161 | 2% | (2) | 0% | (154,732) | 3% |
| Program information (PGM) | 1,679 | 0% | 240,142 | 1% | 306,274 | 1% | (238,463) | 14% | (66,132) | 1% |
| Fundraising and membership development (FND) | 3,030,798 | 15% | 3,488,328 | 16% | 3,410,365 | 13% | (457,530) | 26% | 77,963 | -2% |
| Underwriting and grant solicitation (UND) | 50,118 | 0% | 146,379 | 1% | 865,362 | 3% | (96,261) | 6% | (718,983) | 16% |
| Management and general (MGT) | 1,988,948 | 10% | 2,274,160 | 10% | 2,556,117 | 9% | (285,212) | 16% | (281,957) | 6% |
| Institutional support (MGT) | 3,385,403 | 16% | 3,151,589 | 14% | 6,129,696 | 23% | 233,814 | -13% | (2,978,107) | 66% |
| Depreciation | 941,452 | 5% | 884,047 | 4% | 923,131 | 3% | 57,405 | -3% | (39,084) | 1% |
| Total operating expenses | $ 20,710,025 | 100% | 22,453,181 | 100% | 26,968,328 | 100% | (1,743,156) | -8% | (4,515,147) | -17% |




## Financial Highlights and Analysis

### *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 a decrease 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 $124,218 mainly due to unrealized gains on investments restricted for endowments.

- Deferred outflows of resources increased by $457,706 due to changes in the Stations' share of the future outflows related to pensions and other postemployment benefits.

- Current liabilities decreased by $2,959,040 primarily due to decreases in amounts owed to the UH System.

- Non-current liabilities increased $1,066,813 mainly because of changes in net pension obligation and net other postemployment benefit obligation.

- 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.

***Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources – Fiscal Year 2017 Compared to Fiscal Year 2016***

- Current assets increased by $620,652 mainly due to increases in year-end accounts receivable adjustments due from the component unit.

- Capital assets decreased by $310,403 mainly due to asset disposals related to obsolete KUHT master control equipment and current year depreciation on capital assets.

- Other noncurrent assets decreased by $27,550 mainly due to the transition of noncurrent pledges receivable to current pledges receivable.

- Deferred outflows of resources increased by $128,449 due to changes in the Stations' share of the future outflows related to pensions.

- Current liabilities increased by $621,087 mainly due to the increase in the "Due to the UH System."

- Noncurrent liabilities increased by $195,205 mainly due to an increase in the net pension liability.

- Deferred inflows of resources decreased by $103,612 due to changes in the Stations' share of the future inflows related to pensions.

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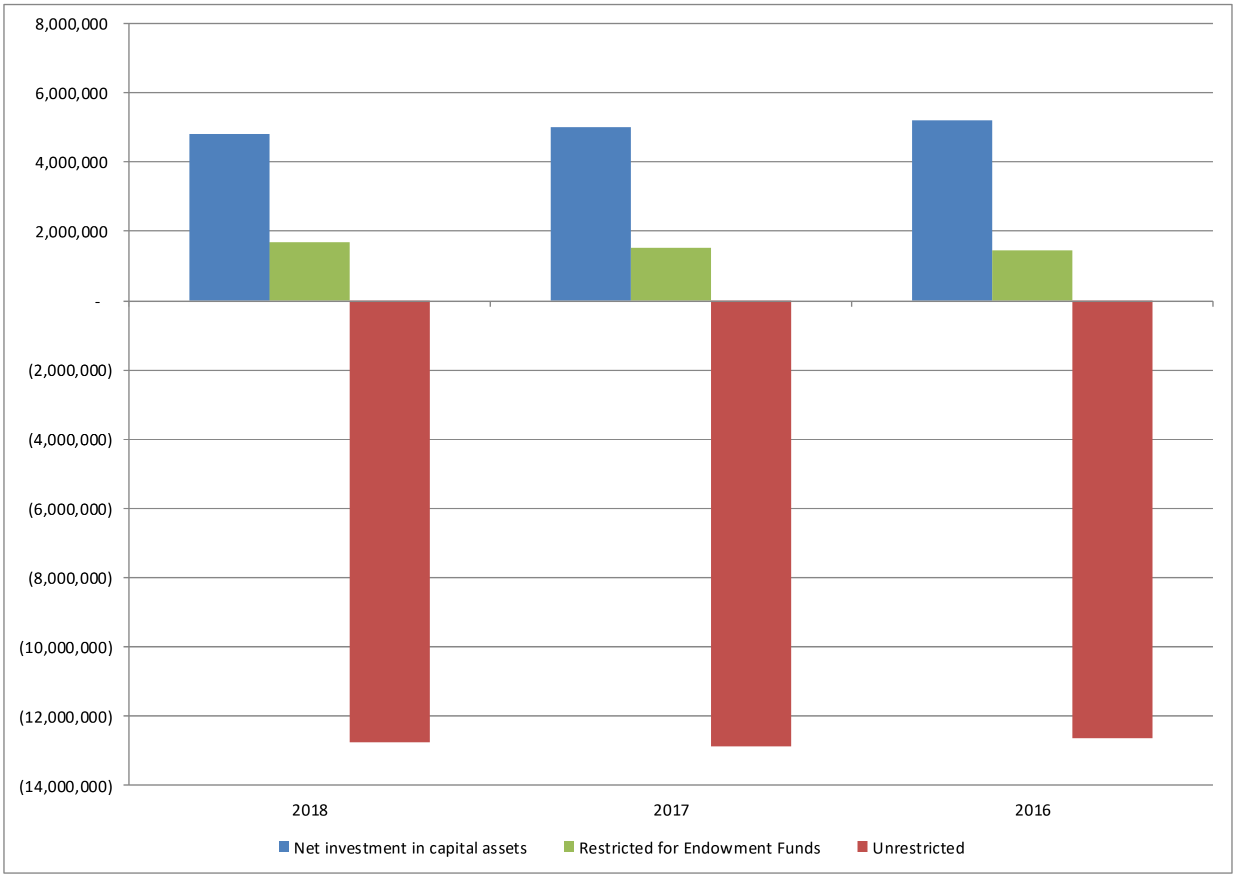
Years Ended August 31, 2018 and 2017

The following graph illustrates net position in the different categories for fiscal years 2018, 2017 and 2016:




***Operating Revenues – Fiscal Year 2018 Compared to Fiscal Year 2017***

Operating revenues increased by $945,100 due to increased contributions and rental income.

***Operating Revenues – Fiscal Year 2017 Compared to Fiscal Year 2016***

Operating revenues decreased by $1,518,739 in FY17 mainly due to decreases in the amount of general support from the UH System.

***Operating Expenses – Fiscal Year 2018 Compared to Fiscal Year 2017***

The Stations' expenses decreased by $1,743,156 primarily due to staff vacancies, vendor contracts that were not renewed, event expenses not incurred due to Hurricane Harvey and other cost management measures.

***Operating Expenses – Fiscal Year 2017 Compared to Fiscal Year 2016***

The Stations' expenses decreased by $4,515,147 in FY17 due to decreased spending in programming and production, broadcasting, engineering and technical and management activities.

**Capital Asset and Debt Administration**

As of the end of fiscal 2018, the Stations had $4,925,615 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, 2018:

| | | Budgeted amounts final | Actual | Variance with final budget favorable (unfavorable) |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Contributions | $ | 11,212,640 | 11,674,964 | 462,324 |
| General support from the UH System | | 3,349,626 | 3,710,830 | 361,204 |
| Program underwriting | | 3,741,474 | 3,278,399 | (463,075) |
| Production service | | 640,000 | 640,543 | 543 |
| Corporation for Public Broadcasting (CPB) grants | | 2,145,514 | 2,157,791 | 12,277 |
| Rental income | | 100,000 | 760,038 | 660,038 |
| Other | | 550,398 | 768,386 | 217,988 |
| Total operating revenues | $ | 21,739,652 | 22,990,951 | 1,251,299 |

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

- Rental income from a partnership with KHOU-TEGNA. This Houston area TV station had to temporarily relocate due to Hurricane Harvey.
- Increase in contributions from realized bequests.
- Increase in 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, 2018:

| | | Budgeted amounts final | Actual | Variance with final budget favorable (unfavorable) |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Programming and production (PRD) | $ | 8,592,233 | 8,368,070 | 224,163 |
| Broadcasting, engineering and technical (BET) | | 4,408,902 | 2,618,130 | 1,790,772 |
| Occupancy and physical plant operations (BET) | | 325,429 | 325,427 | 2 |
| Program information (PGM) | | 252,230 | 1,679 | 250,551 |
| Fundraising and membership development (FND) | | 2,532,477 | 3,030,798 | (498,321) |
| Underwriting and grant solicitation (UND) | | 153,799 | 50,118 | 103,681 |
| Management and general (MGT) | | 2,460,783 | 1,988,948 | 471,835 |
| Institutional support (MGT) | | 3,349,626 | 3,385,403 | (35,777) |
| Depreciation | | 950,000 | 941,452 | 8,548 |
| Total operating expenses | $ | 23,025,479 | 20,710,025 | 2,315,454 |

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

- Reduction in salaries and wages due to vacancies
- Corresponding reduction in fringe benefits due to decreases in salaries and wages.
- Reduction in spending for program rights.
- Reduction in fundraising and membership fees due to focus on philanthropic giving, as opposed to membership with premiums.

**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, 2018 and 2017

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Assets** | **Primary institution** | **Component unit (HPMF)** | **Primary institution** | **Component unit (HPMF)** |
| Current assets: | | | | |
| Cash and equivalents | $ - | 667,901 | - | 997,540 |
| Accounts receivable, net | 42 | 900,284 | 343,011 | 858,846 |
| Pledge receivable from HPMF | - | - | 120,000 | - |
| Grant receivable from HPMF | - | - | 784,115 | - |
| Restricted cash and equivalents | - | 235,193 | - | 215,492 |
| Film rights, net | 58,095 | - | 41,913 | - |
| Prepaid expenses | - | 996 | - | - |
| Total current assets | 58,137 | 1,804,374 | 1,289,039 | 2,071,878 |
| Noncurrent assets: | | | | |
| Capital assets, net | 4,925,615 | 14,100 | 5,192,606 | 14,100 |
| Investments restricted for innovation and sustainability grants | - | 2,020,268 | - | 700,630 |
| Investments restricted for endowment | 1,669,811 | 1,663,556 | 1,545,593 | 1,189,840 |
| Total noncurrent assets | 6,595,426 | 3,697,924 | 6,738,199 | 1,904,570 |
| Total assets | 6,653,563 | 5,502,298 | 8,027,238 | 3,976,448 |
| **Deferred Outflows of Resources** | | | | |
| Pension-related | 581,094 | - | 769,441 | - |
| Other postemployment benefits | 646,053 | - | - | - |
| Total deferred outflows of resources | 1,227,147 | 0 | 769,441 | 0 |
| Total assets and deferred outflows of resources | $ 7,880,710 | 5,502,298 | 8,796,679 | 3,976,448 |

See accompanying notes to basic financial statements.

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(A Division of the University of Houston System)

Statements of Net Position (Continued)

August 31, 2018 and 2017

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Primary institution** | **Component unit (HPMF)** | **Primary institution** | **Component unit (HPMF)** |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Due to the UH System | $ 6,836,629 | - | 9,587,135 | - |
| Pledge payable to primary institution | - | - | - | 120,000 |
| Grant payable to primary institution | - | - | - | 784,115 |
| Accounts payable | 28,423 | 325,739 | 2,686 | 232,144 |
| Note payable (HPM Chiller) | 82,179 | - | 82,179 | - |
| Accrued payroll | 472,722 | - | 611,405 | - |
| Unearned revenue | - | 134,238 | 76,564 | 115,940 |
| Employees' compensable leave | 394,910 | - | 413,934 | - |
| Total current liabilities | 7,814,863 | 459,977 | 10,773,903 | 1,252,199 |
| Noncurrent liabilities: | | | | |
| Net pension liability | 2,887,317 | - | 3,788,573 | - |
| Net other postemployment benefits liability | 2,046,620 | - | - | - |
| Note payable (HPM Chiller) | 14,347 | - | 92,898 | - |
| Total noncurrent liabilities | 4,948,284 | 0 | 3,881,471 | 0 |
| Total liabilities | 12,763,147 | 459,977 | 14,655,374 | 1,252,199 |
| **Deferred Inflows of Resources** | | | | |
| Pension-related | 950,811 | - | 443,210 | - |
| Other postemployment benefits | 452,518 | - | - | - |
| Total liabilities and deferred inflows of resources | 14,166,476 | 459,977 | 15,098,584 | 1,252,199 |
| **Net Position** | | | | |
| Net investment in capital assets | 4,829,089 | 14,100 | 5,017,529 | 14,100 |
| Restricted: | | | | |
| Expendable for production and outreach programs | - | 235,193 | - | 210,885 |
| Nonexpendable | 1,547,744 | 1,552,524 | 1,221,922 | 1,141,990 |
| Expendable | 122,067 | 2,131,300 | 323,671 | 748,480 |
| Unrestricted (deficit) | (12,784,666) | 1,109,204 | (12,865,027) | 608,794 |
| Total net position (deficit) | $ (6,285,766) | 5,042,321 | (6,301,905) | 2,724,249 |

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, 2018 and 2017

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Primary institution** | **Component unit (HPMF)** | **Primary institution** | **Component unit (HPMF)** |
| Operating revenues: | | | | |
| Contributions | $ 11,674,964 | 12,130,503 | 11,254,272 | 10,897,962 |
| General support from the UH System | 3,710,830 | - | 3,477,018 | - |
| Program underwriting | 3,278,399 | 4,373,412 | 3,260,551 | 4,039,763 |
| Production service | 640,543 | 6,213 | 682,450 | 13,543 |
| Corporation for Public Broadcasting (CPB) grants | 2,157,791 | - | 2,145,514 | - |
| Other grants | - | - | - | 716,857 |
| Rental income | 760,038 | - | 12,380 | - |
| Special events | 9,014 | - | - | - |
| Other | 759,372 | 120,331 | 1,213,666 | - |
| Total operating revenues | 22,990,951 | 16,630,459 | 22,045,851 | 15,668,125 |
| Operating expenses: | | | | |
| Grants to primary institution | - | 11,655,553 | - | 12,076,944 |
| Programming and production (PRD) | 8,368,070 | 90,916 | 7,649,907 | 99,807 |
| Broadcasting, engineering and technical (BET) | 2,618,130 | 55,662 | 4,293,200 | 375,331 |
| Occupancy and physical plant operations (BET) | 325,427 | - | 325,429 | - |
| Program information (PGM) | 1,679 | - | 240,142 | 5,227 |
| Fundraising and membership development (FND) | 3,030,798 | 1,517,596 | 3,488,328 | 1,783,258 |
| Underwriting and grant solicitation (UND) | 50,118 | 1,309,867 | 146,379 | 1,122,143 |
| Management and general (MGT) | 1,988,948 | 156,509 | 2,274,160 | 255,885 |
| Institutional support (MGT) | 3,385,403 | - | 3,151,589 | - |
| Depreciation | 941,452 | - | 884,047 | - |
| Total operating expenses | 20,710,025 | 14,786,103 | 22,453,181 | 15,718,595 |
| Operating income (loss) | 2,280,926 | 1,844,356 | (407,330) | (50,470) |
| Nonoperating income (loss): | | | | |
| Endowment contributions (distributions) | 1,205 | 390,316 | (56,066) | (91,832) |
| Gain from endowment | 123,013 | 83,400 | 161,864 | 81,302 |
| Total nonoperating income (loss) | 124,218 | 473,716 | 105,798 | (10,530) |
| Change in net position | 2,405,144 | 2,318,072 | (301,532) | (61,000) |
| Net position (deficit), beginning of year, as previously reported | (6,301,905) | 2,724,249 | (6,000,373) | 2,785,249 |
| Adjustment for adoption of new accounting standard standard (Note 3) | (2,389,005) | - | - | - |
| Net position (deficit), beginning of year, as restated | (8,690,910) | 2,724,249 | (6,000,373) | 2,785,249 |
| Net position (deficit), end of year | $ (6,285,766) | 5,042,321 | (6,301,905) | 2,724,249 |

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, 2018 and 2017

| | 2018 Primary institution | 2017 Primary institution |
|---|---|---|
| Cash flows from operating activities: | | |
| Proceeds from contributions | $ 11,794,964 | 2,872,490 |
| Proceeds from Corporation for Public Broadcasting (CPB) grant | 2,157,791 | 2,145,514 |
| Proceeds from other grants | 784,115 | 11,292,829 |
| Proceeds from program underwriting | 3,544,804 | 249,590 |
| Proceeds from other revenues | 2,168,967 | 1,345,504 |
| Payments to suppliers for goods and services | (1,268,560) | (3,494,263) |
| Payments to employees | (8,668,979) | (8,255,628) |
| Payments for broadcasting fees | (4,228,160) | (3,894,615) |
| Payments for other expenses | (2,616,385) | (2,425,845) |
| Net cash provided by (used in) operating activities | 3,668,557 | (164,424) |
| Cash flows from noncapital financing activities: | | |
| Advances from (repayments to) the UH System | (2,750,506) | 896,087 |
| Gift for endowment purposes | 58,509 | - |
| Net cash provided by (used in) noncapital financing activities | (2,691,997) | 896,087 |
| Cash flows from capital and related financing activities: | | |
| Payments for additions to capital assets | (784,774) | (573,644) |
| Payments for additions of film rights | (54,726) | (39,780) |
| Payments on note payable (HPM Chiller) | (78,551) | (105,697) |
| Payments on note payable (KUHT server) | - | (12,542) |
| Net cash used in capital and related financing activities | (918,051) | (731,663) |
| Cash flows from investing activities: | | |
| Purchases of investments | (58,509) | - |
| Net cash used in investing activities | (58,509) | 0 |
| Change in cash and cash equivalents | - | - |
| Cash and cash equivalents, beginning of year | - | - |
| Cash and cash equivalents, end of year | $ 0 | 0 |

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, 2018 and 2017

| | 2018 Primary institution | 2017 Primary institution |
|---|---|---|
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | $ 2,280,926 | (407,330) |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| Depreciation expense | 941,452 | 884,047 |
| Amortization of film rights | 38,544 | 52,597 |
| Loss on disposal of capital assets | 110,313 | - |
| Decrease in accounts receivable | 342,969 | 253,638 |
| Decrease in pledge receivable | 120,000 | 18,348 |
| (Increase) decrease in grant receivable | 784,115 | (784,115) |
| Decrease in prepaid expenses | - | 12,008 |
| Increase (decrease) in accounts payable | 25,737 | (1,482) |
| Decrease in accrued payroll | (138,683) | (61,267) |
| Decrease in unearned revenue | (76,564) | (150,777) |
| Decrease in employees' compensable leave | (19,024) | (48,932) |
| (Increase) decrease in deferred outflows of resources – pensions | 188,347 | (128,449) |
| Increase in deferred outflows of resources – other postemployment benefits | (646,053) | - |
| Increase (decrease) in deferred inflows of resources – pensions | 507,601 | (103,612) |
| Increase in deferred inflows of resources – other postemployment benefits | 452,518 | - |
| Increase (decrease) in net pension liability | (901,256) | 300,902 |
| Decrease in net other postemployment benefits liability | (342,385) | - |
| Total adjustments | 1,387,631 | 242,906 |
| Net cash provided by (used in) operating activities | $ 3,668,557 | (164,424) |

See accompanying notes to basic financial statements.

## (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 currently 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. Current 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.

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 Corporation for Public Broadcasting's (CPB) *Application Principles of Accounting and Financial Reporting to Public Telecommunications Entities*.

***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 or gifts to the Innovation and Sustainability Fund, 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. Pledges Receivable***

Unconditional promises to give (pledges) that are measurable are recorded after being discounted to the anticipated net present value of the future cash flows. The Stations and HPMF provide an allowance for estimated uncollectible pledges, which is based upon a review of outstanding pledges receivable, historical collections and existing economic conditions.

***h. 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.

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.

***i. 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 |
| 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.

***j. 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.

***k. 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 12.

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.

***l. Unearned Revenues***

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

***m. Advertising***

Advertising costs are charged to operations when incurred.

***n. 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.

***o. 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 eight 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.

***p. 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.

***q. 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 Other Postemployment Benefit (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 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.

***r. Reclassifications***

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net position.

## (3) Implementation of New Accounting Standard

In fiscal year 2018, the Stations implemented GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which was effective for financial statements for periods beginning after June 15, 2017. Statement No. 75 revises and establishes new financial reporting requirements for most governments that provide their employees with OPEB other than pensions. Statement No. 75 requires cost-sharing employers participating in the TRS-Care program, such as the Stations, to record their proportionate share, as defined in Statement No. 75, of the TRS's unfunded OPEB liability. Restatement of the 2017 financial statements is not practical because prior year information calculated under the provisions of Statement No. 75 is not available. The Stations have reported the cumulative effect of applying Statement No. 75 as a restatement of net position as of September 1, 2017. This restatement decreased previously reported net position by $2,389,005.

## (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 three fiscal years. That percentage was 4% in fiscal years 2018 and 2017. If an endowment was in existence less than three years, the average was based on the number of years 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 2018 and 2017, 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, 2018 and 2017:

| | | |
|---|---|---|
| Balance, September 1, 2016 | $ | 1,439,795 |
| FY17 net distributions | | (56,066) |
| FY17 realized/unrealized gain | | 161,864 |
| Balance, August 31, 2017 | | 1,545,593 |
| FY18 net contributions | | 1,205 |
| FY18 realized/unrealized gain | | 123,013 |
| Balance, August 31, 2018 | $ | 1,669,811 |

The assets of the Stations' endowments totaled $1,669,811 and $1,545,593 at August 31, 2018 and 2017, 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.

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 $1,663,556 and $1,189,840 as of August 31, 2018 and 2017, 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, 2018 and 2017:

| | | |
|---|---|---|
| Balance, September 1, 2016 | $ | 1,200,370 |
| FY17 net distributions | | (91,832) |
| FY17 realized/unrealized gain | | 81,302 |
| Balance, August 31, 2017 | | 1,189,840 |
| FY18 net contributions | | 390,316 |
| FY18 realized/unrealized gain | | 83,400 |
| Balance, August 31, 2018 | $ | 1,663,556 |

## (5) Accounts Receivable

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

| | | Primary institution | Component unit (HPMF) |
|---|---|---|---|
| Accounts receivable | $ | 42 | 900,284 |
| Allowance for doubtful accounts | | - | - |
| Total | $ | 42 | 900,284 |

Accounts receivable as of August 31, 2017, comprised the following:

| | | Primary institution | Component unit (HPMF) |
|---|---|---|---|
| Accounts receivable | $ | 343,011 | 858,846 |
| Allowance for doubtful accounts | | - | - |
| Total | $ | 343,011 | 858,846 |

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

## (6) Pledge Receivable

As of August 31, 2017, the pledge receivable from HPMF and pledge payable to the Primary Institution consisted of $120,000 collected on a pledge by HPMF which had not yet been remitted to the Primary Institution. As of August 31, 2017, there was no allowance for estimated uncollectible pledges. This amount was remitted by HPMF to the Primary Institution during the current fiscal year.

## (7) Capital Assets

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

| | | 2017 | Additions | Dispositions | 2018 |
|---|---|---|---|---|---|
| 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 |

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

| | 2017 | Additions | Dispositions | 2018 |
|---|---|---|---|---|
| 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, 2017, were as follows for the Stations:

| | 2016 | Additions | Dispositions | 2017 |
|---|---|---|---|---|
| Capital assets: | | | | |
| Buildings and building improvements | $ 12,706,461 | - | - | 12,706,461 |
| Furniture and equipment | 8,296,808 | 573,644 | 288,508 | 8,581,944 |
| Vehicles | 53,295 | - | - | 53,295 |
| Intangible and other assets | 75,000 | - | - | 75,000 |
| Total capital assets | 21,131,564 | 573,644 | 288,508 | 21,416,700 |
| Less accumulated depreciation | 15,628,555 | 884,047 | 288,508 | 16,224,094 |
| Net capital assets | $ 5,503,009 | (310,403) | 0 | 5,192,606 |

Capital asset activities for the year ended August 31, 2017, were as follows for HPMF:

| | 2016 | Additions | Dispositions | 2017 |
|---|---|---|---|---|
| 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 |

## (8) 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, 2018 and 2017:

- Pooled investments of $1,669,811 and $1,545,593, respectively, are valued at fair value per share of the pool's underlying portfolio.

HPMF had the following recurring fair value measurements as of August 31, 2018 and 2017:

- Pooled investments of $3,683,824 and $1,890,470, respectively, are valued at fair value per share of the pool's underlying portfolio.

## (9) 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, 2018 and 2017, were as follows.

| | | |
|---|---|---|
| Balance, September 1, 2016 | $ | 54,730 |
| FY17 additions | | 39,780 |
| FY17 amortization | | (52,597) |
| Balance, August 31, 2017 | | 41,913 |
| FY18 additions | | 54,726 |
| FY18 amortization | | (38,544) |
| Balance, August 31, 2018 | $ | 58,095 |

## (10) Due to the UH System

Since the Stations maintain all of their 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 and 2017.

## (11) 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. In the current year, the Stations produced a net excess of revenues over expenses, which was offset by the adjustment to net position for the adoption of GASB 75 (Note 3). The net deficit of unrestricted net position at August 31, 2018 and 2017, was $12,784,665 and $12,865,027, respectively.

## (12) 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 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 $325,427 and $325,429 in the fiscal years 2018 and 2017, respectively. The UH System also provides indirect administrative support and maintenance support to the Stations, which are recorded in revenues and expenses based on the UH System's allocation methods. Indirect administrative support amounted to $3,385,403 and $3,151,589 in fiscal years 2018 and 2017, respectively.

Fiscal year 2017 indirect administrative support has been revised for changes in the computation approved by the Corporation for Public Broadcasting (CPB). The revision reduced the support revenues and expenses recorded by $1,729,919 and did not have an impact on the change in net position for the year ended August 31, 2017.

## (13) 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.

## (14) 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.

### 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, 2018 and 2017, the Stations' contributions to the TRS plan were $348,079 and $279,606, respectively. The contribution rates for the employers and the members are presented in the table below:

| Required Contribution Rates | Year Ended August 31, 2018 | Year Ended August 31, 2017 |
|---|---|---|
| Employer (the Stations) | 6.80% | 6.80% |
| Members | 7.70% | 7.20% |

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, 2017, 2016, 2015 and 2014, measurement dates.

| | **2017–2015** | **2014** |
|---|---|---|
| Actuarial Valuation Date | August 31, 2017, 2016 and 2015 | August 31, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal | Individual Entry Age Normal |
| Amortization Method | Level Percent, Open | Level Percent, Open |
| Actuarial Assumptions: | | |
| Discount Rate | 8.00% | 8.00% |
| Investment Rate of Return | 8.00% | 8.00% |
| Inflation | 2.50% | 3.00% |
| Salary Increase, Including Inflation | 3.50% to 9.50% | 4.25% to 7.25% |
| Mortality: | | |
| Active | 90% of the RP-2014 Employee Mortality Tables for males and females | 1994 Group Annuity Mortality Table, set back six years for males and females |
| Postretirement | 2015 TRS of Texas Healthy Pensioner Mortality Tables | Client-specific tables multiplied by 80% |
| Ad Hoc Postemployment Benefit Changes | None | None |

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 of 8% was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers and the nonemployer contributing entity make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

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.

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, 2017, are presented below:

| Asset Class | Target Allocation | Long-term Expected Geometric Real Rate of Return |
|---|---|---|
| *Global Equity* | | |
| U.S. Treasury | 18% | 4.6% |
| Non-U.S. Developed | 13% | 5.1% |
| Emerging Markets | 9% | 5.9% |
| Directional Hedge Funds | 4% | 3.2% |
| Private Equity | 13% | 7.0% |
| *Stable Value* | | |
| U.S. Treasury | 11% | 0.7% |
| Absolute Return | 0% | 1.8% |
| Stable Value Hedge Funds | 4% | 3.0% |
| Cash | 1% | -0.2% |
| *Real Return* | | |
| Global Inflation Linked Bonds | 3% | 0.9% |
| Real Assets | 16% | 5.1% |
| Energy and Natural Resources | 3% | 6.6% |
| Commodities | 0% | 1.2% |
| *Risk Parity* | | |
| Risk Parity | 5% | 6.7% |
| 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, 2018. 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 (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|---|---|---|
| $ 6,283,750 | $ 2,887,317 | $ 1,598,922 |

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 2017 and 2016 CAFRs.

At August 31, 2018 and 2017, the Stations reported a liability of $2,887,317 and $3,788,573, respectively, for their proportionate share of the collective net pension liability. 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 collective net pension liability at August 31, 2017, was measured as of August 31, 2016, 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, 2017, was 0.0116575%, which was an increase from the 0.0097372% measured at the prior measurement date. 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. The Stations' proportion of the collective net pension liability at August 31, 2017, 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, 2015 through August 31, 2016.

For the years ended August 31, 2018 and 2017, the Stations recognized pension expense of $174,960 and $402,014, respectively. At August 31, 2018, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| 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 | | 348,079 | - |
| Total | $ | 581,094 | 950,811 |

At August 31, 2017, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| Difference between expected and actual experience | $ | 57,695 | 109,869 |
| Changes of assumptions | | 112,146 | 101,992 |
| Net difference between projected and actual investment return | | 311,576 | - |
| Change in proportion and contribution difference | | 8,418 | 231,350 |
| Contributions subsequent to the measurement date | | 279,606 | - |
| Total | $ | 769,441 | 443,211 |

The $348,079 reported as deferred outflows of resources at August 31, 2018, 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.

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2018, will be recognized in pension expense in the following years:

| | | |
|---|---|---|
| Year Ending August 31: | | |
| 2019 | $ | (205,185) |
| 2020 | | 32,748 |
| 2021 | | (223,462) |
| 2022 | | (274,190) |
| 2023 | | (24,535) |
| Thereafter | | (23,172) |
| | $ | (717,796) |

**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

During the measurement period of 2017 for fiscal 2018 reporting, the amount of the Stations' contributions recognized by the ERS plan was $75,497. 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 period are presented in the table below.

| Required Employer Contribution Amounts | | Year Ended August 31, 2018 |
|---|---|---|
| Retiree Only | $ | 617.30 |
| Retiree & Spouse | | 970.98 |
| Retiree & Children | | 854.10 |
| Retiree & Family | | 1,207.78 |

Actuarial assumptions:

The total OPEB liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| | 2017 |
|---|---|
| Actuarial Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 3.51% (2.84% in prior years) |
| Inflation | 2.50% |
| Salary Increase, Including Inflation | 2.50% to 9.50% |
| Healthcare Cost and Trend Rate | 8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY2027 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | 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 |
| Disability Retirees | 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 |

| | **2017** |
|---|---|
| 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 2014 |
| Disability Retirees | 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 full generational projection using Scale BB |
| Ad Hoc Postemployment Benefit Changes | None |

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, 2014, for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions.*

The following benefit revisions have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary:

a) Increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility,

b) Elimination of the copayment for virtual visits,

c) Copay reduction for Airrosti and for out-of-state participants and

d) Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.51% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.84%. 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 2.84%. At August 31, 2017, the plan fiduciary net position as a percentage of the total OPEB liability was only 2.04%.

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:

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

| 1% Decrease (2.51%) | Current Discount Rate (3.51%) | 1% Increase (4.51%) |
|---|---|---|
| $ 2,443,067 | $ 2,046,620 | $ 1,739,537 |

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 (7.5% decreasing to 3.5%) | Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%) | 1% Increase (9.5% decreasing to 5.5%) |
|---|---|---|
| $ 1,720,532 | $ 2,046,620 | $ 2,469,738 |

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 2017 CAFR.

At August 31, 2018, the Stations reported a liability of $2,046,620 for their proportionate share of the collective net OPEB liability. 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, 2017, was 0.00600658%. 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.

For the year ended August 31, 2018, the Stations recognized OPEB expense of $109,527. At August 31, 2018, the Stations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| 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 | 645,447 | - |
| Total | $ 646,053 | 452,518 |

The $645,447 reported as deferred outflows of resources at August 31, 2018, resulting from contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability for the year ending August 31, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2018, will be recognized in pension expense in the following years:

| Year Ending August 31: | |
|---|---|
| 2019 | $ (101,767) |
| 2020 | (101,767) |
| 2021 | (101,767) |
| 2022 | (101,767) |
| 2023 | (44,844) |
| Thereafter | - |
| | $ (451,912) |

**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 2018 and 2017 are 6.65% for ORP participants. The State contribution rate for the ORP is 6.6% for 2018 and 2017. Contributions to the plan by the Stations and employee contributions were not material for 2018, 2017 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.

## (15) 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, 2018 and 2017, lease expense was $385,715 and $427,288, respectively. Future minimum lease payments under noncancellable operating lease agreements as of August 31, 2018 were $43,569 for fiscal year 2019.

## (16) 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, 2018 and 2017, amounted to $2,975,731 and $2,837,136, 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.

## (17) 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, 2018 and 2017. 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, 2018 and 2017. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

## (18) 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.

## (19) Long-term Liabilities

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

| Business-type Activities | | Balance, August 31, 2017 | Decreases | Balance, August 31, 2018 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Notes payable: | | | | | |
| HPM Chiller replacement | $ | 175,077 | 78,551 | 96,526 | 82,179 |
| Total | $ | 175,077 | 78,551 | 96,526 | 82,179 |

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

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

The changes in long-term liabilities for the Stations for the year ended August 31, 2017, were as follows:

| Business-type Activities | | Balances, August 31, 2016 | Decreases | Balances, August 31, 2017 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Notes payable: | | | | | |
| KUHT server | $ | 12,542 | 12,542 | - | - |
| HPM Chiller replacement | | 280,774 | 105,697 | 175,077 | 82,179 |
| Total | $ | 293,316 | 118,239 | 175,077 | 82,179 |

The changes in long-term liabilities for HPMF for the year ended August 31, 2017, were as follows:

| Business-type Activities | | Balance, August 31, 2016 | Decreases | Balance, August 31, 2017 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Pledge payable to primary institution | $ | 138,348 | 18,348 | 120,000 | 120,000 |

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 following the schedule below:

| | | HPM Chiller |
|---|---|---|
| Year ending August 31: | | |
| 2019 | $ | 82,179 |
| 2020 | | 14,347 |
| | $ | 96,526 |

# 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, 2018

| | | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Houston Public Media's Proportion of the Net Pension Liability | | 0.0116575% | 0.0097372% | 0.0098429% | 0.0111260% |
| Houston Public Media's Proportionate Share of the Net Pension Liability | $ | 2,887,317 | 3,788,573 | 3,487,671 | 2,972,528 |
| Houston Public Media's Covered Payroll | $ | 3,631,247 | 3,303,303 | 3,784,423 | 4,078,174 |
| Houston Public Media's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | | 79.51% | 92.75% | 92.16% | 72.89% |
| Houston Public Media's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 82.17% | 78.00% | 78.43% | 83.25% |

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

| | 2017–2015 | 2014 |
|---|---|---|
| Actuarial Valuation Date | August 31, 2017, 2016 and 2015 | August 31, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal | Individual Entry Age Normal |
| Amortization Method | Level Percent, Open | Level Percent, Open |
| Actuarial Assumptions: | | |
| Discount Rate | 8.00% | 8.00% |
| Investment Rate of Return | 8.00% | 8.00% |
| Inflation | 2.50% | 3.00% |
| Salary Increase, Including Inflation | 3.50% to 9.50% | 4.25% to 7.25% |
| Mortality: | | |
| Active | 90% of the RP-2014 Employee Mortality Tables for males and females | 1994 Group Annuity Mortality Table, set back six years for males and females |
| Postretirement | 2015 TRS of Texas Healthy Pensioner Mortality Tables | Client-specific tables multiplied by 80% |
| 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 Net Pension Liability

Teacher Retirement System of Texas Plan

Year Ended August 31, 2018

| Contributions | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Statutorily Required Contributions | $ | 348,079 | 279,606 | 263,636 | 300,321 | 282,076 |
| Contributions in Relation to the Statutorily Required Contributions | $ | 348,079 | 279,606 | 263,636 | 300,321 | 282,076 |
| Contribution Deficiency (Excess) | $ | - | - | - | - | - |
| Houston Public Media's Covered-Employee Payroll | $ | 4,981,187 | 3,631,247 | 3,303,303 | 3,784,423 | 4,078,174 |
| Contributions as a Percentage of Covered-Employee Payroll | | 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 2017:

- Investment Rate of Return – 8.00% per annum, compounded annually, composed of an assumed 2.50% inflation rate and a 5.5% 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 2.50%, plus productivity component of 100%, plus step-rate/promotional component.
- Postretirement Mortality – The 2015 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, 2018

| | | 2018 |
|---|---|---|
| Houston Public Media's Proportion of the Net OPEB Liability | | 0.00600658% |
| Houston Public Media's Proportionate Share of the Net OPEB Liability | $ | 2,046,620 |
| Houston Public Media's Covered Payroll | $ | 6,159,708 |
| Houston Public Media's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | | 33.23% |
| Houston Public Media's Plan Fiduciary Net Position as a Percentage of the OPEB | | 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, 2018

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

| | **2017** |
|---|---|
| Actuarial Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 3.51% (2.84% in prior years) |
| Inflation | 2.50% |
| Salary Increase, Including Inflation | 2.50% to 9.50% |
| Healthcare Cost and Trend Rate | 8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY2027 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | 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 |
| Disability Retirees | 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 |
| 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 2014 |
| Disability Retirees | 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 full generational projection using Scale BB |
| Ad Hoc Postemployment Benefit Changes | 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, 2018

| | | 2018 | 2017 |
|---|---|---|---|
| Statutorily Required Contributions | $ | 645,447 | 807,216 |
| Contributions in Relation to the Statutorily Required Contributions | $ | 645,447 | 807,216 |
| Contribution Deficiency (Excess) | $ | - | - |
| Houston Public Media's Covered-Employee Payroll | $ | 5,206,072 | 6,159,708 |
| Contributions as a Percentage of Covered-Employee Payroll | | 12.40% | 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 2017.

# SUPPLEMENTARY INFORMATION

**HOUSTON PUBLIC MEDIA**

(A Division of the University of Houston System)

Primary Institution Schedule of Functional Expenses

Year Ended August 31, 2018

**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 | $ 3,257,336 | 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 | 126,853 | 6,198 | 158,328 | 759,348 |
| 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 | 1,988,948 | 50,118 | 5,069,864 | 16,057,743 |
| In-kind | - | 325,427 | - | 325,427 | - | 3,385,403 | - | 3,385,403 | 3,710,830 |
| | $ 8,368,070 | 2,943,557 | 1,679 | 11,313,306 | 3,030,798 | 5,374,351 | 50,118 | 8,455,267 | 19,768,573 |
| Percentage of total expenses before depreciation | 42% | 15% | —% | 57% | 15% | 28% | —% | 43% | 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 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) | 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 |
| Telephone | - | - | - | - | - | - | - | - |
| Travel | - | 5,227 | - | - | 5,581 | 635 | - | 11,443 |
| | $ 11,655,553 | 90,916 | 55,662 | 0 | 1,517,596 | 156,509 | 1,309,867 | 14,786,103 |

# HOUSTON PUBLIC MEDIA

(A Division of the University of Houston System)

Primary Institution Schedule of Functional Expenses

Year Ended August 31, 2017

**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 | $ 2,490,567 | 1,993,357 | 170,013 | 4,653,937 | 617,708 | 967,116 | 113,689 | 1,698,513 | 6,352,450 |
| Fringe benefits | 678,184 | 578,565 | 49,419 | 1,306,168 | 195,272 | 260,994 | 30,545 | 486,811 | 1,792,979 |
| Financial and legal services | 17 | 2,923 | - | 2,940 | 142,095 | 254,115 | - | 396,210 | 399,150 |
| Fundraising | 14,601 | 5,149 | - | 19,750 | 727,684 | 71,640 | 10 | 799,334 | 819,084 |
| Membership fees | 135,291 | 12,484 | 4,142 | 151,917 | - | 49,152 | - | 49,152 | 201,069 |
| Other expenses | 335,151 | 364,936 | 1,573 | 701,660 | 1,373,777 | 350,321 | 87 | 1,724,185 | 2,425,845 |
| Mail services | 397 | 3,500 | 14 | 3,911 | 166,464 | 1,263 | 33 | 167,760 | 171,671 |
| Printing and reproduction services | 3,378 | 18 | 2,241 | 5,637 | 26,519 | 12,998 | - | 39,517 | 45,154 |
| Professional services | 133,277 | 6,130 | - | 139,407 | 91,712 | 143,211 | 455 | 235,378 | 374,785 |
| Program rights | 3,814,029 | 11,300 | 12,728 | 3,838,057 | 12,817 | 43,741 | - | 56,558 | 3,894,615 |
| Rental and leases | 2,696 | 471,154 | - | 473,850 | 156 | 11,506 | - | 11,662 | 485,512 |
| Repairs and maintenance | 625 | 257,612 | - | 258,237 | - | 88,865 | - | 88,865 | 347,102 |
| Supplies and materials | 8,467 | 82,510 | - | 90,977 | 122,600 | - | 1,171 | 123,771 | 214,748 |
| Telephone | 9,351 | 182,019 | - | 191,370 | 60 | 758 | - | 818 | 192,188 |
| Travel | 23,876 | 7,081 | 12 | 30,969 | 11,464 | 18,410 | 389 | 30,263 | 61,232 |
| Utilities | - | 314,462 | - | 314,462 | - | 70 | - | 70 | 314,532 |
| | 7,649,907 | 4,293,200 | 240,142 | 12,183,249 | 3,488,328 | 2,274,160 | 146,379 | 5,908,867 | 18,092,116 |
| In-kind | - | 325,429 | - | 325,429 | - | 3,151,589 | - | 3,151,589 | 3,477,018 |
| | $ 7,649,907 | 4,618,629 | 240,142 | 12,508,678 | 3,488,328 | 5,425,749 | 146,379 | 9,060,456 | 21,569,134 |
| Percentage of total expenses before depreciation | 35% | 21% | 1% | 58% | 16% | 26% | 1% | 42% | 100% |

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

Component Unit (HPMF) Schedule of Functional Expenses

Year Ended August 31, 2017

**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 | $ - | - | - | - | 121,014 | 93,801 | - | 214,815 |
| Fundraising | - | 13,404 | 42 | 980 | 716,597 | 71,524 | 590 | 803,137 |
| Grants to KUHF-FM | 6,038,472 | - | - | - | - | - | - | 6,038,472 |
| Grants to KUHT-TV | 6,038,472 | - | - | - | - | - | - | 6,038,472 |
| Innovation and sustainability grants | - | - | 353,118 | - | - | - | - | 353,118 |
| Membership fees | - | 45 | - | - | - | 2,852 | - | 2,897 |
| Other expenses | - | 49,780 | 11,747 | 63 | 469,294 | 23,815 | 1,120,829 | 1,675,528 |
| Mail services | - | - | - | - | 189,194 | 44 | 680 | 189,918 |
| Printing and reproduction services | - | 2,831 | - | 458 | 42,850 | 15,413 | - | 61,552 |
| Professional services | - | 3,899 | - | - | 80,489 | 12,341 | - | 96,729 |
| Program rights | - | 14,082 | 10,265 | - | - | - | - | 24,347 |
| Rental and leases | - | 108 | - | - | 208 | 1,125 | - | 1,441 |
| Repairs and maintenance | - | - | - | - | - | 448 | - | 448 |
| Supplies and materials | - | 64 | 159 | - | 151,573 | 30,891 | 26 | 182,713 |
| Telephone | - | 9,351 | - | - | 60 | - | - | 9,411 |
| Travel | - | 6,243 | - | 3,726 | 11,979 | 3,631 | 18 | 25,597 |
| | $ 12,076,944 | 99,807 | 375,331 | 5,227 | 1,783,258 | 255,885 | 1,122,143 | 15,718,595 |

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

Combining Schedule of Revenues and Expenses by Station

Year Ended August 31, 2018

**Schedule 5**

| | | KUHF-FM | KUHT-TV | Totals |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Contributions | $ | 5,954,209 | 5,720,755 | 11,674,964 |
| General support from the UH System | | 1,788,620 | 1,922,210 | 3,710,830 |
| Program underwriting | | 1,656,179 | 1,622,220 | 3,278,399 |
| Production service | | 596,548 | 43,995 | 640,543 |
| Corporation for Public Broadcasting (CPB) grants | | 687,970 | 1,469,821 | 2,157,791 |
| Rental income | | 380,019 | 380,019 | 760,038 |
| Special events | | - | 9,014 | 9,014 |
| Other | | 594,733 | 164,639 | 759,372 |
| Total operating revenues | | 11,658,278 | 11,332,673 | 22,990,951 |
| Operating expenses: | | | | |
| Salaries and wages | | 2,681,470 | 2,681,449 | 5,362,919 |
| Fringe benefits | | 384,445 | 374,903 | 759,348 |
| Financial and legal services | | 138,886 | 194,574 | 333,460 |
| Fundraising | | 127,551 | 469,003 | 596,554 |
| Membership fees | | 26,636 | 46,633 | 73,269 |
| Other expenses | | 1,623,192 | 993,193 | 2,616,385 |
| Mail services | | 69,804 | 63,391 | 133,195 |
| Printing and reproduction services | | 50,202 | 51,338 | 101,540 |
| Professional services | | 217,231 | 150,273 | 367,504 |
| Program rights | | 1,995,950 | 2,232,210 | 4,228,160 |
| Rental and leases | | 188,783 | 231,065 | 419,848 |
| Repairs and maintenance | | 90,501 | 138,388 | 228,889 |
| Supplies and materials | | 151,378 | 134,132 | 285,510 |
| Telephone | | 94,121 | 91,354 | 185,475 |
| Travel | | 19,295 | 32,234 | 51,529 |
| Utilities | | 153,955 | 160,203 | 314,158 |
| In-kind | | 1,788,620 | 1,922,210 | 3,710,830 |
| Depreciation | | 36,283 | 905,169 | 941,452 |
| Total operating expenses | | 9,838,303 | 10,871,722 | 20,710,025 |
| Operating income | | 1,819,975 | 460,951 | 2,280,926 |
| Nonoperating income (loss): | | | | |
| Endowment contributions (distributions) | | (2,833) | 4,038 | 1,205 |
| Gain from endowment | | 41,957 | 81,056 | 123,013 |
| Total nonoperating income | | 39,124 | 85,094 | 124,218 |
| Change in net position | $ | 1,859,099 | 546,045 | 2,405,144 |