

# FORVIS Report to the Board of Directors, Audit and Compliance Committee, and Management

Houston Public Media and Houston Public Media Foundation

Results of the 2023 Financial Statement Audit, Including Required Communications

August 31, 2023

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"><li>• As of and for the year ended August 31, 2023</li><li>• Conducted in accordance with our contract dated July 26, 2023</li></ul>
<b>Our Responsibilities</b>	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. 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.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.</p>
<b>Your Responsibilities</b>	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

Matter	Discussion
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be and should not be used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Directors, Audit and Compliance Committee, and Management</li> <li>• Others within the Entity</li> </ul>

## Qualitative Aspects of Significant Accounting Policies & Practices

### Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

### Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable.

### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.

### Management Judgments & Accounting Estimates

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

- Fair value of endowment investments

### Financial Statement Disclosures

The following area involves 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

### Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable.



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, 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.

## Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Houston Public Media
  - Annual leave accrual
  - Net position reclassifications
  - Prior period revision to net position and restricted cash and cash equivalents
- Houston Public Media Foundation
  - Net position beginning balance corrections

## Uncorrected Misstatements

- No uncorrected misstatements

## Other Required Communications

### Significant Issues Discussed with Management

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

- Evaluation of implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Presentation of \$650k in cash set aside for capital projects. Reversed from prepaid expense to cash held in escrow
- Prior period revision to net position and restricted cash and cash equivalents for \$884k

### Other Material Communications

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

- Management representation letters (see Attachments)
- We orally communicated to management deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.


### Recent Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an Amendment of GASB 62. This Statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2024.

GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences not be recognized until



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.



the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.



## Attachments

### Management Representation Letters

As material communications with management, included herein are copies of the representation letters provided by management at the conclusion of our engagement.



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.



**Attachment A**  
**Management Representation Letters**

**FORV/S**

FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

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

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

The undersigned (“We”) are providing this letter in connection with FORVIS’ audit of our financial statements as of and for the year ended August 31, 2023.

Our representations are current and effective as of the date of FORVIS’ report: March 15, 2024.

Our engagement with FORVIS is based on our contract for services dated: July 26, 2023.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

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

#### **Broad Matters**

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 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 financial records and related data, 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 governing body meetings 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.
4. We have responded fully and truthfully to all your inquiries.

***Government Auditing Standards***

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

**Misappropriation, Misstatements, & Fraud**

11. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities or net position.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:



- a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, regulators, suppliers, or others.
14. 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.

### **Ongoing Operations**

15. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, 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 entity's 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 entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

### **Related Parties**

16. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

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.

17. We understand that the term related party refers to:

- Affiliates
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

### **Litigation, Laws, Rulings, & Regulations**

18. 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.
19. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
20. We have no reason to believe the entity owes 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.
21. 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.

### **Nonattest Services**

22. You have provided nonattest services, including the following, during the period of this engagement:
  - Preparing a draft of the financial statements, related notes, and supplementary schedules.
23. With respect to these services:
  - 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 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.
  - e. Established and maintained internal controls, including monitoring ongoing activities.
  - f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

### **Financial Statements & Reports**

24. 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.
25. The entity has revised the 2022 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the revision. We are not aware of any other known matters that required correction in the financial statements.
26. 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, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
27. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

### **Transactions, Records, & Adjustments**

28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
29. We have everything we need to keep our books and records.
30. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
31. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

### **Governmental Accounting & Disclosure Matters**

32. With regard to deposit and investment activities:
  - a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Investments held by endowments are properly valued.
  - c. 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.

- d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
- 33. The financial statements include all component units.
  - 34. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
  - 35. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
  - 36. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
  - 37. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
  - 38. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, 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.

#### **Accounting & Disclosure**

- 39. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.
- 40. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities and net position.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.

h. Known or anticipated asset retirement obligations.

41. Except as disclosed in the financial statements, the entity has:

- a. Satisfactory title to all recorded assets, and those assets 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.

### **Revenue &Accounts Receivable**

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

- a. Uncollectible receivables.
- b. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

### **Estimates**

43. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

44. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

### **Fair Value**

45. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:

- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.
- b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
- c. The significant assumptions appropriately reflect market participant assumptions.
- d. The disclosures related to fair values are complete, adequate, and in conformity with accounting principles generally accepted in the United States of America.
- e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

DocuSigned by:



403866AEC4024EF...

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

[Ishumate@houstonpublicmedia.org](mailto:Ishumate@houstonpublicmedia.org)

DocuSigned by:



F6DD00EF0FE146D...

Derrick Wilson, Executive Director HPM  
Business Operations

[dwilson@houstonpublicmedia.org](mailto:dwilson@houstonpublicmedia.org)

*Representation of:*

Houston Public Media Foundation  
4343 Elgin Street  
Houston, Texas 77204

*Provided to:*

**FORVIS, LLP**  
Certified Public Accountants  
2700 Post Oak Boulevard, Suite 1500  
Houston, Texas 77056

The undersigned (“We”) are providing this letter in connection with FORVIS’ audit of our financial statements as of and for the year ended August 31, 2023.

Our representations are current and effective as of the date of FORVIS’ report: March 15, 2024.

Our engagement with FORVIS is based on our contract for services dated: July 26, 2023.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

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

#### **Broad Matters**

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 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 financial records and related data, 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 directors' meetings 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.
4. We have responded fully and truthfully to all your inquiries.

#### **Misappropriation, Misstatements, & Fraud**

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
- a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net position.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
- a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, regulators, suppliers, or others.
8. 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.

#### **Ongoing Operations**

9. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
10. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other



assets, declines in contributions, 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 contributions receivable, capital, etc., that could negatively impact the entity's ability to meet debt covenants or 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 entity's financial statements. Further, management and the Board are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

### **Related Parties**

11. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

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.

12. We understand that the term related party refers to:

- Affiliates.
- Management and members of their immediate families.
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

### **Litigation, Laws, Rulings, & Regulations**

13. 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.
14. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or

allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

15. There are no regulatory examinations currently in progress for which we have not received examination reports.
16. We have no reason to believe the entity owes 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.
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.

### **Nonattest Services**

18. You have provided nonattest services, including the following, during the period of this engagement:
  - Preparing a draft of the financial statements, related notes, and supplementary information.
  - Preparation of Federal Form 990.
19. With respect to these services:
  - 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 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.
  - e. Established and maintained internal controls, including monitoring ongoing activities.
  - f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

### **Financial Statements & Reports**

20. 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.
21. 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 or state the reasons for any changes, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

### **Transactions, Records, & Adjustments**

- 22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 23. We have everything we need to keep our books and records.
- 24. We have disclosed any significant unusual transactions has entered into during the period, including the nature, terms, and business purpose of those transactions.
- 25. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

### **Nonprofit Accounting & Disclosure Matters**

- 26. Adequate provisions and allowances have been accrued for any material losses from uncollectible receivables, including pledges.
- 27. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.
- 28. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

### **Accounting & Disclosure**

- 29. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.
- 30. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets liabilities, or net position.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, *Contingencies*, including those arising from environmental remediation obligations.

- d. Events occurring subsequent to the statement of financial position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
  - h. Known or anticipated asset retirement obligations.
31. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets 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.

#### **Revenue & Accounts Receivable**

32. Adequate provisions and allowances have been accrued for any material losses from:
- a. Uncollectible receivables.
  - b. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

#### **Estimates**

33. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
34. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

#### **Fair Value**

35. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.

- b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
- c. The significant assumptions appropriately reflect market participant assumptions.
- d. The disclosures related to fair values are complete, adequate, and in conformity with accounting principles generally accepted in the United States of America.
- e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

**Investments**

- 36. Investments held by endowments are properly valued.

**Tax Matters**

- 37. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to FORVIS any and all known reportable tax transactions.

DocuSigned by:



493866AFC4924FF

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

lshumate@houstonpublicmedia.org

DocuSigned by:



F6DB90EF3FE145D...

Derrick Wilson, Executive Director HPM  
Business Operations

dwilson@houstonpublicmedia.org

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

Independent Auditor's Report and Financial Statements

August 31, 2023 and 2022

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

**Table of Contents**

	<b>Page</b>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Basic Financial Statements	12
Supplementary Information	
Schedule 1 – Primary Institution Schedule of Functional Expenses – 2023	27
Schedule 2 – Component Unit (HPMF) Schedule of Functional Expenses – 2023	28
Schedule 3 – Primary Institution Schedule of Functional Expenses – 2022	29
Schedule 4 – Component Unit (HPMF) Schedule of Functional Expenses – 2022	30
Schedule 5 – Combining Schedule of Revenues and Expenses by Station – 2023	31



2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056

P 713.499.4600 / F 713.499.4699

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Regents  
University of Houston System  
Houston, Texas

### **Opinions**

We have audited the 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 year ended August 31, 2023 and the related notes to the financial statements, which collectively comprise the Stations' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Stations as of August 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Stations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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, 2023 or 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.

### **Prior Year Audited by Other Auditors**

The 2022 financial statements were audited by other auditors whose unmodified report on those financial statements thereon, dated March 16, 2023, included an "Emphasis of Matter" paragraph that indicated those 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, 2022 and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 GAAS, 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 audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stations' basic financial statements. The Primary Institution Schedule of Functional Expenses, Component Unit Schedule of Functional Expenses, and Combining Schedule of Revenues and Expenses by Station are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit 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 GAAS. In our opinion, the Primary Institution Schedule of Functional Expenses, Component Unit Schedule of Functional Expenses, and Combining Schedule of Revenues and Expenses by Station are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplementary information for the year ended August 31, 2022 was audited by other auditors whose report dated March 16, 2023 expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended August 31, 2022 taken as a whole.

**FORVIS,LLP**

Houston, Texas  
March 15, 2024

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2023 and 2022

## 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, 2023 and 2022. 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 for 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, 2023 and 2022. 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 and liabilities using the accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Net position is equal to assets minus liabilities. 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 including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding debt obligations and lease liabilities 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.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2023 and 2022  
(Continued)

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**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 9,128,474	\$ 8,239,346	\$ 4,831,142
Capital assets, net	4,888,082	5,641,592	6,722,578
Other noncurrent assets	2,189,902	2,110,619	2,339,316
Total assets	<u>16,206,458</u>	<u>15,991,557</u>	<u>13,893,036</u>
Liabilities:			
Current liabilities	1,332,220	1,180,826	1,136,619
Noncurrent liabilities	3,673,061	3,836,123	3,990,337
Total liabilities	<u>5,005,281</u>	<u>5,016,949</u>	<u>5,126,956</u>
Net position:			
Net investment in capital assets	1,051,958	1,651,255	2,586,711
Restricted for endowment funds	822,064	757,242	1,503,158
Unrestricted	9,327,155	8,566,111	4,676,211
Total net position	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>	<u>\$ 8,766,080</u>
Total liabilities and net position	<u>\$ 16,206,458</u>	<u>15,991,557</u>	<u>13,893,036</u>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2023 and 2022  
(Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 22,525,307	\$ 21,877,024	\$ 21,863,044
Operating expenses	<u>22,653,185</u>	<u>19,340,683</u>	<u>18,804,035</u>
Operating income (loss)	<u>(127,878)</u>	<u>2,536,341</u>	<u>3,059,009</u>
Nonoperating income (loss):			
American Rescue Plan funds	-	-	883,632
Endowment distributions	(67,081)	(63,463)	(33,264)
Gain (loss) from endowment	142,569	(165,234)	589,129
Interest expense on lease obligations	(62,135)	(64,523)	(66,580)
Other nonoperating income (expense)	<u>341,094</u>	<u>(34,593)</u>	<u>(17,001)</u>
Change in net position	226,569	2,208,528	4,414,925
Net position, beginning of year	10,974,608	8,766,080	4,351,155
Net position, end of year	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>	<u>\$ 8,766,080</u>

Operating revenues include sources that are primarily used to provide services to the Stations' viewers and listeners. The following schedule presents a summary and comparison of revenues for the fiscal years ended August 31, 2023, 2022, and 2021:

Revenues by Source	FY23		FY22		FY21		2023-2022 Increase (Decrease)		2022-2021 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
<u>Operating revenues:</u>										
Contributions	\$12,247,242	54.0%	\$12,875,056	59%	\$ 12,754,784	58%	\$ (627,814)	-97%	\$ 120,272	860%
General support from the UH System	3,280,515	15.0%	2,114,868	10%	2,558,750	12%	1,165,647	180%	(443,882)	-3175%
Program underwriting	3,201,009	14.0%	3,037,105	14%	2,595,593	12%	163,904	25%	441,512	3158%
Production service Corporation for Public Broadcasting (CPB) grants	1,067,333	5.0%	1,011,817	5%	883,981	4%	55,516	9%	127,836	914%
Royalties	2,143,861	9.0%	2,307,717	11%	2,331,099	11%	(163,856)	-25%	(23,382)	-167%
Special events	-	0.0%	-	0%	100,797	0%	-	0%	(100,797)	-721%
Other	-	0.0%	2,460	0%	93	0%	(2,460)	0%	2,367	17%
	<u>585,347</u>	<u>3.0%</u>	<u>528,001</u>	<u>2%</u>	<u>637,947</u>	<u>3%</u>	<u>57,346</u>	<u>9%</u>	<u>(109,946)</u>	<u>-786%</u>
	<u>\$22,525,307</u>	<u>100%</u>	<u>\$21,877,024</u>	<u>100%</u>	<u>\$ 21,863,044</u>	<u>100%</u>	<u>\$ 648,283</u>	<u>100%</u>	<u>\$ 13,980</u>	<u>100%</u>

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 expenses for the fiscal years ended August 31, 2023, 2022 and 2021.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2023 and 2022  
(Continued)

Expenses by Function	FY23		FY22		FY21		2023-2022 Increase (Decrease)		2022-2021 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
Operating expenses:										
Programming and production (PRD)	\$ 9,908,287	45%	\$ 9,144,247	47%	\$ 7,536,923	40%	\$ 764,040	24%	\$ 1,607,324	300%
Broadcasting, engineering and technical (BET)	2,768,209	12%	1,859,134	10%	1,965,469	10%	909,075	27%	(106,335)	-20%
Occupancy and physical plant operations (BET)	325,429	1%	325,429	2%	325,429	2%	-	0%	-	0%
Program information (PGM)	19	0%	382	0%	1,435	0%	(363)	0%	(1,053)	0%
Fundraising and membership development (FND)	1,397,178	6%	1,291,693	7%	1,688,065	9%	105,485	3%	(396,372)	-74%
Underwriting and grant solicitation (UND)	1,124,345	5%	1,074,090	5%	707,776	4%	50,255	2%	366,314	68%
Management and general (MGT)	3,257,627	14%	2,778,371	14%	3,220,196	17%	479,256	14%	(441,825)	-82%
Institutional support (MGT)	2,955,086	13%	1,789,439	9%	2,233,321	12%	1,165,647	35%	(443,882)	-83%
Depreciation/amortization	917,005	4%	1,077,898	6%	1,125,421	6%	(160,893)	-5%	(47,523)	-9%
Total operating expenses	<u>\$22,653,185</u>	<u>100%</u>	<u>\$19,340,683</u>	<u>100%</u>	<u>\$ 18,804,035</u>	<u>100%</u>	<u>\$ 3,312,502</u>	<u>100%</u>	<u>\$ 536,648</u>	<u>100%</u>

## FINANCIAL HIGHLIGHTS AND ANALYSIS

### *Assets and Liabilities – Fiscal Year 2023 Compared to Fiscal Year 2022*

- Current assets increased due to funding set aside for capital projects. Year over year fundraising increased in program underwriting and production services. Staffing levels increased as vacancies were filled in several departments, and the Stations' Executive and Digital teams expanded to meet the strategic goals of digital and financial growth.
- Current liabilities increased slightly due to accrued payroll and compensated absences.

### *Assets and Liabilities – Fiscal Year 2022 Compared to Fiscal Year 2021*

- Current assets increased due to primarily another year that resulted in a large operating surplus. Year over year fundraising increased in program underwriting, production services, and contributions. Staffing levels and other pandemic-related expense measures remained in place for most of the year.
- Current liabilities increased slightly due to advance payment of an annual underwriting schedule.

### *Operating Revenues – Fiscal Year 2023 Compared to Fiscal Year 2022*

The Stations' revenue increased year over year in underwriting by 2% and production services by 5%. This increase is due to increased revenue from current clients, new business, and significant growth from Community Catalyst. Revenue from UH General Support increased and CPB grants decreased. In FY23, total operating revenue increased by 3% from FY22.

### *Operating Revenues – Fiscal Year 2022 Compared to Fiscal Year 2021*

The Stations' revenue increased year over year in underwriting, production services, and gifts over \$1200. Revenue from UH General Support and CPB grants decreased. In FY21, The Stations benefitted from a one-

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Management's Discussion and Analysis  
Years Ended August 31, 2023 and 2022  
(Continued)

time American Rescue Plan grant from CPB. After accounting for the one-time grant, FY22 total operating revenue was slightly ahead of FY21 revenue.

***Operating Expenses – Fiscal Year 2023 Compared to Fiscal Year 2022***

The Stations' expenses in FY23 increased due to several initiatives (staffing, technical, and studio production upgrades).

***Operating Expenses – Fiscal Year 2022 Compared to Fiscal Year 2021***

The Stations' expenses in FY22 were relatively flat as expense measures stayed in place during this transition period following the pandemic.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of the end of fiscal 2023 and 2022, the Stations had \$4,888,082 and \$5,641,592, respectively, 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.

**REQUESTS FOR INFORMATION**

Questions regarding the information provided in this Annual Financial Report or requests for additional financial information should be addressed to the Executive Director – HPM Business Operations, 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, 2023 and 2022

	<b>2023</b>		<b>2022</b>	
	<b>Primary institution</b>	<b>Component unit (HPMF)</b>	<b>Primary institution</b>	<b>Component unit (HPMF)</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,053,769	\$ 812,662	\$ 7,434,935	\$ 952,699
Accounts receivable	293	610,388	-	697,996
Restricted cash and cash equivalents for capital projects	3,806,330	-	-	-
Restricted cash and cash equivalents	120,936	459,038	146,003	387,092
Film rights, net	147,146	-	8,408	-
Prepaid expenses	-	-	650,000	-
Total current assets	<u>9,128,474</u>	<u>1,882,088</u>	<u>8,239,346</u>	<u>2,037,787</u>
Noncurrent assets:				
Capital assets, net	4,888,082	14,100	5,641,592	14,100
Investments restricted for endowment	2,189,902	1,746,218	2,110,619	1,670,148
Total noncurrent assets	<u>7,077,984</u>	<u>1,760,318</u>	<u>7,752,211</u>	<u>1,684,248</u>
<b>Total assets</b>	<u>16,206,458</u>	<u>3,642,406</u>	<u>15,991,557</u>	<u>3,722,035</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	47,519	154,583	106,351	127,932
Accrued payroll	649,823	-	536,213	-
Employees' compensable leave	466,802	-	378,833	-
Unearned revenue	-	210,840	-	197,478
Lease liability - current portion	163,063	-	154,214	-
Interest payable	5,013	-	5,215	-
Total current liabilities	<u>1,332,220</u>	<u>365,423</u>	<u>1,180,826</u>	<u>325,410</u>
Noncurrent liabilities:				
Lease liability, less current portion	3,673,061	-	3,836,123	-
<b>Total liabilities</b>	<u>5,005,281</u>	<u>365,423</u>	<u>5,016,949</u>	<u>325,410</u>
<b>Net Position</b>				
Net investment in capital assets	1,051,958	14,100	1,651,255	14,100
Restricted:				
Nonexpendable	595,000	1,462,489	595,000	1,462,489
Expendable	227,064	343,833	162,242	278,690
Unrestricted	9,327,155	1,456,561	8,566,111	1,641,346
<b>Total net position</b>	<u>\$ 11,201,177</u>	<u>\$ 3,276,983</u>	<u>\$ 10,974,608</u>	<u>\$ 3,396,625</u>

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, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Primary institution</u>	<u>Component unit (HPMF)</u>	<u>Primary institution</u>	<u>Component unit (HPMF)</u>
Operating revenues:				
Contributions	\$ 12,247,242	\$ 11,311,733	\$ 12,875,056	\$ 11,315,757
General support from the UH System	3,280,515	-	2,114,868	-
Program underwriting	3,201,009	3,614,909	3,037,105	4,050,844
Production service	1,067,333	91,310	1,011,817	4,345
Production grants from HPMF	-	-	-	-
Corporation for Public Broadcasting (CPB) grants	2,143,861	-	2,307,717	-
Special events	-	-	2,460	-
Other	585,347	71,946	528,001	72,065
Total operating revenues	<u>22,525,307</u>	<u>15,089,898</u>	<u>21,877,024</u>	<u>15,443,011</u>
Operating expenses:				
Grants to primary institution	-	12,288,616	-	12,829,350
Programming and production (PRD)	9,908,287	250,835	9,144,247	87,227
Broadcasting, engineering, and technical (BET)	2,768,209	50,242	1,859,134	12,020
Occupancy and physical plant operations (BET)	325,429	-	325,429	-
Program information (PGM)	19	-	382	-
Fundraising and membership development (FND)	1,397,178	1,185,767	1,291,693	935,630
Underwriting and grant solicitation (UND)	1,124,345	1,124,345	1,074,090	1,074,090
Management and general (MGT)	3,257,627	385,806	2,778,371	295,173
Institutional support (MGT)	2,955,086	-	1,789,439	-
Depreciation and amortization	917,005	-	1,077,898	-
Total operating expenses	<u>22,653,185</u>	<u>15,285,611</u>	<u>19,340,683</u>	<u>15,233,490</u>
Operating income (loss)	<u>(127,878)</u>	<u>(195,713)</u>	<u>2,536,341</u>	<u>209,521</u>
Nonoperating income (expense):				
Endowment distributions	(67,081)	-	(63,463)	-
Gain (loss) from endowment	142,569	76,071	(165,234)	(383,525)
Interest expense on lease obligations	(62,135)	-	(64,523)	-
Other nonoperating income (expense)	341,094	-	(34,593)	(20,856)
Total nonoperating income (expense)	<u>354,447</u>	<u>76,071</u>	<u>(327,813)</u>	<u>(404,381)</u>
Change in net position	226,569	(119,642)	2,208,528	(194,860)
Net position, beginning of year	10,974,608	3,396,625	8,766,080	3,591,485
Net position, end of year	<u>\$ 11,201,177</u>	<u>\$ 3,276,983</u>	<u>\$ 10,974,608</u>	<u>\$ 3,396,625</u>

See accompanying notes to basic financial statements.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
**Statements of Cash Flows**  
Years Ended August 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
	<b>Primary institution</b>	<b>Primary institution</b>
Cash flows from operating activities:		
Proceeds from contributions	\$ 12,247,241	\$ 12,875,056
Proceeds from CPB grant	2,143,861	2,307,717
Proceeds from program underwriting	3,200,716	3,037,105
Proceeds from other revenues	1,652,680	1,542,278
Payments to suppliers for goods and services	(5,924,360)	(8,053,379)
Payments to employees	(7,319,132)	(6,156,828)
Payments for broadcasting fees	(4,342,414)	(1,859,134)
Net cash provided by operating activities	1,658,592	3,692,815
Cash flows from capital and related financing activities:		
Purchase of capital assets	(163,495)	(32,037)
Prepayment for capital project	-	(650,000)
Purchase of film rights	(215,749)	-
Interest paid on lease obligations	(62,336)	(64,713)
Payments for right-to-use lease asset	(154,214)	(145,530)
Net cash (used in) capital and related financing activities	(595,794)	(892,280)
Cash flows from non-capital and related financing activities:		
Proceeds from UH Systems	337,299	-
Net cash provided by non-capital and related financing activities	337,299	-
Cash flows from investing activities:		
Other	-	532
Net cash provided by investing activities	-	532
Change in cash and cash equivalents	1,400,097	2,801,067
Cash and cash equivalents, beginning of year	7,580,938	4,779,871
Cash and cash equivalents, end of year	\$ 8,981,035	\$ 7,580,938
Cash and cash equivalents are presented on the Statement of Net Position as:		
Cash and cash equivalents	\$ 5,053,769	\$ 7,434,935
Restricted cash and cash equivalents for capital projects	3,806,330	-
Restricted cash and cash equivalents	120,936	146,003
	\$ 8,981,035	\$ 7,580,938
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (127,878)	\$ 2,536,341
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	917,005	1,077,898
Amortization of film rights	77,011	42,863
Increase in accounts receivable	(293)	-
Decrease in prepaid expenses	650,000	-
Decrease in accounts payable	(58,832)	(26,863)
Increase in accrued payroll	113,610	62,576
Increase in employees' compensable leave	87,969	-
Total adjustments	1,786,470	1,156,474
Net cash provided by operating activities	\$ 1,658,592	\$ 3,692,815

See accompanying notes to basic financial statements.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

**(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

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

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**

The following is a summary of the more significant accounting policies of the Stations, which affect significant elements of the accompanying financial statements:

*a. Basis of Accounting*

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

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

*b. Reporting Guidelines*

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

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

**c. Net Position**

In the statements of net position, net position includes the following:

(i) *Net investment in capital assets* – represents the Stations’ or HPMF’s original acquisition value of capital assets, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding debt obligations and lease liabilities 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.

(ii) *Restricted* – reports the constraints placed on the use of net position by either parties and/or enabling legislation, reduced by any liabilities to be paid from these 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 grants and gifts restricted by the donor for a specific purpose.

(iii) *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.

**d. Revenues**

Appropriations from the University are recorded as revenues within production services, program underwriting, and other in the statement of revenues, expenses, and changes in net position when an expenditure is recorded.

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.

Underwriting revenues are contributions and are recognized as support in the period received.

**e. 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. There was no allowance for doubtful accounts recorded at August 31, 2023 and 2022.

**f. Cash and Cash Equivalents**

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

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

Cash and cash equivalents and restricted cash 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 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.

**g. 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	15-22 years
Furniture and equipment	3-15 years
Intangible and other assets	10 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.

Right-of-use lease assets are included in capital assets and amortized over the shorter of the lease term or the useful life of the underlying asset.

**h. 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.

**i. In-kind Contributions**

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Stations report gifts of equipment, materials, professional services, and other non-monetary contributions as support in the accompanying statement of revenues, expenses, and changes in net position.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

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 7*.

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.

***j. Corporation for Public Broadcasting Community Service Grants***

The Corporation for Public Broadcasting (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 (CSGs) 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, 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, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other restricted CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the statements of net position.

***k. General Support from the UH System***

General support from the UH System consists of allocated institutional support and physical plant costs (indirect administrative support) incurred by the UH System for which the Stations receive benefits.

Indirect administrative support is calculated using the CPB's Standard Method. For purposes of this calculation, expenses for non-broadcasting activities and unrelated business income taxes are removed from the Stations' total operating expenses, along with depreciation, amortization, in-kind contributions, and donated property and equipment to determine the Station's net direct expenses.



**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

For the years ended August 31, 2023 and 2022, there were no non-broadcasting activities or unrelated business income taxes.

*l. Operating Activities*

The Stations' policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting services to the Stations' audience or to further HPMF's exempt purpose. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as nonoperating revenues. American Rescue Plan Act (ARPA) stabilization funds are also included within nonoperating activities as these funds did not result from normal operations of the Stations or HPMF.

*m. Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

*n. Employees' Compensable Leave*

The liability for employees' compensable leave represents employees' accrued annual leave based on length of service subject to certain limitations as defined by state statute and UH System policies.

*o. Unearned Revenues*

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

*p. Advertising*

Advertising costs are charged to operations when incurred. The Stations' advertising expense for the years ended August 31, 2023 and 2022 was \$172,347 and \$91,283, respectively.

*q. 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.

*r. Pension and Other Postemployment Benefits*

As the Stations are a department of the UH System, any pension and other postemployment benefits liabilities are reported by the UH System. The UH System Annual Financial Statements may be obtained from: <https://uh.edu/office-of-finance/finance-reporting/>.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

*s. Recent Accounting Pronouncements*

GASB Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB 62*. This Statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2024.

GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2025.

*t. 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, 2023 and 2022.

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, 2023 and 2022.

Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

*u. Revision*

An immaterial revision has been made to 2022 financial statements for ARPA funds received during FY2021. The revision reclassified ARPA funds from restricted to unrestricted. The following financial statement line items for fiscal year 2022 were affected by the revision.

<u>Statements of Net Position</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>	<u>As Revised</u>
Cash and cash equivalents	\$ 6,551,303	\$ 883,632	\$ 7,434,935
Restricted cash and cash equivalents	\$ 1,029,635	\$ (883,632)	\$ 146,003
Net position:			
Restricted expendable	\$ 1,045,874	\$ (883,632)	\$ 162,242
Unrestricted	\$ 7,682,479	\$ 883,632	\$ 8,566,111

**(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 of the average of the outstanding endowment’s fair value in the previous 12 fiscal quarters. That percentage was 4% in fiscal years 2023 and 2022. 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, 2023 and 2022, HPMF had cash deposits held by Amegy Bank in the amount of approximately \$583,518 and \$702,699, respectively, that were uninsured and uncollateralized. The Stations did not have any balances that were uninsured or uncollateralized as of August 31, 2023 or 2022, as all cash balances represent the claim of cash at UH and not balances held at a financial institution.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

- 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 2023 and 2022, 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’ investment activity for the years ended August 31, 2023 and 2022:

Balance, September 1, 2021	\$	2,339,316
FY22 net contributions (distributions)		(63,463)
FY22 realized/unrealized loss		<u>(165,234)</u>
Balance, August 31, 2022		2,110,619
FY23 net contributions (distributions)		(67,081)
FY23 realized/unrealized gain		<u>146,364</u>
Balance, August 31, 2023	\$	<u><u>2,189,902</u></u>

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 and held by the University of Houston Foundation (the U of H Foundation). The Investment Pool combines the assets of all endowment fund accounts and is allocated to external investment managers. The U of H Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. 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

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

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 \$1,746,518 and \$1,670,148 as of August 31, 2023 and 2022, 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 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, 2023 and 2022:

Balance, September 1, 2021	\$ 2,053,673
FY22 realized/unrealized loss	<u>(383,525)</u>
Balance, August 31, 2022	1,670,148
FY23 realized/unrealized gain	<u>76,070</u>
Balance, August 31, 2023	<u><u>\$ 1,746,218</u></u>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

**(4) Capital Assets**

Capital asset balances and activity for the year ended August 31, 2023 were as follows for the Stations:

	<b>2022</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2023</b>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	8,986,060	-	28,338	8,957,722
Intangible and other assets	75,000	-	-	75,000
Construction in progress	-	163,495	-	163,495
Total capital assets	21,767,521	163,495	28,338	21,902,678
Less accumulated depreciation and amortization	16,125,929	917,005	28,338	17,014,596
Net capital assets	<u>\$ 5,641,592</u>	<u>\$ (753,510)</u>	<u>\$ -</u>	<u>\$ 4,888,082</u>

Capital asset balances and activity for the year ended August 31, 2023 were as follows for HPMF:

	<b>2022</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2023</b>
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	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

Capital asset balances and activity for the year ended August 31, 2022 were as follows for the Stations:

	<b>2021</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2022</b>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	4,841,671	32,037	159,178	4,714,530
Lease assets	4,271,530	-	-	4,271,530
Intangible and other assets	75,000	-	-	75,000
Total capital assets	21,894,662	32,037	159,178	21,767,521
Less accumulated depreciation	15,172,084	1,077,898	124,053	16,125,929
Net capital assets	<u>\$ 6,722,578</u>	<u>(1,045,861)</u>	<u>35,125</u>	<u>5,641,592</u>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

Capital asset balances and activity for the year ended August 31, 2022 were as follows for HPMF:

	<u>2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2022</u>
Capital assets:				
Land	\$ 14,100	\$ -	\$ -	\$ 14,100
Program costs	652,089	-	-	652,089
Furniture and equipment	424,249	-	-	424,249
Other assets	4,050	-	-	4,050
Accounting software – FM	55,105	-	-	55,105
Accounting software – TV	55,105	-	-	55,105
Total capital assets	<u>1,204,698</u>	-	-	<u>1,204,698</u>
Less accumulated depreciation	<u>1,190,598</u>	-	-	<u>1,190,598</u>
Net capital assets	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

**(5) 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, 2023 and 2022:

- Pooled investments of \$2,189,902 and \$2,110,619, respectively, are valued at fair value per share of the pool’s underlying portfolio.

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

HPMF had the following recurring fair value measurements as of August 31, 2023 and 2022:

- Pooled investments of \$1,746,218 and \$1,670,148, respectively, are valued at fair value per share of the pool’s underlying portfolio.

As a result of market declines, the fair value of certain donor restricted endowments for HPMF were less than historical cost values (original gift amount) and, therefore, are considered to be underwater. The fair value deficiencies of underwater endowments were \$109,684 at August 31, 2022. There were no underwater endowments as of August 31, 2023.

There were no unfunded commitments related to the endowment funds, and the redemption period for the funds is daily.

**(6) 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, 2023 and 2022 were as follows:

Balance, September 1, 2021	\$	51,271
FY22 additions		-
FY22 amortization		(42,863)
Balance, August 31, 2022		8,408
FY23 additions		215,749
FY23 amortization		(77,011)
Balance, August 31, 2023	\$	147,146

**(7) 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 2023 and 2022. 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 \$3,280,515 and \$2,114,868 in 2023 and 2022, respectively.

**(8) Leases**

The Stations recognize intangible right-of-use assets and corresponding lease liabilities for all significant leases that are not considered short-term. The Stations lease tower and antenna usage through a lease agreement that extends through the Stations’ fiscal year 2039. The right-of-use lease asset has been discounted at a rate of 1.59%. As of August 31, 2023 and 2022, the right-of-use asset was \$4,271,530, and accumulated amortization was \$686,496 and \$457,664, respectively.



**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

Future maturities of lease payments are as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 163,063	\$ 59,984	\$ 223,047
2025	172,579	57,159	229,738
2026	182,286	54,345	236,631
2027	192,356	51,374	243,730
2028	202,669	48,372	251,041
2029–2033	1,184,637	188,159	1,372,796
2034–2038	1,509,836	81,610	1,591,446
2039	228,699	1,371	230,070
	<u>\$ 3,836,125</u>	<u>\$ 542,374</u>	<u>\$ 4,378,499</u>

**(9) 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, 2023 and 2022 amounted to \$2,996,996 and \$2,483,730, 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.

**(10) Significant Concentrations**

Information related to significant concentrations of revenues for the Stations and HPMF, except as otherwise disclosed, is as follows:

*a. Revenues*

The Stations received significant revenue from two sources in 2023 and 2022. The CPB provided approximately 15% of revenues, and UH provided approximately 10% in cash, support, and donated facilities. For the year ended August 31, 2022, the CPB provided approximately 11% of revenues, and UH provided approximately 10% in cash, support, and donated facilities.

There were no significant concentrations of revenues for HPMF.

**(11) Community Service Grants**

The Station receives CSGs from the CPB annually. The CSGs received and expended during the most recent fiscal years were as follows:

<u>Year of Grant</u>	<u>Grants Received</u>	<u>2020-2021</u>	<u>Expended</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>Uncommitted Balance at August 31, 2023</u>
2021-23	\$ 2,262,642	\$ -	\$ 2,116,639	\$ 17,869	\$ 128,134	

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Notes to Basic Financial Statements  
August 31, 2023 and 2022

**(12) Restrictions on Net Position (Revised)**

Included in restricted expendable net position at August 31, 2023 are restricted cash from unspent CSG grants of \$120,936 and endowment earnings of \$106,128 for the Stations and endowment earnings of \$343,833 for HPMF. Included in restricted expendable net position at August 31, 2022 are restricted cash from unspent CSG grants of \$146,003, and endowment earnings of \$16,239 for the Stations and endowment earnings of \$278,690 for HPMF. The restricted nonexpendable net position at August 31, 2023 and 2022 contains the endowment balances of \$595,000 and \$1,462,489 for the Stations and HPMF, respectively.

## **SUPPLEMENTARY INFORMATION**

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Primary Institution Schedule of Functional Expenses  
Year Ended August 31, 2023

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	\$ 3,745,672	\$ 636,336	\$ -	\$ 4,382,008	\$ 149,645	\$ 1,368,949	\$ -	\$ 1,518,594	\$ 5,900,602
Fringe benefits	1,065,222	159,368	-	1,224,590	44,905	350,524	-	395,429	1,620,019
Financial and legal services	764	17	-	781	-	200,218	-	200,218	200,999
Fundraising	15,259	-	-	15,259	246,830	193,675	1,346	441,851	457,110
Membership fees	1,000	118	-	1,118	34,420	83,420	-	117,840	118,958
Other expenses	408,029	298,226	-	706,255	513,540	735,909	1,122,134	2,371,583	3,077,838
Mail services	207	15	19	241	42,302	1,071	865	44,238	44,479
Printing and reproduction services	892	-	-	892	216,825	15,530	-	232,355	233,247
Professional services	805,749	21,299	-	827,048	47,173	336,357	-	383,530	1,210,578
Program rights	3,799,505	500,000	-	4,299,505	-	42,909	-	42,909	4,342,414
Rental and leases	20,865	248,928	-	269,793	-	(172,610)	-	(172,610)	97,183
Repairs and maintenance	476	172,273	-	172,749	-	45,142	-	45,142	217,891
Supplies and materials	27,065	394,534	-	421,599	98,051	35,264	-	133,315	554,914
Telephone	-	126,762	-	126,762	-	294	-	294	127,056
Travel	17,582	5,935	-	23,517	3,487	16,555	-	20,042	43,559
Utilities	-	204,398	-	204,398	-	4,420	-	4,420	208,818
Total expenses before in-kind	9,908,287	2,768,209	19	12,676,515	1,397,178	3,257,627	1,124,345	5,779,150	18,455,665
In-kind	-	325,429	-	325,429	-	2,955,086	-	2,955,086	3,280,515
Total expenses before depreciation and amortization	9,908,287	3,093,638	19	13,001,944	1,397,178	6,212,713	1,124,345	8,734,236	21,736,180
Depreciation and amortization	-	-	-	-	-	917,005	-	917,005	917,005
Total operating expenses	<u>\$ 9,908,287</u>	<u>\$ 3,093,638</u>	<u>\$ 19</u>	<u>\$ 13,001,944</u>	<u>\$ 1,397,178</u>	<u>\$ 7,129,718</u>	<u>\$ 1,124,345</u>	<u>\$ 9,651,241</u>	<u>\$ 22,653,185</u>
Percentage of total expenses before depreciation	46%	14%	0%	60%	6%	29%	5%	40%	100%

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Component Unit (HPMF) Schedule of Functional Expenses  
Year Ended August 31, 2023

Schedule 2

Class	Grants to primary institution	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	\$ -	\$ -	\$ -	\$ -	\$ -	71,615	\$ -	71,615	\$ 71,615
Fundraising	-	7,871	-	7,871	245,936	193,465	1,346	440,747	448,618
Grants to KUHF-FM	6,144,308	-	-	6,144,308	-	-	-	-	6,144,308
Grants to KUHT-TV	6,144,308	-	-	6,144,308	-	-	-	-	6,144,308
Membership fees	-	930	118	1,048	34,420	1,250	-	35,670	36,718
Other expenses	-	229,565	50,097	279,662	513,531	96,687	1,122,134	1,732,352	2,012,014
Mail services	-	205	-	205	29,734	188	865	30,787	30,992
Printing and reproduction services	-	860	-	860	216,825	6,386	-	223,211	224,071
Professional services	-	6,540	-	6,540	47,173	1,500	-	48,673	55,213
Rental and leases	-	-	-	-	-	930	-	930	930
Supplies and materials	-	4,768	27	4,795	98,051	10,224	-	108,275	113,070
Travel	-	96	-	96	97	3,561	-	3,658	3,754
Total operating expenses	<u>\$ 12,288,616</u>	<u>\$ 250,835</u>	<u>\$ 50,242</u>	<u>\$ 12,589,693</u>	<u>\$ 1,185,767</u>	<u>\$ 385,806</u>	<u>\$ 1,124,345</u>	<u>\$ 2,695,918</u>	<u>\$ 15,285,611</u>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Primary Institution Schedule of Functional Expenses  
Year Ended August 31, 2022

Schedule 3

Class	Programming and production (PRD)	Broadcasting, engineering, and technical (BET)	Program information (PGM)	Total	Fundraising and membership development (FND)	Management and general (MGT)	Underwriting and grant solicitation (UND)	Total	Grand Total
Salaries and wages	\$ 2,989,390	\$ 567,543	\$ -	\$ 3,556,933	\$ 199,915	\$ 1,094,973	\$ -	\$ 1,294,888	\$ 4,851,821
Fringe benefits	879,557	150,501	-	1,030,058	61,945	275,580	-	337,525	1,367,583
Financial and legal services	6,751	357	-	7,108	-	211,468	-	211,468	218,576
Fundraising	5,727	4,352	-	10,079	199,242	98,375	-	297,617	307,696
Membership fees	80	2,341	-	2,421	12,167	72,988	-	85,155	87,576
Other expenses	273,609	255,205	-	528,814	519,843	520,744	1,074,090	2,114,677	2,643,491
Mail services	-	704	-	704	24,568	606	-	25,174	25,878
Printing and reproduction services	3,842	236	-	4,078	115,001	7,273	-	122,274	126,352
Professional services	609,667	56,791	-	666,458	29,336	349,603	-	378,939	1,045,397
Program rights	4,278,067	109,191	-	4,387,258	-	40,530	-	40,530	4,427,788
Rental and leases	30,237	14,988	-	45,225	-	38,524	-	38,524	83,749
Repairs and maintenance	3,415	165,406	-	168,821	-	32,608	-	32,608	201,429
Supplies and materials	56,287	174,583	382	231,252	129,504	22,759	-	152,263	383,515
Telephone	-	128,448	-	128,448	-	782	-	782	129,230
Travel	7,618	1,397	-	9,015	172	8,748	-	8,920	17,935
Utilities	-	227,091	-	227,091	-	2,810	-	2,810	229,901
Total expenses before in-kind	9,144,247	1,859,134	382	11,003,763	1,291,693	2,778,371	1,074,090	5,144,154	16,147,917
In-kind	-	325,429	-	325,429	-	1,789,439	-	1,789,439	2,114,868
Total expenses before depreciation and amortization	9,144,247	2,184,563	382	11,329,192	1,291,693	4,567,810	1,074,090	6,933,593	18,262,785
Depreciation and amortization	-	-	-	-	-	1,077,898	-	1,077,898	1,077,898
Total operating expenses	<u>\$ 9,144,247</u>	<u>\$ 2,184,563</u>	<u>\$ 382</u>	<u>\$ 11,329,192</u>	<u>\$ 1,291,693</u>	<u>\$ 5,645,708</u>	<u>\$ 1,074,090</u>	<u>\$ 8,011,491</u>	<u>\$ 19,340,683</u>
Percentage of total expenses before depreciation	50%	12%	0%	62%	7%	25%	6%	38%	100%

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Component Unit (HPMF) Schedule of Functional Expenses  
Year Ended August 31, 2022

Schedule 4

Class	Grants to primary institution	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,691	\$ -	\$ 68,691	\$ 68,691
Fundraising	-	4,855	4,352	9,207	199,242	93,192	-	292,434	301,641
Grants to KUHF-FM	6,414,675	-	-	6,414,675	-	-	-	-	6,414,675
Grants to KUHT-TV	6,414,675	-	-	6,414,675	-	-	-	-	6,414,675
Membership fees	-	80	80	160	12,167	100	-	12,267	12,427
Other expenses	-	80,010	5,353	85,363	440,501	93,137	1,074,090	1,607,728	1,693,091
Mail services	-	-	-	-	11,142	-	-	11,142	11,142
Printing and reproduction services	-	-	-	-	113,621	4,918	-	118,539	118,539
Professional services	-	1,000	1,000	2,000	29,336	10,000	-	39,336	41,336
Repairs and maintenance	-	149	149	298	-	-	-	-	298
Supplies and materials	-	769	764	1,533	129,449	24,713	-	154,162	155,695
Telephone	-	-	-	-	-	422	-	422	422
Travel	-	364	322	686	172	-	-	172	858
<b>Total operating expenses</b>	<b>\$ 12,829,350</b>	<b>\$ 87,227</b>	<b>\$ 12,020</b>	<b>\$ 12,928,597</b>	<b>\$ 935,630</b>	<b>\$ 295,173</b>	<b>\$ 1,074,090</b>	<b>\$ 2,304,893</b>	<b>\$ 15,233,490</b>

**HOUSTON PUBLIC MEDIA**  
(A Division of the University of Houston System)  
Combining Schedule of Revenues and Expenses by Station  
Year Ended August 31, 2023

**Schedule 5**

	<b>KUHF-FM</b>	<b>KUHT-TV</b>	<b>Totals</b>
<b>Operating revenues:</b>			
Contributions	\$ 6,449,984	\$ 5,797,258	\$ 12,247,242
General support from the UH System	1,545,581	1,734,934	3,280,515
Program underwriting	1,540,617	1,660,392	3,201,009
Production service	432,665	634,668	1,067,333
Corporation for Public Broadcasting grants	519,854	1,624,007	2,143,861
Other	313,091	272,256	585,347
	<u>10,801,792</u>	<u>11,723,515</u>	<u>22,525,307</u>
<b>Operating expenses:</b>			
Financial and legal services	100,127	100,872	200,999
Fringe benefits	808,822	811,197	1,620,019
Fundraising	138,640	318,470	457,110
Mail services	25,137	19,342	44,479
Membership fees	38,270	80,688	118,958
Other expenses	1,813,629	1,264,209	3,077,838
Printing and reproduction services	116,608	116,639	233,247
Professional services	531,328	679,250	1,210,578
Program rights	2,090,467	2,251,947	4,342,414
Rental and leases	16,350	80,833	97,183
Repairs and maintenance	112,964	104,927	217,891
Salaries and wages	2,941,181	2,959,421	5,900,602
Supplies and materials	136,644	418,270	554,914
Telephone	63,330	63,726	127,056
Travel	31,579	11,980	43,559
Utilities	106,116	102,702	208,818
In-kind	1,545,581	1,734,934	3,280,515
Depreciation	172,591	744,414	917,005
	<u>10,789,364</u>	<u>11,863,821</u>	<u>22,653,185</u>
Total operating expenses	<u>10,789,364</u>	<u>11,863,821</u>	<u>22,653,185</u>
Operating income (loss)	<u>12,428</u>	<u>(140,306)</u>	<u>(127,878)</u>
<b>Nonoperating income (expense):</b>			
Interest expense on lease obligations	(31,068)	(31,067)	(62,135)
Endowment distribution	(59,573)	(7,508)	(67,081)
Gain on endowments	52,216	41,658	93,874
Realized gain on endowments, net	26,985	21,710	48,695
Other nonoperating income	170,547	170,547	341,094
	<u>159,107</u>	<u>195,340</u>	<u>354,447</u>
Total nonoperating income (expense)	<u>159,107</u>	<u>195,340</u>	<u>354,447</u>
Change in net position	<u>\$ 171,535</u>	<u>\$ 55,034</u>	<u>\$ 226,569</u>