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)

Table of Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

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)

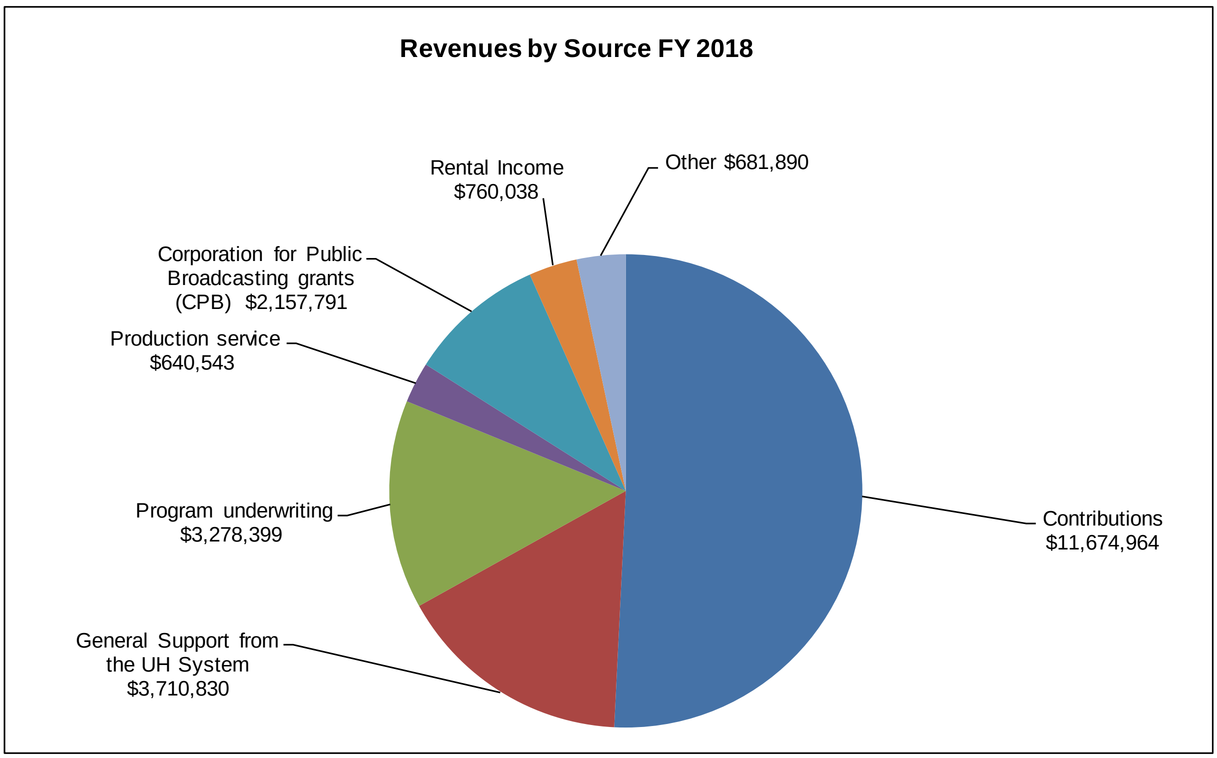
Operating revenues include sources that are primarily used to provide services to the Stations' viewers and listeners. The following schedule presents a summary and comparison of revenues for the fiscal years ended August 31, 2018, 2017 and 2016.

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

Management's Discussion and Analysis

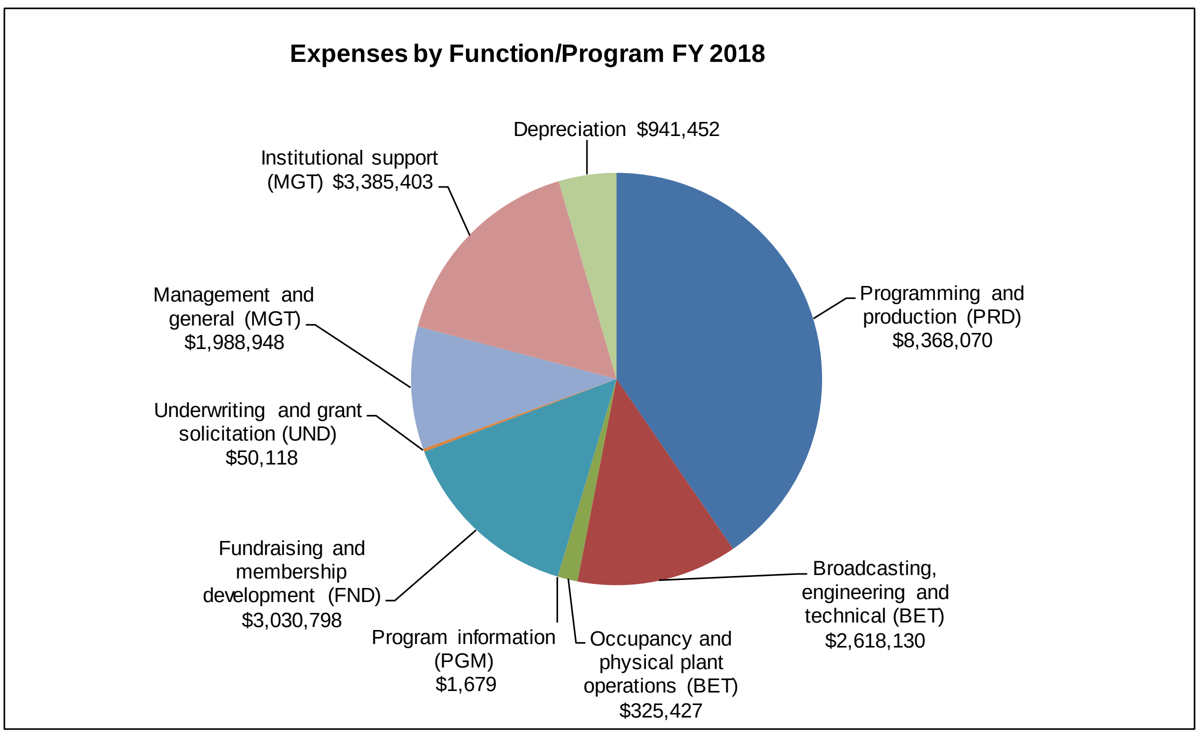
Years Ended August 31, 2018 and 2017

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.

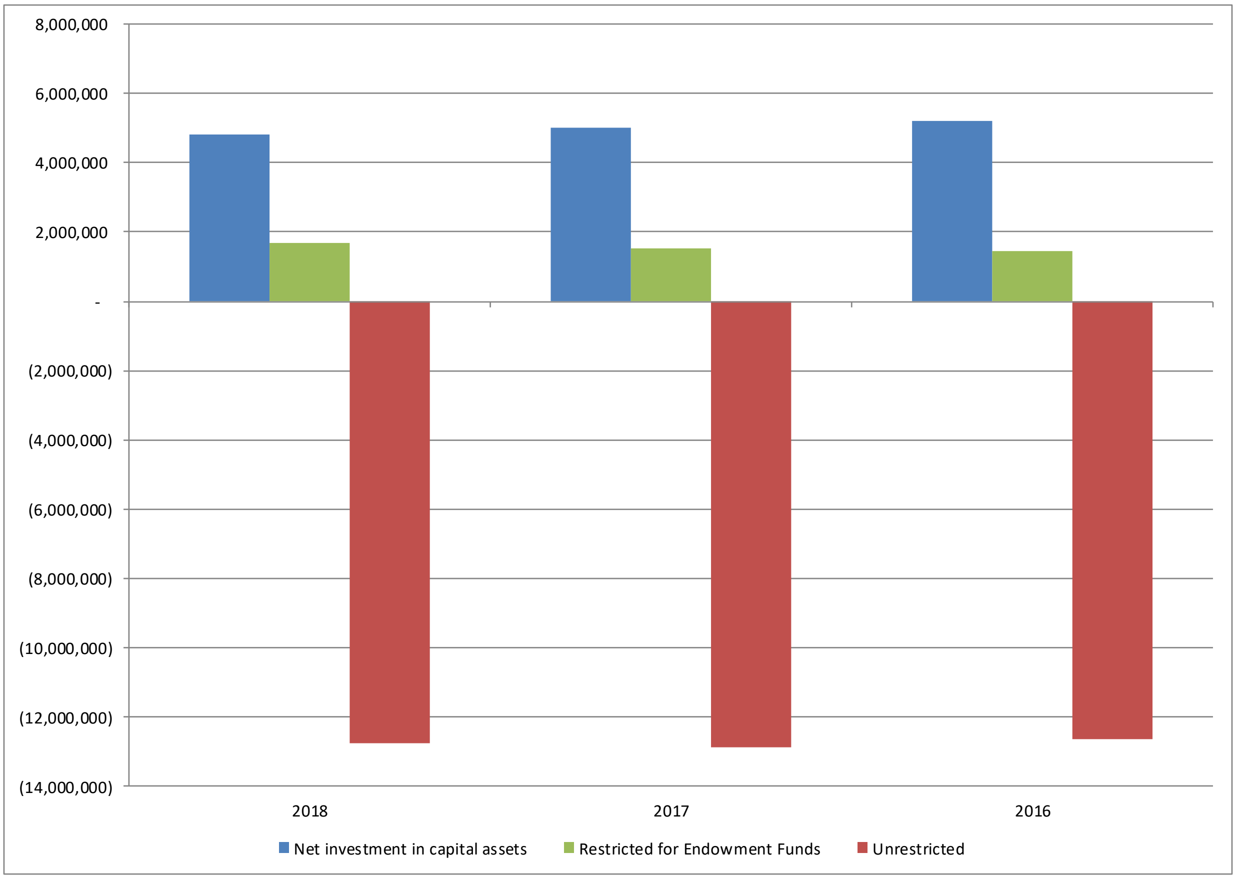
- Deferred outflows of resources increased by $128,449 due to changes in the Stations' share of the future outflows related to pensions.

- 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.

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.

HOUSTON PUBLIC MEDIA

(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

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Board of Regents
University of Houston System
Houston, Texas

As part of our audit of the financial statements of Houston Public Media (the Stations), a division of the University of Houston System (the UH System), as of and for the year ended August 31, 2018, we wish to communicate the following to you.

Audit Scope and Results

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Stations' significant accounting policies are described in Note 2 of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Net pension and other postemployment benefits liabilities
- Fair value of investments

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Fiscal year 2017 indirect administrative support amount revision
- Component Unit – Houston Public Media Foundation (HPMF)
- Pension plans, optional retirement program and other postemployment benefits
- Implementation of new accounting standard (Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* GASB 75)

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

- Proposed audit adjustments recorded:
    - Endowment investment unrealized gains
    - Prior year accounts payable audit adjustment reversal in fiscal year 2018
    - Other postemployment benefits
    - Net position

- Proposed audit adjustments not recorded:
    - Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Stations' Accounting Principles

No matters are reportable.

Significant Issues Discussed With Management

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- During fiscal year 2018, the Stations adopted GASB 75.
- Delays in providing supporting documentation for reconciliation of net position
- Significant post-closing entries provided by client during and after completion of fieldwork

Other Material Written Communication

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

- Management representation letter (attached)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Stations as of and for the year ended August 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Stations' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Stations' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Stations' financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Stations' financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be a significant deficiency and other deficiencies.

Significant Deficiency

Audit Adjustments

During the course of an audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments, which in their judgement, are required to prevent the financial statements from being misstated. Some adjustments identified were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material individually or in the aggregate.

For the areas identified in the "Audit Adjustments" sections on Page 2 and in the related attachment, internal accounting process should be reviewed to determine what modifications, if any, should be made to existing processes and controls to capture and accurately record amounts so that adjustments necessary for accurate interim and annual financial statements are made. Existing processes should ensure that management timely review all reconciliations and supporting schedules associated with general ledger accounts impacted by these adjustments. Internal controls would be enhanced by documenting, through the utilization of a monthly closing checklist, the execution of these review processes.

Deficiencies

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

This communication is intended solely for the information and use of management, the Board of Regents and others within the Stations, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

March 14, 2019

Houston Public Media
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	58,137		58,137	
Non-Current Assets & Deferred Outflows	7,822,573		7,822,573	
Current Liabilities	(7,814,863)		(7,814,863)	
Non-Current Liabilities & Deferred Inflows	(6,351,613)		(6,351,613)	
Current Ratio	0.007		0.007	
Total Assets & Deferred Outflows	7,880,710		7,880,710	
Total Liabilities & Deferred Inflows	(14,166,476)		(14,166,476)	
Total Net Position	6,285,766		6,285,766	
Operating Revenues	(22,810,415)	(21,246)	(22,831,661)	0.09%
Operating Expenses	20,710,025	21,246	20,731,271	0.10%
Nonoperating (Revenues) Exp	(124,218)		(124,218)	
Change in Net Position	(2,224,608)		(2,224,608)	

Client: Houston Public Media
Period Ending: August 31, 2018

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Non-Current* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	Net Effect on Following Year: *Change in Net Position* DR (CR)	Net Effect on Following Year: *Net Position* DR (CR)
Accounts receivables write-off was directly recorded to reduce revenues, which should be recorded as bad debt expense		J	0	0	0	0	(21,246)	21,246	0	0	0	0
Total passed adjustments			0	0	0	0	(21,246)	21,246	0	0	0	0

Impact on Change in Net Position	**0**
Impact on Net Position	**0**