BKD
CPAs & Advisors

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Board of Regents
University of Houston System
Houston, Texas

As part of our audit of the financial statements of Houston Public Media (the Station), a division of the University of Houston System as of and for the year ended August 31, 2020, 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 Station's 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 estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Net pension liability, pension expense, and related deferred inflows/outflows
- Other post-employment benefits (OPEB) liability, OPEB expense and related deferred inflows/outflows
- Fair value of endowment 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:

- Component Unit - Houston Public Media Foundation
- Pension plan
- Other post-employment benefits

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. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. 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:
    - Pension and OPEB liabilities:
        - AJE #1 and 3: to close out prior year balance on the expense accounts to beginning net position related to GASB 68 and 75

- Investments:
  - RJE #5: to true-up restricted expendable/non-expendable net position to match current year endowment investment
  - RJE #13: to allocate expendable and non-expendable net position based on the endowment investments Endowment Investment Income
- AJE #8: to record the current year note payable activity and the impact to net investment in capital assets
- AJE #9: to adjust beginning 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, but more than trivial to the financial statements as a whole.

<u>Auditor's Judgments About the Quality of the Station's Accounting Principles</u>

No matters are reportable.

<u>Other Information in Documents Containing Audited Financial Statements</u>

No matters are reportable.

<u>Disagreements With Management</u>

No matters are reportable.

<u>Consultation With Other Accountants</u>

No matters are reportable.

<u>Significant Issues Discussed With Management</u>

No matters are reportable.

<u>Difficulties Encountered in Performing the Audit</u>

No matters are reportable.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Station as of and for the year ended August 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Station's internal control over financial reporting (internal control) as a basis for designing our audit 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 Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 on a timely basis.

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 Station's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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 deficiencies.

Deficiencies

Audit Adjustments

As part of our audit procedures, we proposed several adjusting entries in order to properly account for beginning net position, investments, note payable, and net investment in capital assets. We recommend internal accounting process 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 annual financial statements are made. Existing processes should ensure that management timely reviews 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.

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

BKD, LLP

March 5, 2021

Houston Public Media

ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	137,167		137,167	
Non-Current Assets & Deferred Outflows	14,780,214		14,780,214	
Current Liabilities	(1,159,559)	(41,391)	(1,200,950)	3.57%
Non-Current Liabilities & Deferred Inflows	(19,335,126)	41,391	(19,293,735)	-0.21%
Current Ratio	0.118		0.114	-3.39%

Total Assets & Deferred Outflows	14,917,381		14,917,381	
Total Liabilities & Deferred Inflows	(20,494,685)		(20,494,685)	
Total Net Position	5,577,304		5,577,304	

Operating Revenues	(24,225,919)	33,824	(24,192,095)	-0.14%
Operating Expenses	27,523,358	(17,086)	27,506,272	-0.06%
Nonoperating (Revenues) Exp	(91,282)	(28,703)	(119,985)	31.44%
Change in Net Position	(3,206,157)	(11,965)	(3,218,122)	0.37%

Client: Houston Public Media

Period Ending: August 31, 2020

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Noncurrent* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Noncurrent* 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)
Turnaround effect of accrual of		F	0	0	0	0	0	(17,086)	0	17,086	0	0
	Operating Expenses							(17,086)				
	Net position									17,086		
Turnaround effect of program revenue received in 2019 recorded in 2020		F	0	0	0	0	33,824	0	0	(33,824)	0	0
	Net position									(33,824)		
	Operating Revenue						33,824					
To adjust current and noncurrent NOL per State Controller report		F	0	0	(41,391)	41,391	0	0	0	0	0	0
	NOL (NC)					41,391						
	NOL (CL)				(41,391)							
To record income and expenses related to investments in the correct account		F	0	0	0	0	0	0	(28,703)	28,703	0	0
	Net position									28,703		
	Realized gain								(42,882)			
	Int /Div income								(15,999)			
	Expenses								30,178			
Total passed adjustments			0	0	(41,391)	41,391	33,824	(17,086)	(28,703)	11,965	0	0

Impact on Change in Net Position	**(11,965)**
Impact on Net Position	**0**

Representation of:
Houston Public Media
4343 Elgin Street
Houston, Texas 77204

Provided to:
BKD, LLP
Certified Public Accountants
2700 Post Oak Boulevard, Suite 1500
Houston, Texas 77056

The undersigned (We) are providing this letter in connection with BKD's audits of our financial statements of Houston Public Media (the Stations), a division of the University of Houston System, as of and for the years ended August 31, 2020 and 2019.

Our representations are current and effective as of the date of BKD's report: March 5, 2021.

Our engagement with BKD is based on our contract for services dated: July 13, 2020.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of:
   (a) Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
   (b) Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have provided you with:
   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
   (b) Additional information that you have requested from us for the purpose of the audit.
   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
   (d) All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
   (e) All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
   (a) Misappropriation of assets.
   (b) Misrepresented or misstated assets, liabilities or net position.
7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
8. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
   (a) Management or employees who have significant roles in internal control, or
   (b) Others, where activities of others could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers or others.

10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

    We understand that the term <u>related party</u> refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term <u>affiliate</u> refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

12. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the Stations are contingently liable.

13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

14. We have no reason to believe the Stations owe any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

    We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

15. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables.

    (b) Purchase commitments in excess of normal requirements or above prevailing market prices.

16. Except as disclosed in the financial statements, the Stations have:
    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
    (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
17. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
18. With regard to deposit and investment activities:
    (a) All deposit, and investment transactions have been made in accordance with legal and contractual requirements.
    (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
    (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
19. With respect to any nonattest services you have provided us during the year, including preparation of the financial statements, related notes and supplemental schedules:
    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
    (d) We have evaluated the adequacy of the services performed and any findings that resulted.
20. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
21. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

22. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and pension and other employment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

23. With regard to supplementary information:

    (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

    (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

    (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

    (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

    (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

24. We have reviewed the actuarial assumptions applied to the Stations' pension and other postemployment benefits (OPEB) plan in calculating the net pension and total OPEB liability, related expense and other components and have determined that those assumptions are reasonable.

25. We acknowledge the current economic volatility continues to present difficult circumstances and challenges for our industry. Entities may be facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, etc. that could negatively impact the <u>entity</u>' ability to maintain sufficient liquidity.

    We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the <u>Stations'</u> financial statements. Further, management and the Board are solely responsible for all aspects of managing the <u>Stations,</u> including questioning the quality and valuation of investments, inventory and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

26. Net position is properly recorded based on the provisions of GASB Statements 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*

DocuSigned by:
Lisa Shumate
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Lisa Shumate, Associate Vice President and General Manager of Houston Public Media

DocuSigned by:
Devi Bala
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Devi Bala, Assistant Vice President, Business Service, University of Houston

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AHopkins
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Almarie Hopkins, Assistant Director of Business Operations

HOUSTON PUBLIC MEDIA

(A Division of the University of Houston System)

Independent Auditor's Report and Financial Statements

August 31, 2020 and 2019

BKD
CPAs & Advisors

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

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Independent Auditor's Report

Board of Regents
University of Houston System
Houston, Texas

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Houston Public Media (the Stations), a division of the University of Houston System (the UH System), as of and for the years ended August 31, 2020 and 2019, 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, 2020 and 2019, 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 Matter

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, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 5, 2021

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

Management's Discussion and Analysis

Years Ended August 31, 2020 and 2019

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, 2020 and 2019. 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 the criteria to be discretely presented as a component unit.

Overview of the Financial Statements

The Stations herewith present their financial statements for fiscal years ended August 31, 2020 and 2019. The financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes accounting principles generally accepted in the United States of America for state and local governments. The three primary financial statements presented are the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. The information contained in the financial statements of the Stations is incorporated within the UH System's Annual Financial Report.

Financial Statements

The financial statements consist of the following:

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

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

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

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

Condensed Financial Information

Summary of Net Position

		2020	2019	2018
Assets:				
Current assets	$	137,167	607,299	58,137
Capital assets, net		3,318,674	3,970,165	4,925,615
Other noncurrent assets		1,783,015	1,659,073	1,669,811
Total assets		5,238,856	6,236,537	6,653,563
Deferred outflows of resources – pension		3,808,899	5,003,842	581,094
Deferred outflows of resources – OPEB		5,869,626	6,761,092	21,342
Total assets and deferred outflows of resources	$	14,917,381	18,001,471	7,255,999
Liabilities:				
Current liabilities	$	1,159,559	1,164,325	5,228,599
Noncurrent liabilities		15,037,254	15,592,166	4,948,284
Total liabilities		16,196,813	16,756,491	10,176,883
Deferred inflows of resources – pension		1,956,065	715,205	950,811
Deferred inflows of resources – OPEB		2,341,807	2,900,922	452,518
Total liabilities and deferred inflows of resources	$	20,494,685	20,372,618	11,580,212
Net position (deficit):				
Net investment in capital assets	$	3,318,674	3,954,024	4,829,089
Restricted for endowment funds		1,782,266	1,659,073	1,669,811
Unrestricted deficit		(10,678,244)	(7,984,244)	(10,823,113)
Total net position (deficit)	$	(5,577,304)	(2,371,147)	(4,324,213)

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Management's Discussion and Analysis
Years Ended August 31, 2020 and 2019

	2020	2019	2018
Operating revenues	$ 24,521,590	26,241,679	24,063,699
Operating expenses	27,819,029	24,370,661	21,334,736
Operating income (loss)	(3,297,439)	1,871,018	2,728,963
Nonoperating income (loss):			
Endowment contributions (distributions)	(58,491)	(57,499)	1,205
Gain from endowment	138,635	46,761	123,013
Other nonoperating income	11,138	92,786	113,970
Change in net position	(3,206,157)	1,953,066	2,967,151
Net position (deficit), beginning of year	(2,371,147)	(4,324,213)	(7,291,364)
Net position (deficit), end of year	$ (5,577,304)	(2,371,147)	(4,324,213)

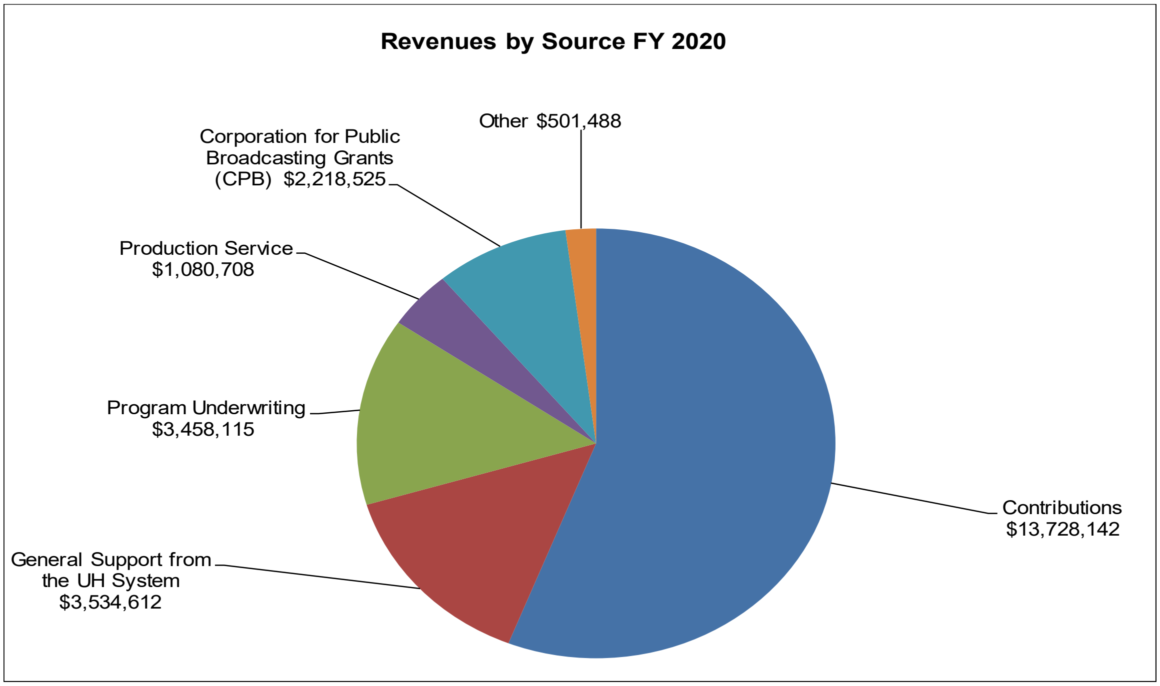
Operating revenues include sources that are primarily used to provide services to the Stations' viewers and listeners. The following schedule presents a summary and comparison of revenues for the fiscal years ended August 31, 2020, 2019 and 2018:

Revenues by Source	FY20		FY19		FY18		2020–2019 Increase (Decrease)		2019–2018 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	$ 13,728,142	56%	15,680,322	60%	12,861,682	53%	(1,952,180)	113%	2,818,640	129%
General support from the UH System	3,534,612	14%	3,352,847	13%	3,710,830	15%	181,765	-11%	(357,983)	-16%
Program underwriting	3,458,115	14%	3,312,716	13%	3,278,399	14%	145,399	-8%	34,317	2%
Production service	1,080,708	4%	1,250,269	5%	640,543	3%	(169,561)	10%	609,726	28%
Corporation for Public Broadcasting (CPB) grants	2,218,525	9%	1,963,671	7%	2,157,791	9%	254,854	-15%	(194,120)	-9%
Special events	6,834	0%	7,013	0%	9,014	0%	(179)	0%	(2,001)	0%
Other	494,654	2%	674,841	3%	1,405,440	6%	(180,187)	10%	(730,599)	-34%
Total operating revenues	$ 24,521,590	100%	26,241,679	100%	24,063,699	100%	(1,720,089)	-7%	2,177,980	9%

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

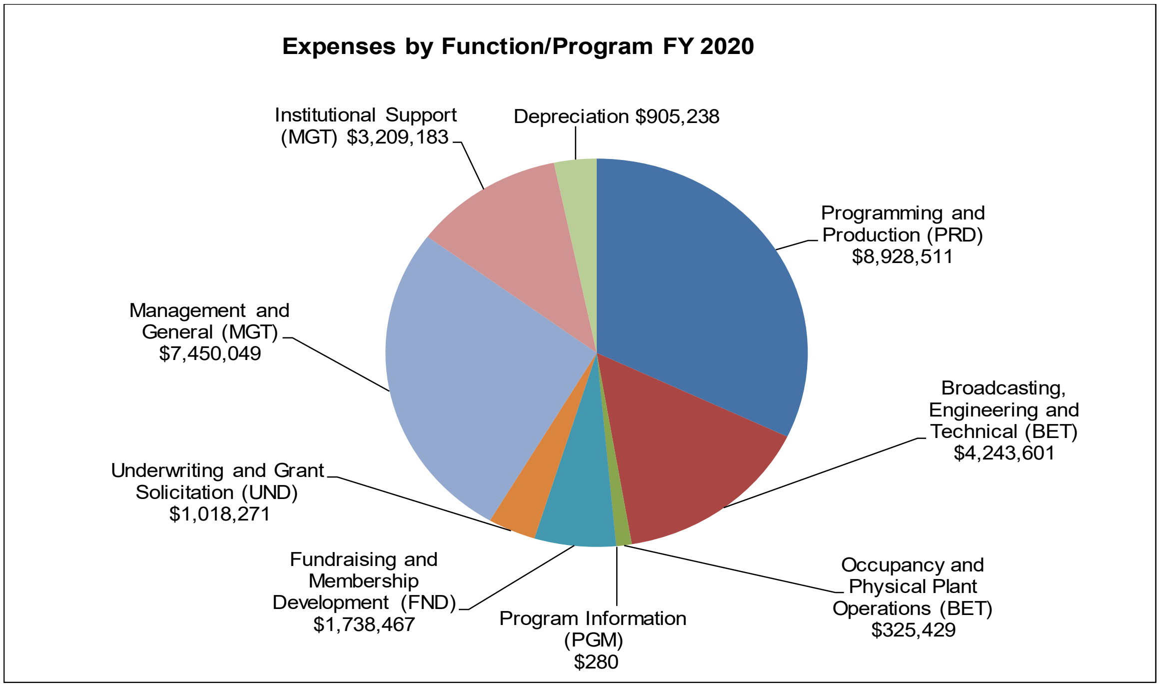
Management's Discussion and Analysis

Years Ended August 31, 2020 and 2019



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, 2020, 2019 and 2018:

Expenses by Function	**FY20**		**FY19**		**FY18**		**2020–2019 Increase (Decrease)**		**2019–2018 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)	$ 8,928,511	32%	8,619,318	35%	8,368,070	39%	309,193	9%	251,248	8%
Broadcasting, engineering and technical (BET)	4,243,601	14%	2,574,406	10%	2,618,130	12%	1,669,195	48%	(43,724)	-1%
Occupancy and physical plant operations (BET)	325,429	1%	325,429	1%	325,427	2%	-	0%	2	0%
Program information (PGM)	280	0%	4,967	0%	1,679	0%	(4,687)	0%	3,288	0%
Fundraising and membership development (FND)	1,738,467	6%	2,677,282	11%	3,030,798	14%	(938,815)	-27%	(353,516)	-12%
Underwriting and grant solicitation (UND)	1,018,271	4%	319,353	1%	50,118	0%	698,918	20%	269,235	9%
Management and general (MGT)	7,450,049	27%	5,844,822	24%	2,613,659	12%	1,605,227	47%	3,231,163	106%
Institutional support (MGT)	3,209,183	12%	3,027,418	12%	3,385,403	16%	181,765	5%	(357,985)	-12%
Depreciation	905,238	3%	977,666	4%	941,452	4%	(72,428)	-2%	36,214	1%
Total operating expenses	$ 27,819,029	101%	24,370,661	100%	21,334,736	100%	3,448,368	14%	3,035,925	14%



Financial Highlights and Analysis

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources – Fiscal Year 2020 Compared to Fiscal Year 2019

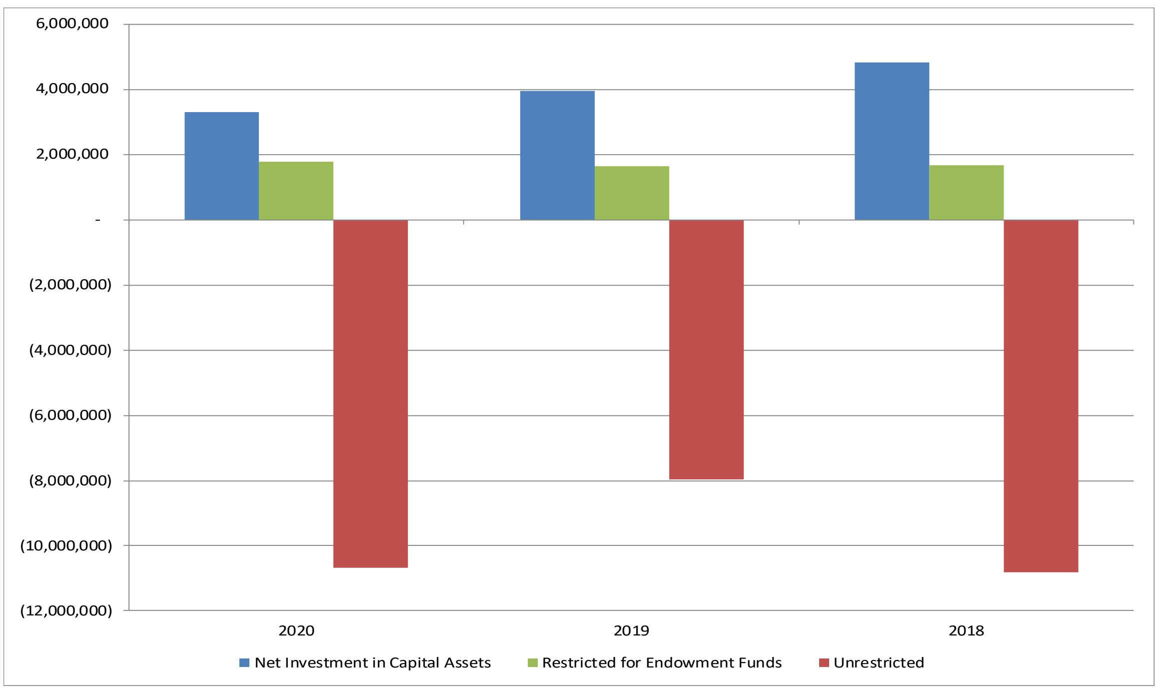
- Current assets decreased primarily due to large expenditures for Houston Public Media's tower and transmitter consolidation and relocation project. Individual capital equipment purchases fell just below the $500,000 University of Houston threshold. As a result, these expenditures are being treated as operational expenses and reduced HPM's final cash position.
- There were increases in the market values for the investments restricted for endowments.
- HPM saw an overall decrease in current liabilities due to decreases in accrued payroll expenses, accrued employee compensable leave and accrued accounts payable. The HPM Chiller note payable balance was fully paid off.
- Non-current liabilities decreased primarily due to changes in the Stations' share of net pension and net other postemployment benefit liabilities.

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

- Current assets increased by $549,162 due to an increase in cash and cash equivalents and film rights acquired.
- Capital assets decreased by $955,450 primarily due to current year depreciation on capital assets.

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

The following graph illustrates net position in the different categories for fiscal years 2020, 2019 and 2018:



Operating Revenues – Fiscal Year 2020 Compared to Fiscal Year 2019

Houston Public Media's revenue from contributions decreased by $1,952,180. Other revenue channels remained strong in fiscal year 2020. There were revenue increases to memberships and underwriting and the CPB received additional funds for COVID relief, which was distributed to stations resulting in approximately $255,000 in additional grant.

Operating Revenues – Fiscal Year 2019 Compared to Fiscal Year 2018

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

Operating Expenses – Fiscal Year 2020 Compared to Fiscal Year 2019

Operating expense variances were primarily driven by capital equipment purchases falling below $500,000 single item University threshold and treated as operational expenses. This accounts for approximately $1.5 million increase in 2020. Additionally, programming expenses were up approximately $300,000 due to vendor increases. Salaries and benefits were flat year over year. Travel and other discretionary expenses were closely managed in response to anticipated revenue impact resulting from COVID-19 business disruptions.

Operating Expenses – Fiscal Year 2019 Compared to Fiscal Year 2018

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

Capital Asset and Debt Administration

As of the end of fiscal 2020, the Stations had $3,318,674 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, 2020:

		Budgeted amounts final	Actual	Variance with final budget favorable (unfavorable)
Operating revenues:				
Contributions	$	15,621,480	13,728,142	(1,893,338)
General support from the UH System		3,063,138	3,534,612	471,474
Program underwriting		3,313,800	3,458,115	144,315
Production service		1,455,671	1,080,708	(374,963)
CPB grants		1,963,671	2,218,525	254,854
Other		500,000	501,488	1,488
Total operating revenues	$	25,917,760	24,521,590	(1,396,170)

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

- Contributions and Production service actual revenue did not meet the 2020 budget projections primarily because of COVID-related ramifications.

Budgetary Expenses

The following table summarizes the Stations' final budget, actual results and variance for expenses for the year ended August 31, 2020:

		Budgeted amounts final	Actual	Variance with final budget favorable (unfavorable)
Operating expenses:				
Programming and production (PRD)	$	9,137,365	8,928,511	208,854
Broadcasting, engineering and technical (BET)		2,632,061	4,243,601	(1,611,540)
Occupancy and physical plant operations (BET)		325,429	325,429	-
Program information (PGM)		4,967	280	4,687
Fundraising and membership development (FND)		2,030,798	1,738,467	292,331
Underwriting and grant solicitation (UND)		1,254,609	1,018,271	236,338
Management and general (MGT)		6,844,822	7,450,049	(605,227)
Institutional support (MGT)		2,737,709	3,209,183	(471,474)
Depreciation		950,000	905,238	44,762
Total operating expenses	$	25,917,760	27,819,029	(1,901,269)

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

- BET – There was an increase in new business related to technology upgrades, including new servers for the HPM main site and computers for all staff members. There was also an increase in new business related to the tower relocation and old tower site decommissioning projects. The majority of these purchases were not introduced for consideration during the FY2020 budget planning processes.
- MGT – Management exceeded the annual budget in this area primarily due to additional expenses attributed to increases in pension-related and indirect support expenses. Both expense categories' increases resulted from the HPM's increased portions of the UH System's expenses for these categories.

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, 2020 and 2019

	2020		2019	
	Primary institution	**Component unit (HPMF)**	**Primary institution**	**Component unit (HPMF)**
Assets				
Current assets:				
Cash and cash equivalents	$ 37,397	738,047	515,129	1,056,012
Accounts receivable	-	554,960	3	811,457
Restricted cash and equivalents	-	226,793	-	226,793
Film rights, net	99,770	-	92,167	-
Total current assets	137,167	1,519,800	607,299	2,094,262
Noncurrent assets:				
Capital assets, net	3,318,674	14,100	3,970,165	14,100
Investments restricted for endowment	1,783,015	1,672,247	1,659,073	1,678,894
Total noncurrent assets	5,101,689	1,686,347	5,629,238	1,692,994
Total assets	5,238,856	3,206,147	6,236,537	3,787,256
Deferred Outflows of Resources				
Pension-related	3,808,899	-	5,003,842	-
Other postemployment benefits	5,869,626	-	6,761,092	-
Total deferred outflows of resources	9,678,525	-	11,764,934	-
Total assets and deferred outflows of resources	$ 14,917,381	3,206,147	18,001,471	3,787,256

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, 2020 and 2019

	2020		2019	
	Primary institution	**Component unit (HPMF)**	**Primary institution**	**Component unit (HPMF)**
Liabilities				
Current liabilities:				
Accounts payable	$ 15,030	213,716	17,670	90,498
Accrued payroll	493,838	-	513,151	-
Employees' compensable leave	378,833	-	416,987	-
Unearned revenue	-	273,617	-	199,403
Net other postemployment benefits liability	271,858	-	200,376	-
Note payable (HPM Chiller)	-	-	16,141	-
Total current liabilities	1,159,559	487,333	1,164,325	289,901
Noncurrent liabilities:				
Net pension liability	6,448,647	-	8,051,020	-
Net other postemployment benefits liability	8,588,607	-	7,541,146	-
Total noncurrent liabilities	15,037,254	-	15,592,166	-
Total liabilities	16,196,813	487,333	16,756,491	289,901
Deferred Inflows of Resources				
Pension-related	1,956,065	-	715,205	-
Other postemployment benefits	2,341,807	-	2,900,922	-
Total liabilities and deferred inflows of resources	$ 20,494,685	487,333	20,372,618	289,901
Net Position				
Net investment in capital assets	$ 3,318,674	14,100	3,954,024	14,100
Restricted:				
Nonexpendable	1,547,744	1,678,894	1,547,744	1,552,524
Expendable for production and outreach programs	-	226,793	-	226,793
Expendable	234,522	264,939	111,329	304,658
Unrestricted (deficit)	(10,678,244)	534,088	(7,984,244)	1,399,280
Total net position (deficit)	$ (5,577,304)	2,718,814	(2,371,147)	3,497,355

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, 2020 and 2019

	2020		2019	
	Primary institution	**Component unit (HPMF)**	**Primary institution**	**Component unit (HPMF)**
Operating revenues:				
Contributions	$ 13,728,142	11,751,349	15,680,322	11,061,254
General support from the UH System	3,534,612	-	3,352,847	-
Program underwriting	3,458,115	4,134,161	3,312,716	4,664,283
Production service	1,080,708	4,774	1,250,269	4,899
Corporation for Public Broadcasting (CPB) grants	2,218,525	-	1,963,671	-
Royalties		-	4,993	-
Rental income		-	375,516	-
Special events	6,834	-	7,013	-
Other	494,654	68,650	294,332	178,290
Total operating revenues	24,521,590	15,958,934	26,241,679	15,908,726
Operating expenses:				
Grants to primary institution	-	13,698,282	-	12,583,748
Programming and production (PRD)	8,928,511	76,648	8,619,318	137,225
Broadcasting, engineering and technical (BET)	4,243,601	10,091	2,574,406	44,400
Occupancy and physical plant operations (BET)	325,429	-	325,429	-
Program information (PGM)	280	-	4,967	6,953
Fundraising and membership development (FND)	1,738,467	1,473,799	2,677,282	1,381,599
Underwriting and grant solicitation (UND)	1,018,271	1,071,025	319,353	1,114,834
Management and general (MGT)	7,450,049	400,983	5,844,822	180,003
Institutional support (MGT)	3,209,183	-	3,027,418	-
Innovation and sustainability	-	-	-	2,020,268
Depreciation	905,238	-	977,666	-
Total operating expenses	27,819,029	16,730,828	24,370,661	17,469,030
Operating income (loss)	(3,297,439)	(771,894)	1,871,018	(1,560,304)
Nonoperating income (loss):				
Endowment contributions (distributions)	(58,491)	18,000	(57,499)	-
Gain (loss) from endowment	138,635	(24,647)	46,761	15,338
Other nonoperating income	11,138	-	92,786	-
Total nonoperating income (loss)	91,282	(6,647)	82,048	15,338
Change in net position	(3,206,157)	(778,541)	1,953,066	(1,544,966)
Net position (deficit), beginning of year	(2,371,147)	3,497,355	(4,324,213)	5,042,321
Net position (deficit), end of year	$ (5,577,304)	2,718,814	(2,371,147)	3,497,355

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, 2020 and 2019

	2020 Primary institution	2019 Primary institution
Cash flows from operating activities:		
Proceeds from contributions	$ 13,728,142	15,680,322
Proceeds from CPB grant	2,218,525	1,963,671
Proceeds from program underwriting	3,458,118	3,312,755
Proceeds from other revenues	1,582,196	1,932,123
Payments to suppliers for goods and services	(2,640,579)	(1,623,506)
Payments to employees	(9,372,987)	(8,824,221)
Payments for broadcasting fees	(4,442,615)	(4,093,506)
Payments for other expenses	(4,588,289)	(3,483,380)
Net cash (used in) provided by operating activities	(57,489)	4,864,258
Cash flows from noncapital financing activities:		
Repayments to the UH System	-	(4,250,365)
Other nonoperating income	11,138	92,786
Net cash provided by (used in) noncapital financing activities	11,138	(4,157,579)
Cash flows from capital and related financing activities:		
Payments for additions to capital assets	(253,747)	(22,216)
Payments for additions of film rights	(117,695)	(88,949)
Payments on note payable (HPM Chiller)	(16,141)	(80,385)
Net cash used in capital and related financing activities	(387,583)	(191,550)
Cash flows from investing activities:		
Other	(43,798)	-
Net cash used in investing activities	(43,798)	-
Change in cash and cash equivalents	(477,732)	515,129
Cash and cash equivalents, beginning of year	515,129	-
Cash and cash equivalents, end of year	$ 37,397	515,129

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, 2020 and 2019

	2020 Primary institution	2019 Primary institution
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:		
Operating income (loss)	$ (3,297,439)	1,871,018
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation expense	905,238	977,666
Amortization of film rights	110,092	54,877
Decrease in accounts receivable	3	39
Decrease in accounts payable	(2,640)	(10,753)
Increase (decrease) in accrued payroll	(19,313)	40,429
Increase (decrease) in employees' compensable leave	(38,154)	22,077
(Increase) decrease in deferred outflows of resources – pensions	1,194,943	(4,422,748)
(Increase) decrease in deferred outflows of resources – other postemployment benefits	891,466	(6,739,750)
Increase (decrease) in deferred inflows of resources – pensions	1,240,860	(235,606)
Increase (decrease) in deferred inflows of resources – other postemployment benefits	(559,115)	2,448,404
Increase (decrease) in net pension liability	(1,602,373)	5,163,703
Increase in net other postemployment benefits liability	1,118,943	5,694,902
Total adjustments	3,239,950	2,993,240
Net cash (used in) provided by operating activities	$ (57,489)	4,864,258

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 operate 24 hours a day. The Stations are located in the fourth largest metropolitan area of the United States. These financial statements present financial information that is attributable to the Stations and do not purport to, and do not, present fairly the financial position of the UH System.

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

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

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

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

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

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

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

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

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

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The financial accounting records of the Stations and HPMF are maintained by the UH System's Office of the Associate Vice Chancellor for Finance in accordance with accounting principles generally accepted in the United States of America for colleges and universities.

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

b. Reporting Guidelines

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

c. Deferred Outflows/Inflows of Resources

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

d. Net Position

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

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

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

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

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

e. Revenues

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

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

f. Accounts Receivable

Accounts receivable are stated at the amount billed to customers or grantors. Accounts receivable are ordinarily due 30 days after the issuance of an invoice.

g. Cash and Cash Equivalents

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

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

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

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

h. Capital Assets

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

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

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

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

i. Film Rights

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

j. In-kind Contributions

In-kind contributions included in revenues and expenses in the accompanying statements of revenues, expenses and changes in net position consist of general support from the UH System, which is further described in Note 9.

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.

k. Unearned Revenues

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

l. Advertising

Advertising costs are charged to operations when incurred.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. Employees' Compensable Leave

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

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

o. Pensions

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

p. Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

(3) Endowment Funds

a. Primary Institution

Gifts to the UH System are placed in the UH System's endowment fund (the 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 12 fiscal quarters. That percentage was 4% in fiscal years 2020 and 2019. If an endowment was in existence less than 12 quarters, the average was based on the number of quarters in existence.

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

Those risks and their definitions are:

- Credit risk – the risk an insurer or counterparty to an investment will not fulfill its obligation.
- Custodial credit 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. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to $250,000 at each financial institution. As of August 31, 2020 and 2019, HPMF had cash deposits held by Amegy Bank in the amount of approximately $468,000 and $855,000, respectively, that were uninsured and uncollateralized. HPM did not have any balances that were uninsured or uncollateralized as of August 31, 2020 or 2019, as all cash balances represent the claim of cash at the UH and not balances held at a financial institution.
- 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 2020 and 2019, 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, 2020 and 2019:

Balance, September 1, 2018	$	1,669,811
FY19 net distributions		(57,499)
FY19 unrealized gain		46,761
Balance, August 31, 2019		1,659,073
FY20 net distributions		(58,491)
FY20 realized/unrealized gain		182,433
Balance, August 31, 2020	$	1,783,015

The assets of the Stations' endowments totaled $1,783,015 and $1,659,073 at August 31, 2020 and 2019, 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 $1,672,247 and $1,678,894 as of August 31, 2020 and 2019, 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, 2020 and 2019:

Balance, September 1, 2018	$	1,663,556
FY19 realized/unrealized gain		15,338
Balance, August 31, 2019		1,678,894
FY20 net contributions		18,000
FY20 realized/unrealized loss		(24,647)
Balance, August 31, 2020	$	1,672,247

(4) Accounts Receivable

Accounts receivable as of August 31, 2020, comprised the following:

		Primary institution	Component unit (HPMF)
Accounts receivable	$	-	554,960
Allowance for doubtful accounts		-	-
Total	$	-	554,960

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

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

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

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Notes to Basic Financial Statements
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(5) Capital Assets

Capital asset activities for the year ended August 31, 2020, were as follows for the Stations:

		2019	Additions	Dispositions	2020
Capital assets:					
Buildings and building improvements	$	12,706,461	-	-	12,706,461
Furniture and equipment		8,564,451	253,747	1,228,937	7,589,261
Intangible and other assets		75,000	-	-	75,000
Total capital assets		21,345,912	253,747	1,228,937	20,370,722
Less accumulated depreciation		17,375,747	905,238	1,228,937	17,052,048
Net capital assets	$	3,970,165	(651,491)	-	3,318,674

Capital asset activities for the year ended August 31, 2020, were as follows for HPMF:

		2019	Additions	Dispositions	2020
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	-	-	1,204,698
Less accumulated depreciation		1,190,598	-	-	1,190,598
Net capital assets	$	14,100	-	-	14,100

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

		2018	Additions	Dispositions	2019
Capital assets:					
Buildings and building improvements	$	12,706,461	-	-	12,706,461
Furniture and equipment		8,861,401	22,216	319,166	8,564,451
Vehicles		53,295	-	53,295	-
Intangible and other assets		75,000	-	-	75,000
Total capital assets		21,696,157	22,216	372,461	21,345,912
Less accumulated depreciation		16,770,542	977,666	372,461	17,375,747
Net capital assets	$	4,925,615	(955,450)	-	3,970,165

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

		2018	Additions	Dispositions	2019
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	-	-	1,204,698
Less accumulated depreciation		1,190,598	-	-	1,190,598
Net capital assets	$	14,100	-	-	14,100

(6) Investments Restricted for Endowment and Programs

The Stations' investments restricted for endowment are placed in 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, 2020 and 2019:

- Pooled investments of $1,783,015 and $1,659,073, 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, 2020 and 2019:

- Pooled investments of $1,672,247 and $1,678,894, respectively, are valued at fair value per share of the pool's underlying portfolio.

(7) 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, 2020 and 2019, were as follows:

Balance, September 1, 2018	$	58,095
FY19 additions		88,949
FY19 amortization		(54,877)
Balance, August 31, 2019		92,167
FY20 additions		117,695
FY20 amortization		(110,092)
Balance, August 31, 2020	$	99,770

(8) Unrestricted Net Deficit

In prior years and in the current year, the Stations experienced a net excess of expenses over revenues, resulting in an increasing net deficit of unrestricted net position. The net deficit of unrestricted net position at August 31, 2020 and 2019, was $10,678,244 and $7,984,244, respectively. The deficit resulted mainly due to operating expenses exceeding operating revenues over several years.

(9) General Support from the UH System

General support from the UH System includes building and related occupancy costs donated by the UH System and is recorded in operating revenues and expenses. The occupancy costs are determined based on the net book value of the building and tower, as well as the square footage of the building and tower utilized by the Stations. Occupancy cost was $325,429 in fiscal years 2020 and 2019. The UH System also provides indirect administrative support and maintenance support to the Stations, which are recorded in operating revenues and expenses based on the UH System's allocation methods. Indirect administrative support amounted to $3,209,183 and $3,027,418 in fiscal years 2020 and 2019, respectively.

(10) 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.

(11) 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, 2020 and 2019, the Stations' contributions to the TRS plan were $443,854 and $393,159, respectively. The contribution rates for the employers and the members are presented in the table below:

Required Contribution Rates	Year Ended August 31, 2020	Year Ended August 31, 2019
Employer (the Stations)	6.80%	6.80%
Members	7.70%	7.70%

The total pension liability is determined by annual actuarial valuations. The table on the following page presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2019 and 2018, measurement dates.

Actuarial Methods and Assumptions

	2019	2018
Actuarial Valuation Date	August 31, 2018, rolled forward to August 31, 2019	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Floating Market Value	Level Percent of Payroll, Floating Market Value
Actuarial Assumptions:		
Discount Rate	7.25%	6.91%
Investment Rate of Return	7.25%	8.00%
Long-term Expected Rate of Return	7.25%	7.25%
Municipal Bond Rate	2.63%	3.69%
Inflation	2.30%	2.30%
Salary Increase, Including Inflation	3.05% to 9.05%	3.05% to 9.05%
Mortality:		
Active	90% of the RP-2014 Employee Mortality for males and females with full generational mortality	90% of the RP-2014 Employee Mortality for males and females with full generational projection using Scale BB
Postretirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP	2018 TRS of Texas Healthy Pensioner Mortality Tables with full generation projection using Scale BB
Ad Hoc Postemployment Benefit Changes	None	None

The actuarial assumptions used in the 2019 and 2018 actuarial valuations were primarily based on the results of an actuarial experience study for the three-year period ended August 31, 2017, and adopted in July 2018.

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

The discount rate used to measure the total pension liability was 7.25% and 6.91% for the years ended August 31, 2020 and 2019, respectively. The projected cash flows into and out of the pension plan assumed that active members, employers and the non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% over the next several years.

This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

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, 2019, are presented below:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Global Equity		
U.S. Treasury	18%	6.4%
Non-U.S. Developed	13%	6.3%
Emerging Markets	9%	7.3%
Private Equity	14%	8.4%
Stable Value		
U.S. Treasury	16%	3.1%
Stable Value Hedge Funds	5%	4.5%
Real Return		
Real Assets	15%	8.5%
Energy and Natural Resources and infrastructure	6%	7.3%
Risk Parity		
Risk Parity	8%	5.8/6.5%
Asset Allocation Leverage		
Cash	2%	2.5%
Asset Allocation Leverage	-6%	2.7%
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, 2020 and 2019. The result of the analysis is presented in the tables that follow:

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

Year	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2020	$ 10,132,918	$ 6,448,647	$ 3,723,239

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

Year	1% Decrease (5.91%)	Current Discount Rate (6.91%)	1% Increase (7.91%)
2019	$ 12,658,651	$ 8,051,020	$ 4,929,633

The pension plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets and fiduciary net position may be obtained from TRS' fiscal 2019 and 2018 CAFRs.

At August 31, 2020 and 2019, the Stations reported a liability of $6,448,647 and $8,051,020, respectively, for their proportionate share of the collective net pension liability. The collective net pension liability at August 31, 2020, was measured as of August 31, 2019, 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, 2019, was 0.0126811%, which was a decrease from the 0.0152381% measured at the prior measurement date. The Stations' proportion of the collective net pension liability at August 31, 2020, was based on their contributions to the pension plan relative to the contributions of all the employers and the non employer-contributing entity to the plan for the period September 1, 2018 through August 31, 2019.

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

For the years ended August 31, 2020 and 2019, the Stations recognized pension expense of $1,329,673 and $1,063,178, respectively. At August 31, 2020, 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	$ 27,692	228,886
Changes of assumptions	2,045,173	845,162
Net difference between projected and actual investment return	66,088	-
Change in proportion and contribution difference	1,233,446	882,017
Contributions subsequent to the measurement date	436,500	-
Total	$ 3,808,899	1,956,065

At August 31, 2019, 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	$ 52,280	205,795
Changes of assumptions	3,024,074	94,502
Net difference between projected and actual investment return	-	159,146
Change in proportion and contribution difference	1,534,329	255,762
Contributions subsequent to the measurement date	393,159	-
Total	$ 5,003,842	715,205

The $436,500 and $393,159 reported as deferred outflows of resources at August 31, 2020 and 2019, respectively, resulting from contributions subsequent to the measurement date will be recognized as a reduction in net pension liability for the years ending August 31, 2021 and 2020, respectively.

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2020, will be recognized in pension expense in the following years:

Year Ending August 31:	
2021	$ 259,072
2022	202,467
2023	461,252
2024	451,724
2025	150,215
Thereafter	(108,396)
	$ 1,416,334

ERS Plan – Other Postemployment Benefits Plan

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

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

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

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

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

For the years ended August 31, 2020 and 2019, the Stations' contributions to the ERS plan were $744,331 and $753,684, respectively. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive an employer contribution. The contribution requirements for the employers in the measurement periods are presented in the following table:

Required Employer Contribution Amounts	Year Ended August 31, 2020	Year Ended August 31, 2019
Retiree Only	$ 624.82	$ 621.90
Retiree & Spouse	1,340.82	1,334.54
Retiree & Children	1,104.22	1,099.06
Retiree & Family	1,820.22	1,811.70

Actuarial assumptions:

The total OPEB liability is determined by annual actuarial valuations. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2019 and 2018, measurement dates.

Actuarial Methods and Assumptions

	2019	2018
Actuarial Valuation Date	August 31, 2019	August 31, 2018
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Actuarial Assumptions:		
Discount Rate	2.97%	3.96%
Inflation	2.50%	2.50%
Salary Increase, Including Inflation	2.50% to 9.50%	2.50% to 9.50%
Healthcare Cost and Trend Rate	7.30% for FY 2021, 7.40% for FY2022, 7.00% for FY2023, decreasing 0.50% per year to 4.50% for FY2028 and later years	7.30% for FY 2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to 4.50% for FY2027 and later years
Aggregate Payroll Growth	3.00%	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee	Experience-based tables of rates that are specific to the class of employee
Mortality:		
State Agency Members		
Service Retirees, Survivors and Other Inactive Members	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017	2017 State Retirees of Texas Mortality table with a 1-year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disability Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014
Active Members	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014	RP-2014 Active Member Mortality with Ultimate MP Projection Scale projected from year 2014
Higher Education Members		
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018
Disability Retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Postemployment Benefit Changes	None	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, 2017, for higher education members. The mortality rates were based on the tables identified in the table in the previous page titled *Actuarial Methods and Assumptions.*

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

a) Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;

b) Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;

c) Percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;

d) Percentage of future retirees and their spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends; and,

e) Discount rate assumption was decreased from 3.96% to 2.97% to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.97% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.96%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates essentially on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' Board of Trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.96%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Station's net OPEB liability as of August 31, 2020 and 2019. The result of the analysis is presented in the tables on the following page.

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

Year	1% Decrease (1.97%)	Current Discount Rate (2.97%)	1% Increase (3.97%)
2020	$ 10,573,291	$ 8,860,465	$ 7,542,508

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

Year	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
2019	$ 8,507,498	$ 7,741,522	$ 6,150,324

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

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

1% Decrease HS/HSMA: 6.3/9.8 % decreasing to 3.5%;	Current Healthcare Cost Trend Rates HS/HSMA: 7.3/10.8 % decreasing to 4.5%)	1% Increase HS/HSMA: 8.3/11.8 % decreasing to 5.5%)
$ 7,202,443	$ 8,860,465	$ 10,374,362

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 2019 and 2018 CAFRs.

At August 31, 2020 and 2019, the Stations reported a liability of $8,860,465 and $7,741,522, respectively, for their proportionate share of the collective net OPEB liability. The collective net OPEB liability at August 31, 2020, was measured as of August 31, 2019, 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, 2019, was 0.0248172%, which was an increase from the 0.0241780% measured at the prior measurement date. The Stations' proportion of the collective net OPEB liability at August 31, 2020, 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, 2018 through August 31, 2019. The collective net OPEB liability at August 31, 2018, was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Stations' proportion at August 31, 2018, was 0.0241780%, which was an increase from the 0.0060066% measured at the prior measurement date. The Stations' proportion of the collective net OPEB liability at August 31, 2019, was based on their contributions to the OPEB plan relative to the contributions of all the employers and the nonemployer-contributing entity to the plan for the period September 1, 2017 through August 31, 2018.

For the years ended August 31, 2020 and 2019, the Stations recognized OPEB expense of $1,491,732 and $1,421,365, respectively. At August 31, 2020, 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	$ -	223,194
Changes of assumptions	610,414	1,930,730
Net difference between projected and actual investment return	3,526	-
Effect of change in proportion and contribution difference	5,215,615	187,883
Contributions subsequent to the measurement date	40,071	-
Total	$ 5,869,626	2,341,807

At August 31, 2019, 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	$ -	262,533
Changes of assumptions	-	2,638,389
Net difference between projected and actual investment return	3,393	-
Effect of change in proportion and contribution difference	6,740,233	-
Contributions subsequent to the measurement date	17,466	-
Total	$ 6,761,092	2,900,922

The $40,071 and 17,466 reported as deferred outflows of resources at August 31, 2020 and 2019, respectively, resulting from contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability for the years ending August 31, 2021 and 2020, respectively.

Other amounts reported as deferred outflows and inflows of resources related to pensions at August 31, 2020, will be recognized in pension expense in the following years:

Year Ending August 31:		
2021	$	822,860
2022		822,860
2023		1,040,343
2024		760,127
2025		41,558
	$	3,487,748

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 2020 and 2019 are 6.65% for ORP participants. The State contribution rate for the ORP is 6.6% for 2020 and 2019. Contributions to the plan by the Stations and employee contributions were not material for 2020 and 2019. 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.

(12) 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, 2020 and 2019, lease expense was $609,939 and $431,125, respectively.

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

Year Ending August 31:	
2021	$ 198,151
2022	203,381
2023	208,768
2024	208,364
2025	196,219
2026 - 2030	1,073,005
2031 - 2035	1,243,906
2036 - 2039	1,035,920
	$ 4,367,714

(13) 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, 2020 and 2019, amounted to $2,861,782 and $2,624,104, 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.

(14) 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, 2020 and 2019. 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, 2020 and 2019. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(15) 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.

(16) Long-term Liabilities

The changes in long-term liabilities for the Stations for the year ended August 31, 2020, were as follows:

Business-type Activities		Balance, August 31, 2019	Decreases	Balance, August 31, 2020	Amounts Due in One Year
Notes payable:					
HPM Chiller replacement	$	16,141	16,141	-	-

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

Business-type Activities		Balances, August 31, 2019	Decreases	Balances, August 31, 2020	Amounts Due in One Year
Notes payable:					
HPM Chiller replacement	$	96,526	80,385	16,141	16,141

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 paid off the note remaining balance of $16,141 in the year ended August 31, 2020.

(17) Future Change in Accounting Principle

GASB recently issued its Statement No. 87 (GASB No. 87), *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Stations expects to first apply GASB No. 87 during the year ending August 31, 2022, using a prospective recognition method. The impact of applying the Statement has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Teacher Retirement System of Texas

Year Ended August 31,

	2020	2019	2018	2017	2016	2015
Houston Public Media's Proportion of the Net Pension Liability	0.0126811%	0.0152381%	0.0116575%	0.0097372%	0.0098429%	0.0111260%
Houston Public Media's Proportionate Share of the Net Pension Liability	$ 6,448,647	8,051,020	2,887,317	3,788,573	3,487,671	2,972,528
Houston Public Media's Covered Payroll	$ 5,149,204	4,981,187	3,631,247	3,967,210	3,784,423	4,078,174
Houston Public Media's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.24%	161.63%	79.51%	92.75%	92.16%	72.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

This schedule is intended to present 10 years of information. Currently, only six years of information is available. Information for future years will be added as it becomes available.

For 2019, there was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to salaries. Additionally, there were changes to the following actuarial assumptions in the current and prior years:

- For 2018, the total pension liability as of Aug. 31, 2018, was developed using a roll forward method from the August 31, 2017, valuation.
- From 2017 to 2018, demographic assumptions including postretirement mortality, termination rates and rates of retirement were updated.
- From 2017 to 2018, the discount rate used in the determination of the total pension liability changed from 8.000% to 6.907% and from 2018 to 2019 changed from 6.907% to the long term rate of return of 7.25%.
- From 2017 to 2018, the long-term assumed rate of return changed from 8.00% to 7.25%.
- From 2014 to 2015, the inflation assumption changed from 3.00% to 2.50%.
- From 2014 to 2015, the salary increase assumption changed from a range of 4.25% to 7.25% to a range of 3.50% to 9.50% including inflation and from 2017 to 2018, the salary increase assumption changed from a range of 3.50% to 9.50% including inflation to a range of 3.05% to 9.05% including inflation.
- From 2014 to 2015, the mortality assumption changed from the one based on 1994 Group Annuity Mortality Table to the one based on the RP 2014 employee Mortality Tables for the active members. For the retired members, the new 2015 TRS Healthy Pensioner Mortality Tables were used for the mortality assumption.

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

Schedule of Houston Public Media's Contributions for Pension

Teacher Retirement System of Texas

Year Ended August 31,

Contributions		2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contributions	$	436,500	393,159	348,079	279,606	263,636	300,321	282,076
Contributions in Relation to the Statutorily Required Contributions	$	436,500	393,159	348,079	279,606	263,636	300,321	282,076
Contribution Deficiency (Excess)	$	-	-	-	-	-	-	-
Houston Public Media's Covered Payroll	$	5,765,386	5,149,204	4,981,187	3,631,247	3,303,303	3,784,423	4,078,174
Contributions as a Percentage of Covered Payroll		7.57%	7.64%	6.99%	7.70%	7.98%	7.94%	6.92%

This schedule is intended to present 10 years of information. Currently, only seven years of information is available. Information for future years will be added as it becomes available.

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

Year Ended August 31,

		2020	2019	2018
Houston Public Media's Proportion of the Net OPEB Liability		0.02481721%	0.02417803%	0.00600658%
Houston Public Media's Proportionate Share of the Net OPEB Liability	$	8,860,465	7,741,522	2,046,620
Houston Public Media's Covered-Employee Payroll	$	2,978,740	5,206,072	6,159,708
Houston Public Media's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll		297.46%	148.70%	33.23%
Plan Fiduciary Net Position as a Percentage of the OPEB		1.27%	1.27%	2.04%

This schedule is intended to present 10 years of information. Currently, only three years of information is available. Information for future years will be added as it becomes available.

In 2019, the following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends.

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- Percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated;
- Percentage of future retirees and their spouses assumed to use tobacco have been updated
- The discount rate assumption decreased from 3.96% to 2.97%.

In 2018, the following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated;
- Assumed expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- Percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;
- The discount rate assumption increased from 3.51% to 3.96%

Changes in Benefits:

The benefit revisions that were adopted since the 2017 valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans.

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

Year Ended August 31,

The following benefit revisions have been adopted since the 2016 valuation for retirees and dependents for whom Medicare is not primary:

- Increase in the out-of-pocket cost applicable to services obtained at a free standing emergency facility,
- Elimination of the copayment for virtual visits,
- Copay reduction for Airrosti and for out of state participants and
- 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.

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

Year Ended August 31,

		2020	2019	2018	2017
Statutorily Required Contributions	$	40,071	17,466	20,736	807,216
Contributions in Relation to the Statutorily Required Contributions	$	40,071	17,466	20,736	807,216
Contribution Deficiency (Excess)	$	-	-	-	-
Houston Public Media's Covered-Employee Payroll	$	3,162,359	2,978,740	5,206,072	6,159,708
Contributions as a Percentage of Covered-Employee Payroll		1.27%	0.59%	0.40%	13.10%

SUPPLEMENTARY INFORMATION

HOUSTON PUBLIC MEDIA

(A Division of the University of Houston System)

Primary Institution Schedule of Functional Expenses

Year Ended August 31, 2020

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	$	3,289,557	753,823	-	4,043,380	212,226	1,223,330	-	1,435,556	5,478,936
Fringe benefits		944,515	205,361	-	1,149,876	65,217	2,621,489	-	2,686,706	3,836,582
Financial and legal services		106	21,388	-	21,494	-	275,158	-	275,158	296,652
Fundraising		13,707	5,775	-	19,482	479,933	141,222	240	621,395	640,877
Membership fees		32,205	1,131	-	33,336	4,215	24,792	-	29,007	62,343
Other expenses		160,981	1,582,717	-	1,743,698	591,871	1,237,033	1,015,687	2,844,591	4,588,289
Mail services		61	5,765	4	5,830	118,670	27,519	330	146,519	152,349
Printing and reproduction services		25	-	-	25	101,664	16,813	-	118,477	118,502
Professional services		95,248	2,800	-	98,048	71,933	182,257	-	254,190	352,238
Program rights		4,274,450	110,649	-	4,385,099	-	57,366	-	57,366	4,442,465
Rental and leases		4,080	563,106	-	567,186	3,940	38,813	-	42,753	609,939
Repairs and maintenance		47,923	161,069	-	208,992	-	34,857	-	34,857	243,849
Supplies and materials		55,176	503,388	276	558,840	87,203	1,557,395	1,438	1,646,036	2,204,876
Telephone		-	37,369	-	37,369	-	450	-	450	37,819
Travel		10,327	6,682	-	17,009	1,595	11,555	576	13,726	30,735
Utilities		-	282,578	-	282,578	-	-	-	-	282,578
Broadcasting fees		150	-	-	150	-	-	-	-	150
		8,928,511	4,243,601	280	13,172,392	1,738,467	7,450,049	1,018,271	10,206,787	23,379,179
In-kind		-	325,429	-	325,429	-	3,209,183	-	3,209,183	3,534,612
	$	8,928,511	4,569,030	280	13,497,821	1,738,467	10,659,232	1,018,271	13,415,970	26,913,791
Percentage of total expenses before depreciation		33%	17%	—%	50%	6%	41%	4%	50%	100%

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

Component Unit (HPMF) Schedule of Functional Expenses

Year Ended August 31, 2020

Schedule 2

Class		Grants to Primary	Programming and production (PRD)	Broadcasting, engineering and technical (BET)	Total	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Total	Grand Total
Financial and legal services	$	-	-	-	-	-	127,259	-	127,259	127,259
Fundraising		-	-	-	-	488,228	141,143	240	629,611	629,611
Grants to KUHF-FM		6,849,141	-	-	6,849,141	-	-	-	-	6,849,141
Grants to KUHT-TV		6,849,141	-	-	6,849,141	-	-	-	-	6,849,141
Membership fees		-	160	-	160	4,215	77	-	4,292	4,452
Other expenses		-	72,763	6,366	79,129	606,484	107,615	1,069,373	1,783,472	1,862,601
Mail services		-	-	-	-	112,234	-	330	112,564	112,564
Printing and reproduction services		-	-	-	-	100,739	16,223	-	116,962	116,962
Professional services		-	2,800	2,800	5,600	71,933	3,790	-	75,723	81,323
Rental and leases		-	-	-	-	2,816	150	-	2,966	2,966
Repairs and maintenance		-	925	925	1,850	-	677	-	677	2,527
Supplies and materials		-	-	-	-	86,814	3,030	1,082	90,926	90,926
Travel		-	-	-	-	336	1,019	-	1,355	1,355
	$	13,698,282	76,648	10,091	13,785,021	1,473,799	400,983	1,071,025	2,945,807	16,730,828

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

Primary Institution Schedule of Functional Expenses

Year Ended August 31, 2019

Schedule 3

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

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

Component Unit (HPMF) Schedule of Functional Expenses

Year Ended August 31, 2019

Schedule 4

Class		Grants to Primary	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)	Innovation and Sustainability	Total	Grand Total
Financial and legal services	$	-	-	-	-	-	336	116,930	-	-	117,266	117,266
Fundraising		-	27,873	-	-	27,873	397,539	8,228	1,329	-	407,096	434,969
Grants to KUHF-FM		6,291,874	-	-	-	6,291,874	-	-	-	-	-	6,291,874
Grants to KUHT-TV		6,291,874	-	-	-	6,291,874	-	-	-	-	-	6,291,874
Innovation and sustainability grants		-	-	-	-	-	-	-	-	2,020,268	2,020,268	2,020,268
Membership fees		-	-	-	-	-	780	1,708	-	-	2,488	2,488
Other expenses		-	84,804	-	6,953	91,757	485,121	24,061	1,113,392	-	1,622,574	1,714,331
Mail services		-	-	-	-	-	165,029	13	-	-	165,042	165,042
Printing and reproduction services		-	94	-	-	94	89,245	5,677	-	-	94,922	95,016
Professional services		-	23,300	44,400	-	67,700	77,078	20,402	-	-	97,480	165,180
Rental and leases		-	1,154	-	-	1,154	1,219	18	-	-	1,237	2,391
Repairs and maintenance		-	-	-	-	-	-	691	-	-	691	691
Supplies and materials		-	-	-	-	-	162,568	624	113	-	163,305	163,305
Telephone		-	-	-	-	-	15	-	-	-	15	15
Travel		-	-	-	-	-	2,669	1,651	-	-	4,320	4,320
	$	12,583,748	137,225	44,400	6,953	12,772,326	1,381,599	180,003	1,114,834	2,020,268	4,696,704	17,469,030

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

Combining Schedule of Revenues and Expenses by Station

Year Ended August 31, 2020

Schedule 5

	KUHF-FM	KUHT-TV	Totals
Operating revenues:			
Contributions	$ 7,115,370	6,612,772	13,728,142
General support from the UH System	1,640,569	1,894,043	3,534,612
Program underwriting	1,769,205	1,688,910	3,458,115
Production service	540,393	540,315	1,080,708
CORP for public broadcasting grants	571,348	1,647,177	2,218,525
Special events	-	6,834	6,834
Other	209,718	284,936	494,654
Total operating revenues	11,846,603	12,674,987	24,521,590
Operating expenses:			
Salaries and wages	2,740,054	2,738,882	5,478,936
Fringe benefits	1,920,439	1,916,143	3,836,582
Financial and legal services	139,734	156,918	296,652
Fundraising	241,225	399,652	640,877
Membership fees	3,769	58,574	62,343
Other expenses	2,495,420	2,092,869	4,588,289
Mail services	73,374	78,975	152,349
Printing and reproduction services	58,840	59,662	118,502
Professional services	192,783	159,455	352,238
Program rights	1,748,308	2,694,157	4,442,465
Rental and leases	248,960	360,979	609,939
Repairs and maintenance	114,113	129,736	243,849
Supplies and materials	1,115,009	1,089,867	2,204,876
Telephone	18,799	19,020	37,819
Travel	22,884	7,851	30,735
Utilities	139,518	143,060	282,578
Broadcasting fees	75	75	150
In-kind	1,640,569	1,894,043	3,534,612
Depreciation	63,395	841,843	905,238
Total operating expenses	12,977,268	14,841,761	27,819,029
Operating loss	(1,130,665)	(2,166,774)	(3,297,439)
Nonoperating income (loss):			
Endowment distributions	(52,457)	(6,034)	(58,491)
Gain from endowment	81,117	57,518	138,635
Other nonoperating income	5,569	5,569	11,138
Total nonoperating income (loss)	34,229	57,053	91,282
Change in net position	$ (1,096,436)	(2,109,721)	(3,206,157)