External Audit Reports

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or outside expertise.

Report Name	Name of Firm	Presenter	Page
Houston Public Media (a Division of the University of Houston System), Independent Auditor’s Report and Financial Statements, Years Ended August 31, 2023, and 2022	FORVIS, LLP	Angela Dunlap	2 of 126
University of Houston-Victoria, Title IV Financial Aid Audit	Belt Harris Pechacek, LLLP	Phillip W. Hurd	58 of 126
University of Houston-Victoria, Annual Financial Report, and Independent Accountants Review Report, Fiscal Year 2023	Belt Harris Pechacek, LLLP	Phillip W. Hurd	76 of 126
University of Houston-Victoria Formula Funding	Texas Higher Education Coordinating Board	Phillip W. Hurd	124 of 126

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
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information: • As of and for the year ended August 31, 2023 • Conducted in accordance with our contract dated July 26, 2023
Our Responsibilities	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).
Audit Scope & Inherent Limitations to *Reasonable Assurance*	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.
Extent of Our Communication	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.
Independence	The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

FORVIS

Matter	Discussion
Distribution Restriction	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: • The Board of Directors, Audit and Compliance Committee, and Management • Others within the Entity

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.

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 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.

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.

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Attachment A

Management Representation Letters

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 <u>related party</u> 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:

Lisa Shumate

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

lshumate@houstonpublicmedia.org

DocuSigned by:

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Derrick Wilson, Executive Director HPM Business Operations

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:
Lisa Shumate
493866AEC4924EE...

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

lshumate@houstonpublicmedia.org

DocuSigned by:
F6DB99EF3FE145D...

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)

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FORVIS

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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

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.

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

	2023	2022	2021
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	16,206,458	15,991,557	13,893,036
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	5,005,281	5,016,949	5,126,956
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	$ 11,201,177	$ 10,974,608	$ 8,766,080
Total liabilities and net position	$ 16,206,458	15,991,557	13,893,036

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

	2023	2022	2021
Operating revenues	$ 22,525,307	$ 21,877,024	$ 21,863,044
Operating expenses	22,653,185	19,340,683	18,804,035
Operating income (loss)	(127,878)	2,536,341	3,059,009
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)	341,094	(34,593)	(17,001)
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	$ 11,201,177	$ 10,974,608	$ 8,766,080

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)	
Operating revenues:	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
Contributions	$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	1,067,333	5.0%	1,011,817	5%	883,981	4%	55,516	9%	127,836	914%
Corporation for Public Broadcasting (CPB) grants	2,143,861	9.0%	2,307,717	11%	2,331,099	11%	(163,856)	-25%	(23,382)	-167%
Royalties	-	0.0%	-	0%	100,797	0%	-	0%	(100,797)	-721%
Special events	-	0.0%	2,460	0%	93	0%	(2,460)	0%	2,367	17%
Other	585,347	3.0%	528,001	2%	637,947	3%	57,346	9%	(109,946)	-786%
	$22,525,307	100%	$21,877,024	100%	$ 21,863,044	100%	$ 648,283	100%	$ 13,980	100%

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.

Expenses by Function	FY23		FY22		FY21		2023–2022 Increase (Decrease)		2022–2021 Increase (Decrease)	
Operating expenses:	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
Programming and production (PRD)	$ 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	$22,653,185	100%	$19,340,683	100%	$ 18,804,035	100%	$ 3,312,502	100%	$ 536,648	100%

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-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

	2023		2022	
	Primary institution	**Component unit (HPMF)**	**Primary institution**	**Component unit (HPMF)**
Assets				
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	9,128,474	1,882,088	8,239,346	2,037,787
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	7,077,984	1,760,318	7,752,211	1,684,248
Total assets	16,206,458	3,642,406	15,991,557	3,722,035
Liabilities				
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	1,332,220	365,423	1,180,826	325,410
Noncurrent liabilities:				
Lease liability, less current portion	3,673,061	-	3,836,123	-
Total liabilities	5,005,281	365,423	5,016,949	325,410
Net Position				
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
Total net position	$ 11,201,177	$ 3,276,983	$ 10,974,608	$ 3,396,625

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

	2023		2022	
	Primary institution	**Component unit (HPMF)**	**Primary institution**	**Component unit (HPMF)**
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	22,525,307	15,089,898	21,877,024	15,443,011
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	22,653,185	15,285,611	19,340,683	15,233,490
Operating income (loss)	(127,878)	(195,713)	2,536,341	209,521
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)	354,447	76,071	(327,813)	(404,381)
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	$ 11,201,177	$ 3,276,983	$ 10,974,608	$ 3,396,625

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

	2023 Primary institution	2022 Primary institution
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 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*.

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.

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.

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.

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/.

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.

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.

Statements of Net Position	**As Previously Reported**	**Effect of Change**	**As Revised**
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.

- 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	(165,234)
Balance, August 31, 2022	2,110,619
FY23 net contributions (distributions)	(67,081)
FY23 realized/unrealized gain	146,364
Balance, August 31, 2023	$ 2,189,902

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 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	(383,525)
Balance, August 31, 2022	1,670,148
FY23 realized/unrealized gain	76,070
Balance, August 31, 2023	$ 1,746,218

(4) Capital Assets

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

	2022	Additions	Dispositions	2023
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	$ 5,641,592	$ (753,510)	$ -	$ 4,888,082

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

	2022	Additions	Dispositions	2023
Capital assets:				
Land	$ 14,100	$ -	$ -	$ 14,100
Program costs	652,089	-	-	652,089
Furniture and equipment	424,249	-	-	424,249
Other assets	4,050	-	-	4,050
Accounting software – FM	55,105	-	-	55,105
Accounting software – TV	55,105	-	-	55,105
Total capital assets	1,204,698	-	-	1,204,698
Less accumulated depreciation	1,190,598	-	-	1,190,598
Net capital assets	$ 14,100	$ -	$ -	$ 14,100

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

	2021	Additions	Dispositions	2022
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	$ 6,722,578	(1,045,861)	35,125	5,641,592

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

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

(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.

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.

Future maturities of lease payments are as follows:

Year Ending August 31:	Principal	Interest	Total Payment
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
	$ 3,836,125	$ 542,374	$ 4,378,499

(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:

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

(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	$ 9,908,287	$ 3,093,638	$ 19	$ 13,001,944	$ 1,397,178	$ 7,129,718	$ 1,124,345	$ 9,651,241	$ 22,653,185
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	$ 12,288,616	$ 250,835	$ 50,242	$ 12,589,693	$ 1,185,767	$ 385,806	$ 1,124,345	$ 2,695,918	$ 15,285,611

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	$ 9,144,247	$ 2,184,563	$ 382	$ 11,329,192	$ 1,291,693	$ 5,645,708	$ 1,074,090	$ 8,011,491	$ 19,340,683
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
Total operating expenses	$ 12,829,350	$ 87,227	$ 12,020	$ 12,928,597	$ 935,630	$ 295,173	$ 1,074,090	$ 2,304,893	$ 15,233,490

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

	KUHF-FM	KUHT-TV	Totals
Operating revenues:			
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
Total operating revenues	10,801,792	11,723,515	22,525,307
Operating expenses:			
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
Total operating expenses	10,789,364	11,863,821	22,653,185
Operating income (loss)	12,428	(140,306)	(127,878)
Nonoperating income (expense):			
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
Total nonoperating income (expense)	159,107	195,340	354,447
Change in net position	$ 171,535	$ 55,034	$ 226,569

PROGRAM-SPECIFIC AUDIT
STUDENT FINANCIAL ASSISTANCE
CLUSTER (TITLE IV)

UNIVERSITY OF HOUSTON – VICTORIA

(an agency of the State of Texas)

For the Fiscal Year Ended
August 31, 2023

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ISSUED IN A PROGRAM-SPECIFIC AUDIT OF STUDENT FINANCIAL ASSISTANCE CLUSTER (TITLE IV)

To the Board of Regents of the
University of Houston System:

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the accompanying schedule of expenditures of federal awards for the Student Financial Assistance Cluster ("Title IV") of the University of Houston – Victoria (the "University"), an agency of the State of Texas (the "State"), for the year ended August 31, 2023, and the related notes (the "Schedule").

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards for Title IV of the University for the year ended August 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the University, 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 opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

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Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and is therefore not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 Schedule.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, 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 Schedule.
- 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 University 's 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 Schedule.

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.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 22, 2024

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Regents of the
University of Houston System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of expenditures of federal awards for the Student Financial Assistance Cluster ("Title IV") and the related notes (the "Schedule") of the University of Houston – Victoria (the "University"), an agency of the State of Texas (the "State") as of and for the year ended August 31, 2023, and have issued our report thereon dated January 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's Schedule will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 22, 2024

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Regents of the
University of Houston System:

Report on Compliance for Student Financial Assistance Cluster (Title IV)

Opinion on Compliance for Student Financial Assistance Cluster (Title IV)

We have audited the University of Houston – Victoria's (the "University"), an agency of the State of Texas (the "State"), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on its Student Financial Assistance Cluster ("Title IV") for the year ended August 31, 2023.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title IV for the year ended August 31, 2023.

Basis for Opinion on Compliance for Student Financial Assistance Cluster (Title IV)

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for Title IV. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Title IV.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 22, 2024

None noted.

UNIVERSITY OF HOUSTON - VICTORIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2023

A. SUMMARY OF AUDITORS' RESULTS

Financial Statement

Type of auditors' report issued	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the audit report?	No
Internal control over financial reporting:	
Is a significant deficiency in internal control disclosed?	No
Is a material weakness in internal control disclosed?	No
Is noncompliance material to the Schedule disclosed?	No

Compliance

Type of opinion expressed in the auditors' report on compliance	Unmodified
Internal control over compliance:	
Is a significant deficiency in internal control over compliance disclosed?	No
Is a material weakness in internal control over compliance disclosed?	No
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)?	No
Did the auditee qualify as low-risk auditee?	No

Programs included in the program-specific audit of Title IV consisted of:

Assistance Listing (AL) Numbers	Name of Federal Program or Cluster	Number of Audit Findings
84.007	Federal Supplemental Educational Opportunity Grants	0
84.033	Federal Work-Study Program	0
84.063	Federal Pell Grant Program	0
84.268	Federal Direct Student Loan Program	0
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grants	0

B. FINANCIAL STATEMENT FINDINGS

None identified.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.

University of Houston - Victoria

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STUDENT FINANCIAL ASSISTANCE CLUSTER (TITLE IV)

For the Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	AL Number	Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	$ 288,178
Federal Work-Study Program	84.033	201,846
Federal Pell Grant Program	84.063	7,407,178
Federal Direct Student Loan Program	84.268	16,865,014
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	9,429
Total U.S. Department of Education		$ 24,771,645

See accompanying Notes to Schedule of Expenditures of Federal Awards.

1. SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The University of Houston – Victoria (the "University") is part of the University of Houston System (the "System") and is an agency of the State of Texas (the "State"). The Schedule of Expenditures of Federal Award (the "Schedule") – Student Financial Assistance Cluster ("Title IV") represents only the activity of Title IV and does not include any other awards received by the University or any award received by the System or the State.

The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance §200.414.

2. RELATIONSHIP TO FEDERAL AND STATE REPORTS

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the Schedule are due to different program year ends and accruals that will be reflected in the next report filed with the grantor agencies.

3. SUBSEQUENT EVENTS

The University evaluated subsequent events and, as of the date of the independent auditors' report, none were noted.

Required Auditor Disclosure Letter
Planning

January 22, 2024

To the Board of Regents of the
University of Houston System:

We are engaged to audit the schedule of expenditures of federal awards for the Student Financial Assistance Cluster ("Title IV") (the "Schedule") of the University of Houston – Victoria (the "University") for the year ended August 31, 2023. Professional standards require that we provide the Board of Regents (the "governing body") with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 18, 2021, our responsibility, as described by professional standards, is to express opinions about whether the Schedule prepared by management with the governing body's oversight is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the Schedule does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts in the Schedule; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the University and its environment, including internal control, sufficient to assess the risks of material misstatement of the Schedule and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the University or to acts by management or employees acting on the behalf of the University. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition
- Noncompliance with complex Title IV rules and regulations

III. Restrictions on Use

This information is intended solely for the use of the governing body and management of the University and is not intended to be, and should not be, used by anyone other than these specified parties.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Required Auditor Disclosure Letter
Conclusion of Audit

January 22, 2024

To the Board of Regents of the
University of Houston System:

We have audited the schedule of expenditures of federal awards for the Student Financial Assistance Cluster ("Title IV") of the University of Houston – Victoria (the "University"), for the year ended August 31, 2023 and related notes (the "Schedule"). Professional standards require that we provide the Board of Regents (the "governing body") with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to the governing body the following information related to our audit.

I. <u>Significant Audit Matters</u>

1. Qualitative Aspects of Accounting Practices

A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in the notes to the Schedule. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedule in the proper period.

B. Accounting estimates are an integral part of the Schedule prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the Schedule and because of the possibility that future events affecting them may differ significantly from those expected.

C. The Schedule's disclosures are neutral, consistent, and clear.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No adjustments were noted.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 22, 2024.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's Schedule or a determination of the type of auditors' opinion that may be expressed on the Schedule, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Changes in Risk Assessment

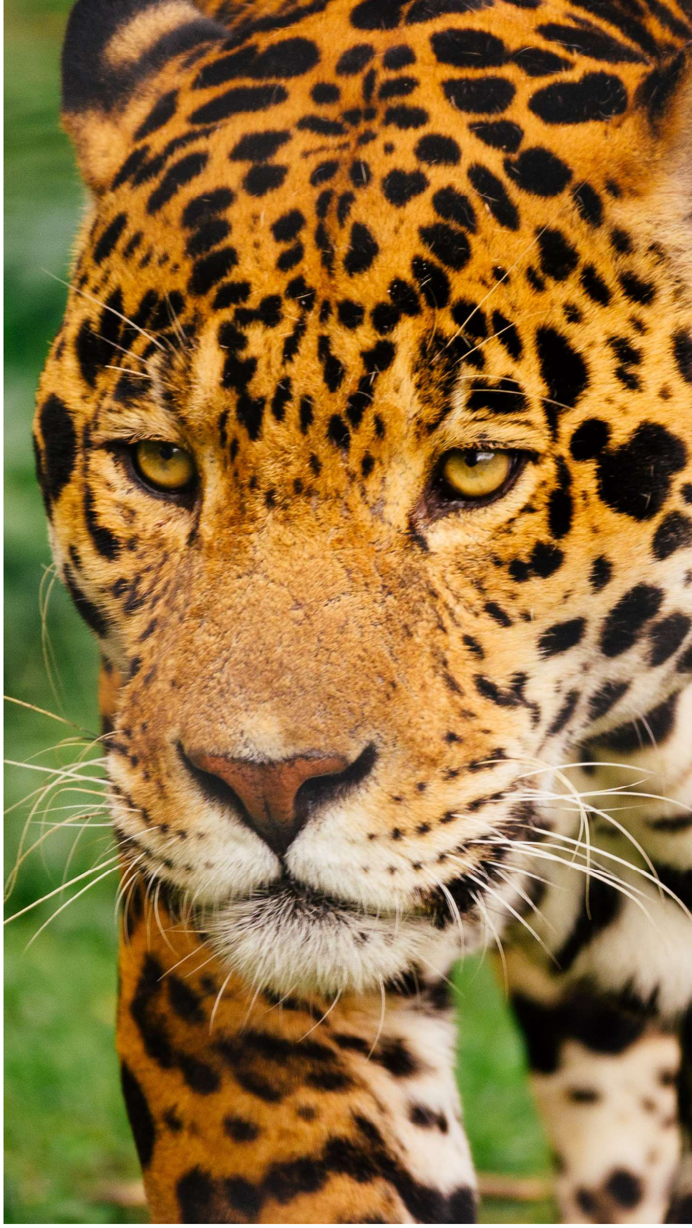
No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

II. Restrictions on Use

This information is intended solely for the use of the governing body and management of the University and is not intended to be, and should not be, used by anyone other than these specified parties.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

UHV
UNIVERSITY OF
HOUSTON - VICTORIA

Annual Financial Report and Independent Accountants' Review Report

For the Year Ended August 31, 2023

Contents

University of Houston - Victoria
Organizational Data
For the Fiscal Year Ended August 31, 2023

Board of Regents

Doug H. Brooks, Dallas	Term Expires August 31, 2023
Jack B. Moore, Houston	Term Expires August 31, 2023
Gregory C. King, San Antonio	Term Expires August 31, 2023
Durga D. Agrawal, Houston	Term Expires August 31, 2025
Alonzo Cantu, McAllen	Term Expires August 31, 2025
John A. McCall, Jr., Crockett	Term Expires August 31, 2025
Tilman J. Fertitta, Houston	Term Expires August 31, 2027
Beth Madison, Houston	Term Expires August 31, 2027
Ricky Raven, Sugarland	Term Expires August 31, 2027
Mielad Ziaee (Student), Houston	Term Expires May 31, 2024

Officers of the Board (Fiscal Year 2023):

Tilman J. Fertitta	Chairman
Jack B. Moore	Vice President
Durga D. Agrawal	Secretary

UH System Administrative Officers

Rena Khator	Chancellor
Diane Z. Chase	Senior Vice Chancellor for Academic Affairs
Raymond S. Bartlett	Senior Vice Chancellor for Administration and Finance
Claudia Neuhauser	Interim Vice Chancellor for Research
Dona H. Cornell	Vice Chancellor for Legal Affairs and and General Counsel
Eloise Dunn Brice	Vice Chancellor for University Advancement
Daniel M. Maxwell	Interim Vice Chancellor for Student Affairs
Jason Smith	Vice Chancellor for Government and Community Relations
Lisa K. Holdeman	Vice Chancellor for Marketing and Communications

UHV Administrative Officers

Robert K. Glenn	President
Chance Glenn	Provost
Beverly Shuford	Vice President for Administration and Finance
Jay Lambert	Vice President for Student Affairs
Amber Countis	Vice President for Advancement and External Relations
Karla DeCuir	Interim Vice President for Enrollment Management

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Regents of
University of Houston System:

We have reviewed the accompanying Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows of the University of Houston - Victoria (UHV), an agency of the State of Texas (the "State"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise UHV's basic financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of UHV and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

While the results of our review are not modified with respect to this matter, the financial statements of UHV are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State that are attributable to the transactions of UHV, as discussed in Note 1. Transactions associated with pensions, and other postemployment benefits related to UHV's activities in the name of the University of Houston System (UHS) are reported by UHS and not UHV. The financial statements do not purport to, and do not, present fairly the financial position of the State or UHS as of August 31, 2023, or the changes in financial position, or, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

UHV adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Restatement was not necessary. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Amounts

UHV has elected to present prior year comparative amounts on its financial statements, but related disclosures are included and, accordingly, the financial statements are not intended to be complete comparative financial statements. We were not engaged to review the financial statements for the year ended August 31, 2022 and, accordingly, take no responsibility for them. However, in performing our procedures, nothing came to our attention which would indicate that the comparative financial amounts were not fairly presented.

Required Supplementary Information and Additional Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, 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. Such information is the responsibility of management.

The Organizational Data and the Matrix of Operating Expenses Reported by Function are additional supplementary information presented for purposes of additional analysis and are not required parts of the basic financial statements.

We have not audited, reviewed, or compiled the Required Supplementary Information or additional supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 12, 2024

University of Houston - Victoria
Management's Discussion and Analysis
For the Fiscal Year Ended August 31, 2023

Introduction

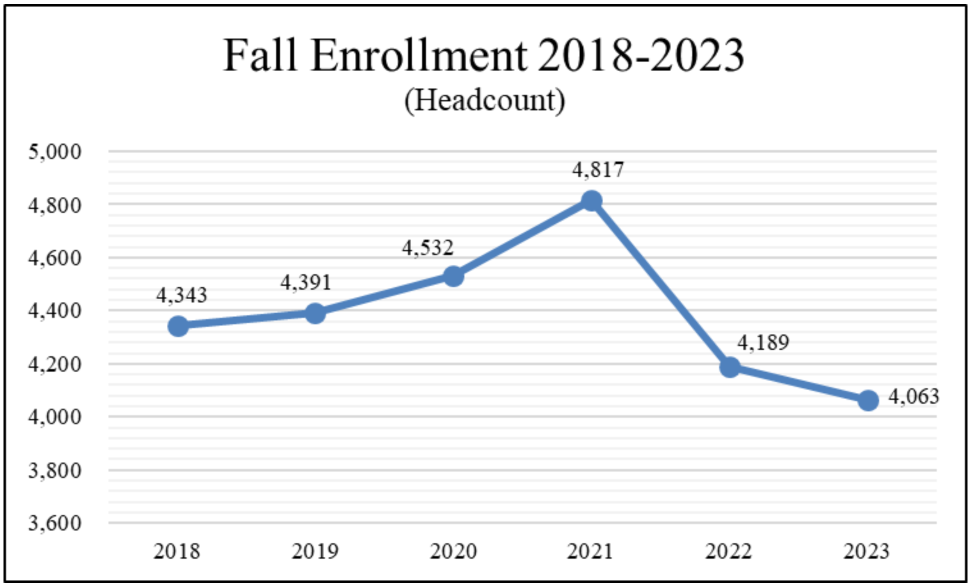
The following Management's Discussion and Analysis (MD&A) section of the University of Houston - Victoria's (UHV) annual financial report has been prepared to provide an overview of the activities and the financial performance of UHV for the fiscal year ended August 31, 2023. This presentation is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. This analysis should be read in conjunction with UHV's basic financial statements and the notes to the statements.

Background

UHV is one of four universities included in the University of Houston System (UH System) and is part of the state-supported system of higher education in Texas. The main campus is located in Victoria, Texas, approximately two hours southwest of Houston. UHV is an undergraduate and master's-level institution that, for the first time in fall 2010, began enrolling freshmen and sophomores as it emerged as a destination university in the Coastal Bend region of Texas. The presence of freshmen and sophomores profoundly changed the nature of UHV from a commuter campus into a residential campus; therefore, UHV opened the doors to the first residential facility, Jaguar Hall, in fall of the same year. With steady growth enrollment trends, UHV opened its second residential facility, Jaguar Court, in 2012. Jaguar Suites opened in fall 2013, and a fourth residence hall, Don and Mona Smith Hall, opened in fall 2020.

UHV also has a large presence in southwest and west Houston, reaching many students in Houston and beyond through extensive online programs and classes taught at the System learning center in Katy. UHV was an early pioneer in providing distance learning classes online and through Interactive Television. By the first decade of the 21st century, UHV had become a national leader in making entire degree programs available online. During that same decade, new programs were developed, and additional faculty members were hired as enrollment climbed. UHV provides a wide range of academic choices as well as some of the lowest tuition rates in the state.

UHV's enrollment was on a steady upward trend until the Coronavirus Pandemic (COVID-19) hit the nation. Declining enrollment is largely attributed to the effects that COVID-19 has had on higher education. UHV experienced an unexpected decline in enrollment starting in fall of 2022. At the peak of the pandemic, enrollment spiked in fiscal year 2021 as people were confined to their homes and federal relief aid was made available to the public and students. As the nation started returning to work and resumed normal everyday activities, enrollment started to decline. Many students have started considering alternatives to higher education as a growing body of data highlights earning potential through alternative avenues. During this time, inflation also hit causing expenses to rise as enrollment and revenues declined. UHV quickly implemented austerity measures to help combat the decline in enrollment and rising prices to ensure adequate resources are available to support the mission of UHV. UHV will continue to monitor enrollment each semester and adjust accordingly.



To address the declining enrollment, in fiscal year 2024, UHV is placing an emphasis on student retention and ramping up recruitment efforts to bring in new students. To assist in student retention and recruitment, UHV has been expanding its programs offered to students and adding new facilities to ensure that our students have the resources they need to flourish both inside and outside the classroom.

COVID-19 had a tremendous impact on the aviation industry as well, which created a growing demand for new pilots. In 2023, UHV requested and secured funding from the Texas Legislature to create a new aviation program that is expected to attract students to UHV and the region from far and wide. In the same year, UHV began construction on a new Health and Wellness Center. The 38,864 square-foot building will offer UHV students, faculty, and staff a place to safely participate in fitness and wellness activities. It also will be home to a 5,500 square-foot walk-in clinic run by DeTar Healthcare System. Campus expansion is necessary to recruit and retain students. In doing so, UHV continues its plans to become a destination university bringing in students from all over the world.

Overview of the Financial Statements

The financial statements for fiscal year 2023 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). Additionally, these statements conform to reporting requirements of the Texas Comptroller of Public Accounts and guidelines issued by the National Association of College and University Business Officers. The information contained in the financial statements of UHV is part of and included in the State of Texas Annual Comprehensive Financial Report.

The financial statements of UHV are presented for the fiscal year ended August 31, 2023, with financial data for the fiscal year ended August 31, 2022 provided for comparative purposes. Prior year totals have been reclassified, when necessary, to reflect current year changes in reporting procedures and to enhance comparability of reported totals. The financial operations of UHV are considered a business-type activity because UHV charges a fee, in the form of tuition, to customers in order to pay for a significant percentage of the cost of the services provided. Under this classification, UHV's financial statements conform to the guidelines and presentation formats prescribed for proprietary funds; revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged.

Statement of Net Position

The first schedule presented is the Statement of Net Position. This statement represents UHV's financial position as of the conclusion of the fiscal year. This is a point in time financial presentation and presents a snapshot view of the financial status as of August 31, 2023. Comparative data for the previous fiscal year has also been presented as of August 31, 2022. Assets and liabilities are presented as either current or non-current to provide an indication of their anticipated liquidation. Net position is equal to total assets less total liabilities. Net position is divided into three major categories. The first, invested in capital assets, net of related debt, provides UHV's equity in property, plant, and equipment owned by UHV. The restricted net position category is subdivided into non-expendable and expendable classifications. Restricted non-expendable net position consists solely of UHV's permanent endowment funds and is only available for investment purposes. Restricted expendable net position is available for expenditure by UHV but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final major category, unrestricted net position, is available to UHV for any lawful purpose.

Condensed Statement of Net Position

		2022	2023	Increase/ (Decrease)
Assets				
Current Assets	$	29,968,080.02	30,010,840.05	42,760.03
Non-Current Assets				
Capital Assets, Net		132,620,004.47	131,396,264.29	(1,223,740.18)
Other Assets		68,835,584.43	64,508,077.06	(4,327,507.37)
Total Assets	$	**231,423,668.92**	**225,915,181.40**	(5,508,487.52)
Liabilities				
Current Liabilities	$	32,761,998.60	36,648,177.83	3,886,179.23
Non-Current Liabilities		150,634,740.36	143,752,674.55	(6,882,065.81)
Total Liabilities	$	**183,396,738.96**	**180,400,852.38**	**(2,995,886.58)**
Net Position				
Invested in Capital Assets, Net of Related Debt	$	19,630,634.98	19,079,527.34	(551,107.64)
Restricted, Non-Expendable		10,150,357.98	10,381,225.92	230,867.94
Restricted, Expendable		14,437,157.36	14,392,584.02	(44,573.34)
Unrestricted		3,808,779.64	1,660,991.74	(2,147,787.90)
Total Net Position	$	**48,026,929.96**	**45,514,329.02**	**(2,512,600.94)**

Unrestricted Net Position Exclusive of Plant (UNAEP)

When evaluating Unrestricted Net Position analysis will often make certain adjustments to Unrestricted Net Position to determine operational resources available to carry out institutional goals. This benchmark is often described using a previous acronym UNAEP. Typically, adjustments include removing compensated absences (current and non-current), OPEB liabilities, and pension liabilities, if applicable. As indicated by the pattern of UNAEP from 2019 to 2023, UHV's unrestricted resources have fluctuated over the years as UHV has utilized and replenished these resources to continue to invest in the strategic plan of UHV and as we navigate through recovery from the pandemic. UHV's UNAEP as of August 31, 2023 amounted to $2,859,722; as an agency of the State of Texas and part of UHS, UHV has traditionally operated with modest reserves. Management's goal is to gradually increase unrestricted reserves. Furthermore, the net change in UNAEP reveals that the changes in the compensated absences over the same period were not significant; and thereby had minimal impact to unrestricted resources.

Analysis will compare UNAEP to operating expenses to determine how the institution compares to an industry standard strong reserve benchmark of 25%. UHV monitors its UNAEP and while its ratio to expenses is less than the 25% benchmark, UHV continues to invest heavily in the development of UHV operations. UHV as part of the UH System and the State of Texas has additional resources to rely upon in an emergency but continues to strive to maintain its reserves with the eye of building reserves in conjunction with its development plans.

Unrestricted Net Assets, Excluding Plant (UNAEP)					
	2019	**2020**	**2021**	**2022**	**2023**
Unrestricted Net Position	2,000,903.22	1,627,278.30	4,149,803.52	3,808,779.64	1,660,991.74
(Add) Employees' Compensable Leave	1,050,495.97	1,293,216.56	1,339,269.92	1,324,651.88	1,198,729.96
Unrestricted Net Assets, Excluding Plant (UNAEP)	**3,051,399.19**	**2,920,494.86**	**5,489,073.44**	**5,133,431.52**	**2,859,721.70**
Operating Expenses	59,632,628.58	63,693,807.72	70,517,272.06	72,388,454.57	69,114,327.19
Ratio UNAEP to Operating Expenses	**5.12%**	**4.59%**	**7.78%**	**7.09%**	**4.14%**

Statement of Revenues, Expenses, and Changes in Net Position

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Position. This statement identifies operating and non-operating revenues received by UHV. Additionally, both the operating and non-operating expenses incurred by UHV during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expense are reported. Revenues and expenses are classified as either operating or non-operating in the financial statements. Operating revenues are received and recognized as a result of providing services to UHV's customers. Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by UHV and the amount that is paid by the student or third parties making payments on behalf of the student. Funds received to satisfy student tuition and fee charges are reported as revenue only once. Institutional resources provided to students as financial aid are reported as scholarship allowances in amounts up to and equal to amounts owed by the students to UHV. Operating expenses are the costs necessary to provide services to customers and to fulfill the mission of UHV. Operating expenses are displayed in the statement using the natural method of classification. The natural method of presentation displays the operating expenses in a manner that categorizes the objects of expenditure within various cost centers. Non-operating revenues are those received for which no services are directly provided. State appropriations are classified as non-operating revenues because they are provided by the State Legislature to UHV without the State Legislature directly receiving goods or services for those revenues. Significant portions of UHV's recurring resources are classified as non-operating.

UHV's operating revenues decreased $4.8 million largely due to the absence of Higher Education Emergency Relief Funds (HEERF) received in fiscal year 2022 not present in fiscal year 2023. Operating expenses decreased roughly $3.3 million as a result of austerity measures put in place to reduce operating expenses while we work through recovery from the pandemic. In a continued effort to further reduce expenses in the coming years, in fiscal year 2023, the decision was made to pull one residence hall, Jaguar Court, offline. In doing so, this will allow UHV to utilize a portion of their Higher Education Funds (HEF) to pay for the debt service, further reduce operating costs, and increase UHV's net position.

Statement of Cash Flows

The third primary statement included in the financial statements is the Statement of Cash Flows. This statement explains the change during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The Statement of Cash Flows should be used in conjunction with related disclosures and information in the other financial statements. The statement can provide relevant information about an entity, such as the ability to generate future net cash flows, the ability to meet obligations when due, or reasons for differences between operating income and associated cash receipts and payments. The statement is comprised of five sections. The first section recognizes the cash flows from operating activities as well as the net cash used by operating activities. The second section identifies the cash flows from noncapital financing activities. The third section reflects the cash flows from capital and related financing activities. The next section details the cash flows from investing activities. The final section reconciles net cash provided or used to the operating loss or income reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The cash and cash equivalents balance at the conclusion of the 2023 fiscal year totaled $6.2 million, which reflected a net decrease in cash of $7.3 million from the prior year largely due to a decrease of $5.5 million federal revenue received in fiscal year 2022.

Capital Assets

As fundamental as instruction and research are to UHV, these endeavors cannot take place without the land, buildings, facilities, equipment, and information technology infrastructure needed to support them. Sustaining these assets requires a significant investment in renovations, improvements, and maintenance. The steady enrollment growth experienced by UHV over the past decade, along with the current state of enrollment, has created the need for steady expansion of its capital assets to retain and recruit students. The goal of expending resources for these investments is achieving a safe, modern, and efficient campus environment that is conducive to learning, teaching, research, and community service. UHV continues to implement its long-range capital plans. At the end of the 2023 fiscal year, UHV had $131.4 million of capital assets, net of accumulated depreciation and amortization, compared to $132.6 million at the end of the 2022 fiscal year, a decrease of $1.2 million. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, computer year systems software, and works of art. The cumulative investment in major capital construction projects in various stages of completion is reported as construction in progress. As required by GASB reporting standards, UHV reports accumulated depreciation and amortization on its capital assets. Additionally, UHV recognizes a current year charge for depreciation and amortization expense.

Building on a strategic planning process, UHV has developed a campus master planning process designed to identify facilities needs congruent with enrollment and research projections that are consistent with their missions and academic master plans. During fiscal year 2023, UHV implemented the capital projects construction element of its master plan by starting construction on a new $29.3 million, 30,881 square-foot Health & Wellness Center, continued construction of the Ben Wilson Street project, and kicked off the design phases of building out the 2nd and 3rd floors of UHV North building. All projects are financed with state construction bonds and other state funding.

Debt Administration

UHV engages in the prudent use of debt to finance capital projects, as a means of maximizing the management of financial and physical resources. A combination of variable and fixed rate debt, consistent with UHV's debt management policy, is maintained. UHV has sufficient debt capacity to finance planned capital improvements and facilities. Detailed information concerning UHV's long-term debt is found in the Notes to the Financial Statements. UHV is authorized by statute to issue long-term debt in the form of revenue bonds. Each series of revenue bonds issued is backed by a pledged revenue source specified in the bond resolution. Additionally, each issue is designed to be self-supporting from the primary revenue source. A portion of debt service is funded by biennial state appropriations. At August 31, 2023, UHV had $150 million of long-term bonded debt outstanding, $7 million of which will be retired during the 2024 fiscal year. No additional long-term debt was issued during the 2023 fiscal year.

Economic Outlook

The recent Coronavirus Pandemic (COVID-19) that the country experienced starting in 2020 has had a huge impact on not only the economy but higher education as well. The economy and UHV are still in recovery mode from the pandemic, but the pandemic has not had any impact on the quality of academic programs or student support services and has not slowed the level of growth of UHV. As economic prosperity returns, it is usual for university enrollment to drop as some in the student population return to work. To help combat uncertainty during these times, UHV quickly implemented austerity measures to ensure adequate resources are available to support the mission of UHV.

The Texas economy is recovering, and the long-term outlook is positive; according to the State Comptroller, Glenn Hegar anticipated slower growth in revenues, but the Texas' economy is better positioned than other state economies and the national economy to absorb slower growth rates. Despite the uncertainty, Texas is buoyed by strengths "from both natural advantages and policy." Texas' business-friendly policies have brought more businesses to the state which in turn creates more jobs. Texas has continued its steady post-pandemic expansion, regaining all of the jobs lost since the start of the pandemic in 2020 and added 58,200 positions in February 2023, leading the nation in jobs added over the month. The unemployment rate in Texas improved from a series high 12.8 percent for April 2020 to 4.1 percent in June of 2023. The population in Texas grew by 4% from January 2020 to January 2023, including new births as well as new residents moving to the area. According to the U.S. Census Bureau, individuals between 18 and 34 years of age make up the highest percentage of people moving to Texas both domestically and from abroad. A younger population can be an advantage for the growth of the economy if adequate investments in education, health care, housing, and job training are made. The robust economic conditions, especially during a slower national recovery, has resulted in an influx of residents into Texas coming from other states and abroad seeking economic and other opportunities. Texas is well positioned to deal with challenges and capitalize on opportunities and remain a growth leader in the years ahead. The combination of a diverse mix of high-impact sectors, a young and expanding population, and a favorable cost environment position Texas well for ongoing success.

As good as the overall Texas economy is, the argument can be made that the local Victoria area regional economy may be better. UHV is located in the Golden Crescent area of Texas, which makes it the only four-year residential destination university within a one-hundred-mile radius of the campus in Victoria, fulfilling unmet regional needs within and even beyond its service area. Victoria's premium location in the state of Texas puts the city in the geographic center (within two-hour drive) of Austin, Houston, and San Antonio, three of the fastest growing cities in the United States, and less than two hours from Corpus Christi. UHV is located in the Victoria Crossroads area. The Crossroads area has significant infrastructure that attracts economic development; major highways U.S. 59, U.S. 77, and U.S. 87 physically intersect the city and there is easy access to I-10, I-35, and I-37. Victoria's location is key in the development of the proposed national interstate, I-69, stretching from Canada to Mexico. This "high-priority" project designated by the U. S. Congress, will span Victoria before reaching the Texas-Mexico border at Brownsville and Laredo. Interstate-quality highways U.S. Hwy. 59 and U.S. Hwy. 77 in Victoria County will carry the designation of I-69.There is major railroad access to Union Pacific and two other rail providers. There is motor freight access to more than fifty trucking companies. Victoria Regional Airport offers daily commercial flights. Water transport needs are served by the Port of Victoria, the Victoria Barge Canal and deep-water port access is located in nearby Calhoun County. In addition to these assets, Victoria is home to the largest medical community in the region with a medical network that provides state-of-the-art care on five hospital campuses offering services and access that one would only expect to find in a larger metropolitan area.

Large national corporate locations (Caterpillar), chemical plant expansions (Invista, Formosa Plastics), and the announcement of two major projects at the Port of Victoria and two in Calhoun County represent a total of $7 billion in capital investments and over 500 new primary jobs which are reshaping local area economies within the service area, enhancing growth through direct stimulus and multiplier effects. Looking forward, the Victoria Economic Development Corporation (VEDC) anticipates potential announcements of an additional $13 billion in investments between 2024 and 2025. The Matagorda Bay Ship Channel widening project is expected to bring more ships to port and bolster the local economy in the coming years.

UHV has a major presence in the Houston suburban area at the System's learning center in Katy, offering undergraduate and graduate degrees along with two other System universities. Katy is part of the Houston- Sugar Land- Baytown metropolitan statistical area. The City of Katy itself is 29 miles west of downtown Houston and 22 miles east of Sealy. Katy has a strong local economy through focused economic development relationships with Fort Bend County, Waller County, Greater Houston and is a member of the Texas Economic Development Council. The Katy area's economy has always been dynamic and focused on energy. The city is home to high-profile regional and international corporations including BP America, Shell Exploration and Production, and Wood. Over 200 companies have chosen Katy for headquarters locations. Recently, Saudi Basic Industries Corp. (SABIC), the Middle East's largest petrochemicals maker, developed a Katy headquarters for its operations in the western hemisphere.

Katy has also positioned itself as a hub for premium shopping, dining, and entertainment. Venues such as the Katy Mills Mall, La Centerra at Cinco Ranch, as well as a future entertainment complex to be located near the intersection of I-10 and the Grand Parkway. Cinco Ranch is next to Katy, another fast-growing community with upscale neighborhoods, quality public schools, strong economy, and highly educated citizens.

CONTACTING UHV'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of UHV's finances. General information regarding UHV can be found at https://www.uhv.edu. Questions concerning this report or requests for additional financial information should be directed to:

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E-mail: GoodwinEM1@uhv.edu

University of Houston-Victoria
Statement of Net Position
For the Year Ended August 31, 2023

	2022	2023
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	$ 1,934.00	$ 1,934.00
Cash in Bank	(826,611.80)	2,706,631.35
Cash in Transit/Reimburse From Treasury	1,441,898.27	1,800,177.45
Cash in State Treasury	1,186,100.51	1,689,584.00
Cash Equivalents	9,277,749.86	94,516.01
Restricted:		
Cash In Bank	2,384,000.49	(96,322.57)
Legislative Appropriation	4,735,630.76	4,521,815.94
Receivables:		
Federal Receivables	2,603,559.34	3,321,230.97
UHS Intercampus Receivables	1,649,590.36	5,253,786.24
Accounts Receivable	490,476.83	3,144,075.25
Gifts	493,885.12	595,782.34
Other	10,311.86	5,436.86
Due From Other Agencies	28,554.16	26,876.68
Prepaid Costs	4,518,350.90	4,500,001.47
Loans and Contracts	1,972,649.36	2,445,314.06
Total Current Assets	30,794,691.82	30,010,840.05
Non-Current Assets		
Restricted:		
Receivables	937,707.76	541,144.87
UHS Intercampus Receivables	64,447,447.37	60,593,141.16
Investments	156,250.00	-
UHS Intercampus Receivables	3,294,179.29	3,373,791.03
Capital Assets		
Non-Depreciable or Non-Amortizable	20,865,372.32	23,825,358.46
Depreciable or Amortizable, Net	111,754,632.15	107,304,943.56
Right to Use Subscriptions - Amortizable, Net	-	265,962.27
Total Non-Current Assets	201,455,588.89	195,904,341.35
Total Assets	**232,250,280.71**	**225,915,181.40**

University of Houston-Victoria
Statement of Net Position (Continued)
For the Year Ended August 31, 2023

	2022	2023
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	1,611,599.87	1,074,661.57
Accrued SBITA Interest Payable	-	3,567.84
Federal Payable	23,393.54	1,480.00
Payroll Payable	3,953,771.71	3,944,796.99
UHS Intercampus Payable	3,170,905.27	5,490,997.93
Other Payable	311,410.30	277,819.93
Due to Other Agencies	31,975.53	97,566.17
Unearned Revenues	15,546,831.08	16,861,882.33
Revenue Bonds Payable	6,492,159.78	7,001,877.85
Claims and Judgments Payable	23,645.96	29,336.98
Employees' Compensable Leave	662,855.82	601,882.31
Right to Use Subscription Obligations	-	39,789.47
Funds Held for Others	933,449.74	1,222,518.46
Total Current Liabilities	32,761,998.60	36,648,177.83
Non Current-Liabilities		
Revenue Bonds Payable	149,972,944.30	143,019,208.17
Employees' Compensable Leave	661,796.06	596,847.65
Right to Use Subscription Obligations	-	136,618.73
Total Non-Current Liabilities	150,634,740.36	143,752,674.55
Total Liabilities	**183,396,738.96**	**180,400,852.38**
NET POSITION		
Invested in Capital Assets, Net of Related Debt	19,630,634.98	19,079,527.34
Restricted for:		
Capital Projects	8,274,582.77	8,184,580.93
Non-Expendable		
True Endowments, Annuities	10,150,357.98	10,381,225.92
Expendable		
Funds Functioning as Endowments	1,101,922.25	1,119,553.78
Other	5,060,652.33	5,088,449.31
Unrestricted	3,808,779.64	1,660,991.74
Total Net Position	**$ 48,026,929.95**	**$ 45,514,329.02**

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2023

	2022	2023
Operating Revenues		
Tuition and Fees-Pledged	33,409,151.40	32,273,643.16
Discounts and Allowances	(8,730,643.29)	(8,426,423.21)
Auxiliary Enterprise-Pledged	2,752,335.84	3,111,695.67
Discounts and Allowances	(719,253.90)	(812,442.04)
Other Sales of Goods and Services-Pledged	393,314.08	384,721.38
Federal Revenue-Operating (PR-OP Grants/Contributions)	6,053,245.45	860,178.89
Federal Pass Through Revenue (PR-OP Grants/Contributions)	252,207.25	204,285.80
State Grant Revenue (PR-OP Grants/Contributions)	136,780.19	663,011.88
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	2,027,323.70	2,655,750.93
Other Grants and Contracts-Operating (PR-OP Grants/Contributions)	426,199.62	309,890.31
Total Operating Revenues	36,000,660.34	31,224,312.77

Operating Expenses		
Instruction	21,613,154.72	20,854,083.89
Research	551,954.30	765,515.50
Public Service	829,496.67	809,879.50
Academic Support	10,803,465.63	10,641,234.76
Student Services	8,050,458.47	7,765,296.47
Institutional Support	6,807,081.89	6,209,119.07
Physical Plant	3,524,798.65	3,535,183.42
Scholarships & Fellowships	8,963,504.44	7,331,871.95
Auxiliary Enterprises	3,174,890.15	2,973,434.61
Depreciation and Amortization	8,069,649.65	8,228,708.02
Total Operating Expenses	72,388,454.57	69,114,327.19

University of Houston-Victoria
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended August 31, 2023

	2022	2023
Non-Operating Revenues (Expenses)		
Legislative Revenue (GR)	15,481,288.00	15,480,730.00
Additional Appropriations (GR)	3,876,150.89	3,941,511.29
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	7,056,918.37	7,906,631.28
Gifts (PR-OP Grants/Contributions)	813,097.27	1,239,954.70
Interest and Investment Income (PR-Chgs for Services)	1,198,516.38	829,527.09
Interest Expense and Fiscal Charges	(3,718,227.34)	(5,646,313.62)
Net Incr (Decr) in Fair Value of Investments (PR-OP	(2,497,459.50)	617,303.02
Other Nonoperating Revenues	39,656.78	137,124.93
Other Nonoperating Expenses	(626,449.69)	(379,119.05)
Total Nonoperating Revenues (Expenses)	21,623,491.16	24,127,349.64
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(14,764,303.07)	(13,762,664.78)
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Contributions		
Capital Appropriation (HEAF)	3,542,817.00	3,542,817.00
Additions to Permanent and Term Endowments	86,368.00	61,165.00
UHS Funds Transfers-In	145,847,492.82	113,893,574.35
UHS Funds Transfers-Out	(145,847,492.82)	(113,893,574.35)
UHS Intercampus Transfers-In	7,371,235.45	8,121,245.39
UHS IntercampusTransfers-Out	(126,834.00)	(534,023.96)
Transfers-In	944,114.86	23,930.42
Transfers-Out	(978,707.49)	-
Legislative Transfers-In	36,785.00	34,930.00
Total Other Rev, Exp, Gains, Losses and Transfers	10,875,778.82	11,250,063.85
Changes in Net Position	**(3,888,524.25)**	**(2,512,600.93)**
Net Position Beginning	51,915,454.20	48,026,929.95
Net Position, Ending	**48,026,929.95**	**45,514,329.02**

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Matrix of Operating Expenses
For the Year Ended August 31, 2023

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintainence of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total
Salaries and Wages	15,364,345.48	473,004.02	498,376.44	4,429,298.43	3,968,498.53	3,272,018.99	746,805.65	265,213.98	588,896.23	-	29,606,457.75
Payroll Related Costs	4,107,700.62	120,859.60	176,791.34	1,275,819.84	1,347,635.69	1,075,093.31	303,391.69	1,550.71	171,320.87	-	8,580,163.67
Professional Fees and Services	273,694.38	11,326.70	27,022.12	1,643,700.18	853,329.91	963,747.88	845,854.66	28,315.03	1,074,446.25	-	5,721,437.11
Travel	37,706.72	11,028.50	14,987.48	132,020.21	396,584.98	44,710.20	2,315.61	-	47,296.25	-	686,649.95
Materials and Supplies	555,057.34	7,450.76	10,601.04	194,824.08	221,413.20	319,206.64	202,868.39	-	145,632.54	-	1,657,053.99
Communication and Utilities	28,871.90	21.71	505.03	514,775.96	80,051.17	143,192.03	905,597.70	-	468,571.62	-	2,141,587.12
Repairs and Maintenance	82,339.31	149.00	-	41,565.87	48,189.58	177,143.44	371,617.94	-	257,256.18	-	978,261.32
Rentals and Leases	198,622.12	-	7,192.44	236,685.73	172,506.07	172,998.93	123,073.33	-	27,612.35	-	938,690.97
Printing and Reproduction	2,709.90	815.48	860.94	25,929.93	78,554.24	9,945.34	224.84	-	19,352.00	-	138,392.67
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	8,228,708.02	8,228,708.02
Interest	1,040.21	-	14.08	343.30	1,082.60	492.32	18,658.29	-	15,715.95	-	37,346.75
Scholarships	92,508.29	6,095.71	-	14,846.85	80,006.98	1,244.48	12,385.07	7,028,674.80	98,287.56	-	7,334,049.74
Claims and Judgments	-	-	-	-	-	29,325.51	-	-	-	-	29,325.51
Other Operating Expenses	109,487.62	134,764.02	73,528.59	2,131,424.38	517,443.52	0.00	2,390.25	8,117.43	59,046.81	-	3,036,202.62
Total Operating Expenses	$ 20,854,083.89	$ 765,515.50	$ 809,879.50	$ 10,641,234.76	$ 7,765,296.47	$ 6,209,119.07	$ 3,535,183.42	$ 7,331,871.95	$ 2,973,434.61	$ 8,228,708.02	$ 69,114,327.19

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Matrix of Operating Expenses
For the Year Ended August 31, 2022

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintainence of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total
Salaries and Wages	15,793,343.93	305,330.24	482,510.63	4,511,762.55	4,100,127.48	3,461,029.99	749,924.94	147,136.08	529,099.29	-	30,080,265.13
Payroll Related Costs	4,183,486.23	94,660.04	186,152.24	1,377,104.47	1,456,308.30	1,036,924.85	295,310.80	0.00	171,206.63	-	8,801,153.56
Professional Fees and Services	331,341.10	22,628.14	49,298.80	1,607,635.72	803,623.25	962,900.37	889,103.42	31,982.45	1,193,535.42	-	5,892,048.67
Travel	26,954.13	7,359.93	5,927.76	70,486.09	375,530.95	13,226.33	1,737.39	-	11,981.77	-	513,204.35
Materials and Supplies	751,232.00	2,638.58	10,722.04	294,698.32	227,026.77	450,747.92	339,174.56	-	142,517.25	-	2,219,356.27
Communication and Utilities	12,837.25	1,303.58	2,738.92	453,729.68	74,995.78	125,339.92	847,843.22	-	438,375.72	-	1,957,164.07
Repairs and Maintenance	99,068.75	0.00	-	37,808.13	53,535.69	359,703.16	351,064.44	-	436,966.80	-	1,338,146.97
Rentals and Leases	163,759.86	-	4,426.31	108,417.45	230,117.72	274,422.83	30,115.17	-	31,732.98	-	843,365.77
Printing and Reproduction	15,415.55	567.65	697.35	12,479.11	56,366.34	21,736.58	35.30	-	21,589.94	-	128,887.82
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	8,069,649.65	8,069,649.65
Interest	269.18	-	29.69	304.19	535.74	1,264.32	18,126.63	-	16,818.67	-	37,348.42
Scholarships	79,631.83	22,280.06	-	32,802.22	48,914.36	5,764.37	900.00	8,779,256.54	133,811.59	-	9,103,360.97
Claims and Judgments	-	-	-	-	-	34,802.90	-	-	-	-	34,802.90
Other Operating Expenses	155,814.91	94,927.63	86,992.93	2,296,237.70	623,376.09	59,218.35	1,462.78	4,415.54	47,254.09	-	3,369,700.02
Total Operating Expenses	$ 21,613,154.72	551,954.30	829,496.67	10,803,465.63	8,050,458.47	6,807,081.89	3,524,798.65	8,963,504.44	3,174,890.15	8,069,649.65	72,388,454.57

University of Houston-Victoria
Statement of Cash Flows
For the Year Ended August 31, 2023

	2022	2023
Cash Flows From Operating Activities		
Receipts from Customers	383,002.22	389,596.38
Proceeds from Tuition and Fees	24,199,376.16	25,162,271.20
Proceeds from Research Grants and Contracts	14,976,200.52	1,357,626.94
Proceeds from Loan Programs	2,888,172.28	3,360,638.29
Proceeds from Auxiliaries	2,600,775.68	2,308,829.03
Payments to Suppliers for Goods and Services	(14,409,773.90)	(13,213,739.77)
Payments to Employees for Salaries	(29,946,985.81)	(27,056,349.96)
Payments to Employees for Benefits	(8,815,771.60)	(8,706,085.59)
Payments for Loans Provided	(2,692,735.34)	(3,833,302.99)
Payments for Other Expenses	(12,609,407.20)	(10,142,164.88)
Net Cash Provided (Used) by Operating Activities	**(23,427,146.99)**	**(30,372,681.35)**
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	22,509,282.55	23,213,803.11
Proceeds from Gifts	1,260,201.91	1,534,620.37
Proceeds from Endowments	86,368.00	61,165.00
Proceeds of Transfers from Other Funds	8,355,007.09	8,282,300.74
Proceeds from Grants	7,056,918.37	7,906,631.28
Payments for Transfers to Other Funds	(1,655,672.30)	(913,143.01)
Net Cash Provided (Used) by Noncapital Financing Activities	**37,612,105.62**	**40,085,377.49**
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	41,775,000.00	-
Proceeds from Other Financing Activities	11,970,185.02	176,408.20
Payments for Additions to Capital Assets	(9,428,659.53)	(6,601,912.60)
Payments of Principal on Debt Issuance	(7,174,505.08)	(5,515,000.00)
Payments of Interest on Debt Issuance	(3,706,926.53)	(5,646,313.62)
Payments of Other Costs on Debt Issuance	(42,233,569.16)	3,859,709.96
Net Cash Provided (Used) by Capital and Related Financing	**(8,798,475.28)**	**(13,727,108.06)**
Cash Flows From Investing Activities		
Proceeds from Sales of Investments	39,250.00	35,750.00
Proceeds from Investment Income	1,198,516.38	829,527.09
Payments to Acquire Investments	(1,615,617.23)	(4,119,416.26)
Net Cash Provided (Used) by Investing Activities	**(377,850.85)**	**(3,254,139.17)**

University of Houston-Victoria
Statement of Cash Flows (Continued)
For the Year Ended August 31, 2023

	2022	2023
Net Increase (Decrease) in Cash and Cash Equivalents	5,008,632.50	(7,268,551.09)
Cash and Cash Equivalents, September 1	8,456,438.83	13,465,071.33
Cash and Cash Equivalents, August 31	13,465,071.33	6,196,520.24
Operating Income (Loss)	(36,387,794.23)	(37,890,014.42)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization Expense	8,069,649.65	8,228,708.02
Operating Income and Cash Flow Categories:		
Classification Differences	195,436.94	(472,664.70)
Changes in Assets and Liabilities:		
(Increase) Decrease In Receivables	6,609,071.09	(3,366,395.05)
(Increase) Decrease in Prepaid Expenses	143,942.87	18,349.43
(Increase) Decrease in Other Assets	1,908.78	1,677.48
Increase (Decrease) in Payables	(1,661,542.85)	(995,497.45)
Increase (Decrease) in Deferred Income	(479,118.69)	1,315,051.25
Increase (Decrease) in Compensated Absences	(14,618.04)	(125,921.92)
Increase (Decrease) in Benefits Payable	133,279.32	2,550,107.79
Increase (Decrease) in Other Liabilities	(37,361.83)	363,918.22
Total Adjustments	**12,960,647.24**	**7,517,333.07**
Net Cash Provided (Used) by Operating Activities	**(23,427,146.99)**	**(30,372,681.35)**
Non Cash Transactions		
Net Change in Fair Value of Investments	(2,497,459.50)	617,303.02
Non Cash Transactions	**(2,497,459.50)**	**617,303.02**

See Independent Accountants' Review Report and Notes to Financial Statements.

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

These financial statements are for the reporting entity University of Houston – Victoria (UHV), which is an academic institution of the University of Houston System (UH System). UH System is an agency of the State of Texas (the State) and is reported as one of the university systems and independent universities that are presented as a major enterprise fund in the State of Texas' Comprehensive Annual Financial Report.

The UH System is comprised of four academic institutions, which includes the University of Houston (UH), University of Houston - Clear Lake (UHCL), University of Houston - Downtown (UHD), and UHV. The academic entities are under the direction, management, and control of the UH System Board of Regents (the Board). which acts separately and independently on all matters. The Board consists of ten members, nine of whom are appointed by the governor of the State and a student regent elected by the student body. In some instances, shared services and management are provided for the entities by the UH System Administration (UHSA).

UH System serves the State as the primary provider of educational and cultural opportunities, skilled employers and leaders, technical knowledge, and innovative research to the Houston metropolitan area and the Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the State's population and economy. UHV prime campus is located in Victoria, Texas approximately two hours southwest of Houston and operates a satellite campus in Katy, Texas, just west of Houston.

UH System and UHV have elected to define UHV's reporting entity to include only activities in UHV's name. UHV's proportional share of liabilities in the name of UH System is reported by UH System. Transactions associated with pensions, and other postemployment benefits related to UHV's activities in the name of UH System are not reported by UHV. However, UHV has elected to make limited disclosures with respect to these matters in Notes 9, and 11. The associated financial activities related to these items and required disclosures are made within UH System's Annual Financial Report.

The accounting policies followed by UHV in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts' Reporting Requirement for the Annual Financial Reports of State Agencies and Universities (Comptroller's AFR requirements) and with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The Comptroller's AFR Requirements are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing a CAFR for the State and, accordingly, have some untraditional elements, such as the prohibition of rounding, unique ordering and specific numbering of footnotes, and the inclusion of footnote titles when the subject matter does not apply.

No entities have been identified meeting GASB's definition of component units, which are legally separate entities and, accordingly, none are included within the reporting entity. As previously noted, UHV is considered by the State as one of the academic entities that consist of the UH System, however, each entity is considered an agency of the State.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2023

GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), implemented in FY23, is an arrangement in which a government (the transferor) contracts with a governmental or nongovernmental entity (the operator) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, implemented in FY23, established a model of accounting for contracts that conveys control of the right to use another party's IT software alone or in combination with tangible capital assets. This required a recognition of a right to use subscription intangible asset and a corresponding liability.

While GASB 94 and 96 were implemented during the 2023 fiscal year no restatements were required as the impact on beginning balances were immaterial.

Reporting Consideration for COVID-19 Response

The CARES Act establishes and funds the Higher Education Emergency Relief Fund (HEERF). Sections 18004(a)(1) and 18004(c) of the CARES Act, which address the HEERF, allow institutions of higher education to use up to 50 percent of the funds they receive to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

Basis of Accounting

For financial reporting purposes, institutions of higher education are considered proprietary funds, which are used to account for business-type activities. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods and services. The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds use the flow of economic resources measurement focus (whether or not the entity is economically better off as a result of the events and transactions that occurred during the fiscal period reported) and the full accrual basis of accounting, meaning revenues are recognized when earned and expenses are recorded when an obligation has occurred.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act). Additionally, UHV prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the University of Houston – Victoria's Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Net Position

ASSETS

Current and Non-Current Assets

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support long-term institutional needs.

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Legislative Appropriations This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

Investments

Investments are generally stated at fair value with certain exceptions in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the accompanying Comparative Statement of Revenues, Expenses, and Changes in Net Position.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets such as furniture, equipment, and vehicles with an aggregate cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds are also utilized for buildings and building improvements ($100,000), infrastructure ($500,000), and facilities and other improvements ($100,000). Capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service. Right-of-Use (ROU) intangible assets are recognized at the lease commencement date and represent the System's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor at or before commencement and initial direct costs.

Capital assets are depreciated over the estimated useful life of the asset using the straight-line method based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Depreciation is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation expense is not allocated to functional categories for this Annual Financial Report. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds $100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds $100,000. Internally generated computer software has a capitalization threshold of $1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds $100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

<u>Current Receivables - Other</u>

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

<u>Non-Current Receivables - Other</u>

Receivable balances not expected to be collected within one year of fiscal year end.

<u>LIABILITIES</u>

<u>Accounts Payable</u>

Accounts payable represent the liability for the value of assets or services received at the balance sheet date for which payment is pending.

<u>Current Payables - Other</u>

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

<u>Unearned Revenues</u>

Unearned revenues include amounts for tuition and fees, certain auxiliary activities, and amounts from grant and contract sponsors received prior to the end of the fiscal year but related to the subsequent accounting period.

<u>Non-Current Payables - Other</u>

Payable balances not expected to be paid within one year of fiscal year end.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the Statement of Net Position.

Lease Liabilities

Lease liability represents the amount recognized by a lessee on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Liabilities are reported separately as either current or noncurrent.

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the Long-term Liabilities column. Payables are reported separately as either current or non-current in the Statement of Net Position.

Bonds Payable are recorded at par. The bond proceeds are accounted for as an Other Financing Source in the governmental funds when received, and expenditures for payment of principal and interest are recorded in debt service funds when paid. These amounts are adjusted in the Long-Term Liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The Bonds Payable are reported at par, less unamortized discount, or plus unamortized premium. Interest expense is reported on the accrual basis with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Position.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The Statement of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period, and have a negative effect on net position, similar to liabilities. Additional details are provided in Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources

NET POSITION

Invested In Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position consist of net position, which do not meet the definition of the two preceding categories. Unrestricted net position often have constraints on resources, which are imposed by management, but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

UHV has the following types of transactions between funds:

Transfers

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

Reimbursements

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as Current. Repayment for two (or more) years is classified as Non-Current.

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the University of Houston – Victoria's interfund activities and balances are presented in Note 12.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

NOTE 2: Capital Assets

NOTE 2: Capital Assets
A summary of changes in Capital Assets for the year ending August 31, 2023 is presented in Table 2.

Table 2 - Capital Assets

	University of Houston - Victoria				
Business-Type Activities:	**Balance 09/01/22**	**Completed CIP**	**Additions**	**Deletions**	**Balance 08/31/23**
Non-Depreciable/Non-Amortizable Assets					
Land & Land Improvements	$ 18,365,892.72	$ -	$ 680,059.96	$ -	$ 19,045,952.68
Construction in Progress	2,256,814.82	(2,589,027.23)	4,868,953.41	-	4,536,741.00
Other Tangible Capital Assets	242,664.78	-	-	-	242,664.78
Total Non-Depreciable and Non-Amortizable Assets	20,865,372.32	(2,589,027.23)	5,549,013.37	-	23,825,358.46
Depreciable Assets					
Buildings & Building Improvements	151,773,869.81	1,868,666.73	669,874.00	-	154,312,410.54
Facilities & Other Improvements	796,701.76	720,360.50	-	-	1,517,062.26
Furniture & Equipment	7,144,565.27	-	267,477.68	(508,566.83)	6,903,476.12
Vehicle, Boats & Aircraft	925,360.20	-	-	-	925,360.20
Other Capital Assets	2,215,003.87	-	223,070.27	(167,352.96)	2,270,721.18
Total Depreciable Assets	162,855,500.91	2,589,027.23	1,160,421.95	(675,919.79)	165,929,030.30
Less Accumulated Depreciation For:					
Buildings & Building Improvements	(43,484,673.59)	-	(7,456,468.15)	-	(50,941,141.74)
Facilities & Other Improvements	(140,405.19)	-	(64,381.34)	-	(204,786.53)
Furniture & Equipment	(5,192,504.61)	-	(497,258.96)	508,566.83	(5,181,196.74)
Vehicle, Boats & Aircraft	(569,809.73)	-	(80,704.77)	-	(650,514.50)
Other Capital Assets	(1,713,475.64)	-	(100,324.55)	167,352.96	(1,646,447.23)
Total Accumulated Depreciation	(51,100,868.76)	-	(8,199,137.77)	675,919.79	(58,624,086.74)
Depreciable Assets, Net	111,754,632.15	2,589,027.23	(7,038,715.82)	-	107,304,943.56
Total Business-Type Activities - Capital Assets, Net	$ 132,620,004.47	$ -	$ (1,489,702.45)	$ -	$ 131,130,302.02

NOTE 3: Deposits, Investments, & Repurchase Agreements

Deposits of Cash in Bank
As of August 31, 2023, the carrying amount of deposits was $2,610,308.78 as presented below:

Governmental and Business-Type Activities		
Cash in Bank-Carrying Amount	$	2,610,308.78
Total Cash in Bank per Annual Financial Report	$	2,610,308.78

Reconciliation of Cash per Annual Financial Report		
Proprietary Funds, Current Assets, Cash in Bank		2,706,631.35
Proprietary Funds, Current Assets, Restricted Cash in Bank	$	(96,322.57)
Cash in Bank per Annual Financial Report	$	2,610,308.78

These amounts consist of all cash in local banks. These amounts are included on the Statement of Net Position as part of the "Cash and Cash Equivalents" accounts.

As of August 31, 2023, the total bank balance was as follows:

Governmental and Business-Type Activities	$ 0.00

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UHV will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Pledged collateral must conform to Chapter 2257 of the Texas Government Code, Collateral for Public Funds. At August 31, 2021, all deposits were insured or collateralized by securities held in UHV's name.

Foreign Currency Risk – UHV maintains no foreign bank accounts.

Investments

UHV is authorized by statute to make investments following the "prudent person rule". There were no significant violations of legal provisions during the period.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the hierarchy of inputs used to measure fair value are as follows:

• Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.

• Level 2 – inputs are inputs (other than quoted prices included within Level 1) are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).

• Level 3 – inputs are unobservable inputs for an asset or liability.

Beyond these three levels, net asset value may be used to categorize investments without a readily determinable fair value. As of August 31, 2023, fair value of investments were categorized as follows:

	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net position Value	Fair Value
Fixed Income Money Market & Bond	$94,516.01	-	-	-	$94,516.01
Total Investments	$94,516.01	-	-	-	$94,516.01

Reconciliation of Investments per Annual Financial Statements	
Proprietary Funds, Current Assets, Cash Equivalents	$94,516.01
Investments per Annual Financial Statements	$94,516.01

Custodial Credit Risk (Investments) – UHV has no direct investments held by its custodians that are not covered by insurance.

Foreign Currency Risk (Investments) – UHV has no direct investments subject to foreign currency risk, nor any denominated in a foreign currency.

Credit Risk (Investments) – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of UHV limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2023, UHV had no direct investment in securities with credit risk exposure that exceeded its policy limit. As of August 31, 2023, UHV had no investment which required disclosure of investment ratings.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2023, the University of Houston – Victoria's concentration of credit risk in any single issuer did not exceed 5% of total investment assets as reported on the Statement of Net Position.

Reverse Repurchase Agreements
UHV has no investments in reverse repurchase agreements.

Securities Lending
UHV does not participate in a security-lending program.

NOTE 4: Short-Term Debt
UHV did not have any short-term debt.

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2023, the following changes, presented in Table 5.1, occurred in liabilities:

Table 5.1 – Long-Term Liabilities

Business-Type Activities	Balance 9/1/22	Additions	Reductions	Balance 8/31/23	Due Within 1 Year	Due Thereafter
Claims and Judgments	$ 23,645.96	$ 35,016.53	$ 29,325.51	$ 29,336.98	$ 29,336.98	$ -
Right to Use Subscription Obligations	-	295,532.52	119,124.32	176,408.20	39,789.47	136,618.73
Employee Compensable Leave	1,324,651.88	628,119.71	754,041.63	1,198,729.96	601,882.31	596,847.65
Revenue Bonds Payable	156,465,104.08	-	6,444,018.06	150,021,086.02	7,001,877.85	143,019,208.17
Total	$ 157,813,401.92	$ 958,668.76	$ 7,346,509.52	$ 151,425,561.16	$ 7,672,886.61	$ 143,752,674.55

Claims and Judgments

At August 31, 2023, various lawsuits and claims involving UHV were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against UHV cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not expected to have a material effect on UHV accounts.

Capital Lease-Direct Placement

See Note 8 for detailed capital lease note disclosure requirements.

Notes and Loans Payable

As of August 31, 2023, UHV had no notes and loans payable.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Full-time state employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of state service. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2023. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Non-debt liability obligations are usually paid from the same funding source from which the employee’s salary or wage compensation was paid.

Lump sum payments made to employees, who separated from state service during the 2023 fiscal year, for accrued vacation and compensatory leave totaled $ 181,014.09.

Revenue Bonds Payable
See Note 6 for required Revenue Bond disclosures.

NOTE 6: Bonded Indebtedness
Principal and interest payable on long term debt through maturity is as follows:

Years	Principal	Interest	Total
2023	$ 6,073,000.00	$ 6,053,994.32	$ 12,126,994.32
2024	6,377,000.00	5,750,169.32	12,127,169.32
2025	6,686,000.00	5,435,843.92	12,121,843.92
2026	7,019,000.00	5,105,471.27	12,124,471.27
2027	7,342,000.00	4,758,884.52	12,100,884.52
2028-2032	38,012,000.00	18,519,951.10	56,531,951.10
2033-2037	40,140,000.00	9,183,287.55	49,323,287.55
2038-2042	18,010,000.00	2,632,525.00	20,642,525.00
2043-2047	4,520,000.00	370,800.00	4,890,800.00
	134,179,000.00	**57,810,927.00**	**191,989,927.00**

Series	Principal	Interest	Total
2016A	21,140,000.00	10,718,375.00	31,858,375.00
2017A	47,325,000.00	18,449,375.00	65,774,375.00
2017C	10,980,000.00	3,665,787.75	14,645,787.75
2020A	12,300,000.00	3,445,650.00	15,745,650.00
2020B	330,000.00	59,179.75	389,179.75
2021A	1,033,000.00	186,010.00	1,219,010.00
2021B	391,000.00	19,924.50	410,924.50
2022A	40,680,000.00	21,266,625.00	61,946,625.00
	134,179,000.00	**57,810,927.00**	**191,989,927.00**

The following is information related to UH System bonds which UH - Victoria has a proportional share of the outstanding obligation. *Information presented is for the total UH System bond with the exception of the UHV proportion of the bond outstanding.*

Refunding Bonds

- **Consolidated Revenue and Refunding Bonds, Series 2013-B**
  - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
  - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance the construction of a Football Stadium (UH), a Multidisciplinary Research and Engineering Building (UH), UH Energy Research Park renovations and improvements (UH), and Jaguar Court Residence Facility (UHV).
  - Issued 9-17-2013.
  - $102,420,000; all bonds authorized have been issued (UH – $101,200,000 and UHV – $1,220,000).
  - Source of revenue for debt service – Designated tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
  - Sufficient funds from proceeds of advance refunding bonds were deposited in FY20 with an escrow agent to provide for full payment of certain outstanding obligations related to the 2013B series bonds that mature subsequent to 02-15-2029 totaling $37,805,000, after they are called for early redemption on 02-15-2022.

- **Consolidated Revenue and Refunding Bonds, Series 2016-A**
  - To (a) refund and defease $67,525,000 of Consolidated Revenue and Refunding Bonds, Series 2008; and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
  - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of Sophomore housing facilities – 3200 N. Ben Wilson Residence Facility (UHV), and (b) to defease certain outstanding commercial paper notes of the System.
  - Issued 2-16-2016.
  - $100,650,000; all bonds authorized have been issued ($63,605,000 refunding bonds: UHSA - $10,260,000, UH – $49,480,000, and UHV – $3,865,000; and $37,045,000 revenue bonds: UH – $21,290,000, UHSA – $6,910,000, and UHV – $8,845,000).
  - Source of revenue for debt service – Designated Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
  - Average interest rate of bonds refunded - 5.106634%.
  - Net proceeds from refunding series - $73,326,358.81 after receipt of bond premium of $10,146,107.80 and payment of $424,748.99 in underwriting fees, insurance, and other issuance costs.
  - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2008 series bonds maturing subsequent to 02-15-2019, after they are called for early redemption on 02-15-2018.
  - The advance refunded 2008 series bonds maturing subsequent to 02-15-2019 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
  - Refunding of the 2008 series bonds reduced the System's debt service payments over the life of the bond issues by approximately $11,368,241.94.
  - Economic gain - $9,431,071.76; the difference between the net present value of the old and new debt service payments.
  - Accounting loss (deferred outflow of resources) - $3,725,515.23; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2017-A**
  - To (a) advance refund and defease $38,400,000 of Consolidated Revenue Refunding Bonds, Series 2008; $50,325,000 of Consolidated Revenue and Refunding Bonds, Series 2009; and $12,840,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to defease certain outstanding commercial paper notes of the System.
  - In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston – System Administration, University of Houston, University of Houston – Clear Lake, University of Houston – Downtown, and University of Houston – Victoria.
  - Issued 2-16-2018.
  - $379,450,000; all bonds authorized have been issued; (a) $93,460,000 refunding bonds: Series 2008: UHSA – $265,000, UH – $35,300,000, and UHV – $95,000; Series 2009: UH – $41,990,000, and UHCL – $4,165,000; and Series 2009A: UH - $11,645,000; and (b) $285,990,000 new money revenue bonds: UHSA – $40,920,000, UH – $47,180,000, UHCL – $53,830,000, UHD – $84,750,000 and UHV – $59,310,000.
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2021 partially from Legislative Appropriation-Tuition Revenue Bonds.)
  - Average interest rate of bonds refunded - 4.971035%.
  - Net proceeds from refunding series - $108,438,040.58, after receipt of $93,460,000 par value, plus receipt of the bond premium of $15,956,653, and payment of $978,612.42 in underwriting fees, insurance, and other issuance costs.
  - Refunding of the 2008, 2009, and 2009A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately $14,322,761.90.
  - Economic gain - $10,020,739.63; the difference between the net present value of the old and new debt service payments.
  - Accounting loss (deferred outflow of resources) - $2,300,255.73; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2017-C**
  - To (a) advance refund and defease $9,925,000 of Consolidated Revenue Refunding Bonds, Series 2009; $22,095,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; and $121,595,000 of Consolidated Revenue and Refunding Bonds, Series 2011A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System and (c) to defease certain outstanding commercial paper notes of the System.
  - In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the Quad new residential housing and new Parking Garage 5 (UH), Freshman new residential housing (UHCL), and campus expansion (UHV).
  - Issued 12-21-2017.
  - $320,635,000; all bonds authorized have been issued; (a) $150,685,000 refunding bonds: Series 2009: , UH – $9,130,000, and UHCL – $525,000; Series 2009A: UH – $22,720,000; and Series 2011A: UH – $111,720,000; and UHV – $6,590,000 and (b) $169,950,000 new money revenue bonds: UH – $142,940,000, UHCL – $21,320,000, and UHV – $5,690,000.
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
  - Average interest rate of bonds refunded - 3.69%.
  - Net proceeds from refunding series - $165,811,307.74 after receipt of $150,685,000 par value, plus receipt of

the bond premium of $16,137,005.30, and payment of $1,010,697.56 in underwriting fees, insurance, and other issuance costs.
- Refunding of the 2009, 2009A, and 2011A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately $24,628,909.00.
- Economic gain - $17,123,196.00; the difference between the net present value of the old and new debt service payments.
- Accounting loss (deferred outflow of resources) - $744,303.44; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2020-A**
  - To (a) advance refund and defease $13,230,000 of Consolidated Revenue Refunding Bonds, Series 2008; $1,950,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; and $63,275,000 of Consolidated Revenue and Refunding Bonds, Series 2010B; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to defease certain outstanding commercial paper notes of the System.
  - In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston, University of Houston – Downtown, and University of Houston – Victoria.
  - Issued 2-19-2020.
  - $320,635,000; all bonds authorized have been issued; (a) $68,255,000 refunding bonds: Series 2008: UHSA – $375,000, UH – $11,070,000, and UHV – $135,000; Series 2009A: UH – $1,640,000; and Series 2010B: UH - $51,500,000 and UHV – $3,535,000; and (b) $252,380,000 new money revenue bonds: UH – $210,615,000, UHD – $31,545,000, and UHV – $10,220,000.
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
  - Average interest rate of bonds refunded – 3.968953%.
  - Net proceeds from refunding series - $78,788,387.21, after receipt of $68,255,000 par value, plus receipt of the bond premium of $10,758,186.25, and payment of $224,799.04 in underwriting fees, insurance, and other issuance costs.
  - Refunding of the 2008, 2009A, and 2010B series' bonds reduced the System's debt service payments over the life of the bond issues by approximately $15,204,230.00.
  - Economic gain - $12,862,320.00; the difference between the net present value of the old and new debt service payments.
  - Accounting gain (deferred inflow of resources) - $434,718.51; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2020-B**
  - To (a) refund and defease $3,955,000 of outstanding Consolidated Revenue Bonds, Series 2008; $16,285,000 of Consolidated Revenue Bonds, Series 2010A; $10,710,000 of Consolidated Revenue Bonds, Series 2011B; and $37,805,000 of Consolidated Revenue Bonds, Series 2013B; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
  - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of the Fertitta Center, Hilton Expansion, and the Auxiliary Retail Center (UH).
  - Issued 2-19-2020.
  - $162,625,000; all bonds authorized have been issued ($71,835,000 refunding bonds: UH – $71,490,000 and UHV – $345,000; and $90,790,000 revenue bonds: UH - $90,790,000).
  - Source of revenue for debt service – Designated tuition and various other fees and revenues and balances that

may be legally available for payment of debt obligations.
- Average interest rate of bonds refunded – 2.511015%.
- Net proceeds from refunding series – $71,807,589.51, after receipt of $71,835,000 par value plus receipt of the bond premium of $427,770.55, and payment of $455,181.04 in underwriting fees, insurance, and other issuance costs.
- Refunding of the 2008, 2010-A, 2011-B, and 2013-B series bonds reduced the System's debt service payments over the life of the bond issues by approximately $17,709,151.
- Economic gain - $14,089,063; the difference between the net present value of the old and new debt service payments.
- Accounting loss (deferred outflow of resources) - $2,536,780.29; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue Refunding Bonds, Series 2021-A**
  - To refund $16,605,000 of Consolidated Revenue and Refunding Bonds, Series 2011A.
  - Issued 04-07-2021.
  - $16,425,000; all bonds authorized have been issued (UH – $15,392,000, and UHV – $1,033,000).
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
  - Average interest rate of bonds refunded – 2.000000%.
  - Net proceeds from refunding series - 16,803,337.50, after receipt of bond premium of $643,722.85 and payment of $265,385.35 in underwriting fees, insurance, and other issuance costs.
  - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2011A series bonds, after they were called for early redemption on 05-11-2021.
  - The advance refunded 2011A series bonds maturing subsequent to 02-15-2031 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
  - Refunding of the 2011A series bonds reduced the System's debt service payments over the life of the bond issues by approximately $6,004,800.
  - Economic gain - $5,448,107.01; the difference between the net present value of the old and new debt service payments.
  - Accounting gain (deferred inflow of resources) - $3,083,859.57; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue Refunding Bonds, Series 2021-B**
  - To refund $2,870,000 of Consolidated Revenue and Refunding Bonds, Series 2011B; and $28,920,000 of Consolidated Revenue and Refunding Bonds, Series 2013B.
  - Issued 04-07-2021.
  - $33,120,000; all bonds authorized have been issued (UH – $32,709,000, and UHV – $411,000).
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
  - Average interest rate of bonds refunded – 1.529290%.
  - Net proceeds from refunding series - $33,091,838.54, after receipt of bond premium of $490,391.40 and payment of $518,552.86 in underwriting fees, insurance, and other issuance costs.
  - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2011B series bonds, after they were called for early redemption on 05-11-2021.
  - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2013B series bonds, after they were called for early redemption on 02-15-2022.
  - The advance refunded 2011B series bonds maturing subsequent to 02-15-2022 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
  - The advance refunded 2013B series bonds maturing subsequent to 02-15-2023 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
  - Refunding of the 2011B and 2013B series bonds reduced the System's debt service payments over the life of

the bond issues by approximately $3,876,517.59.

- Economic gain - $3,599,289.94; the difference between the net present value of the old and new debt service payments.
- Accounting loss (deferred inflow of resources) - $1,108,401.98; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2022-A**
  - To (a) advance refund and defease $18,160,000 of Consolidated Revenue and Refunding Bonds, Series 2013A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to refund and defease certain outstanding commercial paper notes and bonds of the System.
  - In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston – System Administration, University of Houston, University of Houston – Clear Lake, and University of Houston – Victoria.
  - Issued 6-29-2022.
  - $385,680,000; all bonds authorized have been issued; (a) $16,690,000 refunding bonds: Series 2013A: UH – $10,715,000, UHD – $3,600,000, and UHV – $2,375,000; and (b) $368,990,000 new money revenue bonds: UHSA – $52,535,000, UH - $198,250,000, UHD – $39,405,000, UHCL – $39,400,000, and UHV – $39,400,000.
  - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
  - Average interest rate of bonds refunded – 5.000000%.
  - Net proceeds from refunding series - $18,496,372.22, after receipt of $16,690,000 par value, plus receipt of the bond premium of $1,875,958.80, and payment of $69,586.58 in underwriting fees, insurance, and other issuance costs.
  - Refunding of the 2013A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately $1,453,207.02.
  - Economic gain - $1,334,975.36; the difference between the net present value of the old and new debt service payments.
  - Accounting gain (deferred inflow of resources) - $647,097.54; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

Pledged Future Revenues

The following table provides the pledged future revenue information for UHV's revenue bonds:

		Business-Type Activities
Pledged revenue required for future principal and interest on existing revenue bonds	$	191,989,927.00
Term of commitment year ending 08/31		2047
Percentage of revenue pledged		100%
Current year pledged revenue	$	1,033,179,552.06
Current year principal and interest paid	$	12,120,354.21

Pledged revenue sources include operating income from tuition and fees, and sales and service revenue from auxiliary and non-auxiliary activities including intercollegiate athletics, residential life, parking, rental of facilities, continuing education, royalties, publications, clinics, bookstores, and vending commissions.

NOTE 7: Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include swap contracts, futures contracts, options, options on futures contracts, and forward contracts. As of August 31, 2023, UHV had no investments in Derivative Instruments.

NOTE 8: Leases/SBITAs

Lease Liability

UHV presently does not have any material non-cancellable leases of buildings and equipment. A summary of the UHV's right to use lease asset activity during the year is disclosed separately in Note 2.

Lease Income

UHV is not a lessor for any material non-cancellable leases of buildings, land, office space and equipment to outside parties.

Subscription Liability

UHV has various non-cancellable subscriptions of information technology. Included in the expenditures reported in the financial statements are the following amounts of subscription fees paid under subscription liability:

Fund Type		Amount
Proprietary Fund	$	838,068.60

Future Subscription Payments
Year Ended August 31, 2023

Primary Government - Business-Type Activities			
Year	Principal	Interest	Total Future Minimum Subscription Payments
2024	$ 39,789.47	$ 6,403.23	$ 46,192.70
2025	41,430.79	4,728.72	46,159.51
2026	46,643.70	2,935.15	49,578.85
2027	48,544.24	996.17	49,540.41
Total	$ 176,408.20	$ 15,063.27	$ 191,471.47

NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan
As discussed in Note 1, UHV's proportionate share of pension liabilities in the name of UH System are reported by UH System and not UHV. UHV has elected to make limited disclosures with respect to this matter.

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

The state has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System. Since contributions are invested in individual annuity contracts, neither the State nor UHV have any additional or unfunded liability for this program.

The contributions made by plan members and employers for the fiscal year ended August 31, 2023 are:

	TRS Participants	ORP Participants	Total Contributions
Member Contributions	$ 1,603,129.25	$ 482,997.00	$ 2,086,126.25
Employer Contributions	1,616,384.63	500,875.00	2,117,259.63
Total	$ 3,219,513.88	$ 983,872.00	$ 4,203,385.88

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

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

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

TRS Plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

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

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

Audited Comprehensive Annual Financial Report (CAFR) for Teacher Retirement System may be obtained from their website at www.trs.state.tx.us and searching for financial reports.

During the measurement period of 2022 for fiscal 2023 reporting, the amount of the UHV's contributions recognized by the plan was $1,005,918. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

	TRS Plan
Contribution Rates	
Employer	7.75%
Employees	8.00%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2022 measurement date.

Actuarial Methods and Assumptions*

	TRS Plan
Actuarial Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2020	3.91% *
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Mortality:	
Active	PUB (2010) Mortality Tables for males and females with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July 2022. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

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

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% over the next several years. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.A.	18.00%	4.60%
Non-U.S. Developed	13.00%	4.90%
Emerging Markets	9.00%	5.40%
Private Equity	14.00%	7.70%
Stable Value		
Government Bonds	16.00%	1.00%
Absolute Return	0.00%	3.70%
Stable Value Hedge Funds	5.00%	3.40%
Real Return		
Real Estate	15.00%	4.10%
Energy and Natural Resources and Infrastructure	6.00%	5.10%
Commodities	0.00%	3.60%
Risk Parity		
Risk Parity	8.00%	4.60%
Asset Allocation Leverage		
Asset Allocation Leverage Cash	2.00%	3.00%
Asset Allocation Leverage	-6.00%	3.60%
Total	100.00%	

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

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

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 19,908,669	$ 13,323,251	$ 7,034,275

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2022 ACFR.

UHV's proportionate share of pension liabilities in the name of UH System are reported by UH System, therefore, not present in UHV's annual financial report. At August 31, 2023, UH System reported $13,323,251 for UHV's proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. UHV's proportion at August 31, 2023 was 0.0215571% percent which was a decrease from the 0.0263535% percent measured at the prior measurement date. UHV's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2021 through August 31, 2022.

For the year ending August 31, 2023, UH System recognized $1,337,985 for UHV's calculated portion of pension expense. At August 31, 2023, UH System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 185,568	$ 279,018
Changes of assumptions	2,384,664	594,325
Net difference between projected and actual investment return	4,972,495	3,708,104
Change in proportion and contribution difference	1,131,384	2,984,976
Contributions subsequent to the measurement date	1,066,476	0
Total	$ 9,740,587	$ 7,566,423

The $1,066,476 reported by UH System as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2024. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense by UH System in the following years:

Year Ending August 31,	Amount
2024	$ 576,891
2025	27,265
2026	(467,619)
2027	1,052,908
2028	(83,758)
Thereafter	0

NOTE 10: Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Multiple plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Section 457. The State also administers another plan; "TexaSaver" created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

The tax deferred investment program permits benefits-eligible employees of UHV to purchase qualified tax deferred investments with a portion of their salaries. Participation in the program is voluntary and is a supplement to the Teacher Retirement System or the Optional Retirement Program. It is however, separate and apart from either.

NOTE 11: Postemployment Benefits Other Than Pensions

As discussed in Note 1, UHV's proportionate share of post-employment benefits other than pension liabilities in the name of UH System are reported by UH System and not UHV. UHV has elected to make limited disclosures with respect to this matter.

In addition to providing pension benefits, the State contributes to a plan that provides health care and life insurance benefits for retired employees of UHV, their spouses, and beneficiaries. These other postemployment benefits (OPEB), authorized by statute and contributions, are established by the General Appropriations Act. ERS administers a program that provides postemployment health care, life, and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. ERS implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in fiscal year 2017. Complete disclosure of the State's OPEB can be found in the State's Annual Comprehensive Financial Report.

NOTE 12: Interfund Activity and Transactions

UHV experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. UHV has no interfund activity to report.

NOTE 13: Continuance Subject to Review

UHV is not subject to the provisions of the Texas Sunset Act (Chapter 325, Texas Government Code Annotated). The Act provides for the regular assessment of the continuing need for state agencies to exist. Certain agencies, such as institutions of higher education and courts, are not subject to the Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Position

During fiscal year 2023, there were no restatements.

NOTE 15: Contingencies and Commitments

Unpaid Claims and Lawsuits

As mentioned in Note 5, various lawsuits and claims involving the UHV were pending. While the ultimate liability, if any, remains uncertain, management does not expect any possible adverse ruling to have a material effect on the UHV accounts.

Federal Assistance

UHV has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

Arbitrage
Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

UHV monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. UHV estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

Construction Commitments
UHV has several contractual agreements with various external housing management entities to construct, maintain, and manage off-campus student housing complexes. Under certain circumstances, UHV may have contingent liabilities to these entities. Based on prior experience, previous years' liabilities have been immaterial, and management believes no such liabilities currently exist. Additional information is provided in Note 19.

NOTE 16: Subsequent Events
There have been no additional events since August 31, 2023 that had a significant financial impact and require disclosure.

NOTE 17: Risk Management
UHV is exposed to a variety of civil claims resulting from the performance of its duties. It is UHV policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

UHV assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, there is the purchase of some commercial insurance, and the UHV is not involved in any risk pools with other government entities.

The University of Houston – Victoria's liabilities are reported when it is both probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience, and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 2022 and 2023 were:

Table 17.1 – Balance of Claims Activity

	Beginning Balance	Increase	Decrease	Ending Balance
2023	$23,645.96	$35,016.53	$29,325.51	$29,336.98
2022	$ 99.99	$58,348.87	$34,802.90	$23,645.96

Liabilities include an amount for estimated future workers' compensation and unemployment claims that have been incurred as of the fiscal year end, but that have not been reported. 2023 increases and decreases also include current year assessments and payments of legal settlements in the amount of $0.00. Payments for worker's compensation claims of $28,035.51 and for unemployment claims of $1,290.00 make up the remainder of the decrease total of $29,325.51.

NOTE 18: Management's Discussion and Analysis (MD&A)
See Management's Discussion and Analysis Section.

NOTE 19: The Financial Reporting Entity
See Financial Reporting Entity in Note 1.

NOTE 20: Stewardship, Compliance, and Accountability
These statements are prepared in compliance with the guidelines provided by the Texas Comptroller of Public Accounts. There were no material violations of finance related legal or contractual provisions, no deficit net position, no changes in reporting of loans, and no changes in accounting principles.

NOTE 21: N/A
Note 21 is not applicable to the Annual Financial Reporting requirements process.

NOTE 22: Donor Restricted Endowments
Expenditure of endowed funds is not permitted without the express consent of the donor. The majority of the University of Houston – Victoria's endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as specified by the donor. In other cases, endowment earnings are reinvested.

The Regents of UHV have established an endowment policy which attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. Payout is derived from interest, dividends, and realized gains net of portfolio management fees. The historical rate of payout has been 4 to 5 percent, with any change to this range to be approved by the Board.

The net appreciation (cumulative and unexpended) on donor-restricted endowments, presented below in Table 22.1, is available for authorization and expenditure by UHV:

Table 22.1 – Net Appreciation of Endowments

Donor-Restricted Endowments		Amount of Net Appreciation/(Depreciation)	Reported in Net Position
True Endowments	$	4,225,026.90	Restricted Expendable
Term Endowments		0.00	Restricted Expendable
Total		4,225,026.90	

(A fair market value increase of $0.00 was recognized for endowments at or above historical cost, and a fair market value increase of $0.00 was recognized for endowments below historical cost.)

Variances from prior year-end for expendable and nonexpendable balances are shown in Table 22.2:

Table 22.2 - Changes from Prior Year Balances:

Endowment Funds		Increase/(Decrease)	Reason for Change
Expendable Balances			
True Endowments	$	184,966.55	Fair value increase in portfolio
True Endowments		(523,276.00)	Spending distribution from endowment

NOTE 23: Extraordinary and Special Items
No items have been identified which should have been presented in the financial statements.

NOTE 24: Disaggregation of Receivable & Payable Balances
Balances of receivables and payables reported on the Statement of Net Position may be aggregations of different components. GASB Statement 38, *Certain Financial Statement Note Disclosures*, requires that UHV provide details in the notes to the financial statements when significant components have been obscured by aggregation. The Statement of Net Position is presented in the classified format, and therefore, the current and non-current portions of receivables and payables are separately disclosed. Significant balances in various classifications of receivables and payables are disclosed below:

Receivables Current:

	Gross	Allowance	Net
Federal	$ 3,321,230.97	$ -	$ 3,321,230.97
Intercampus	5,253,786.24	-	5,253,786.24
Accounts	4,325,341.33	1,181,266.08	3,144,075.25
Gifts	595,782.34	-	595,782.34
Other	5,436.86	-	5,436.86
	$ 13,501,577.74	$ 1,181,266.08	$ 12,320,311.66

Receivables Non-Current:

	Gross	Allowance	Net
Intercampus	$ 63,997,385.41	$ -	$ 63,997,385.41
Pledges	$ 561,144.87	$ 20,000.00	$ 541,144.87
	$ 64,558,530.28	$ 20,000.00	$ 64,538,530.28

Payables Current:

	Gross	Allowance	Net
Federal	$ 1,480.00	$ -	$ 1,480.00
Intercampus	5,490,997.93	-	5,490,997.93
Accounts	1,074,661.57	-	1,074,661.57
Payroll	3,944,796.99	-	3,944,796.99
Accrued Subscription Interest	3,567.84	-	3,567.84
Other	277,819.93	-	277,819.93
	$ 10,793,324.26	$ -	$ 10,793,324.26

NOTE 25: Termination Benefits
UHV has no retiring members of the Employees Retirement System of Texas (ERS) eligible for a temporary retirement incentive payment. UHV does not offer terminated employees any non-health care benefits such as severance packages, one-time incentive bonuses, or other benefits. COBRA, handled directly by ERS, is the only benefit offered to retiring or terminated employees.

NOTE 26: Segment Information
UHV has no segment activity that requires separate disclosure in the notes to the financial statements. A segment is an identifiable activity, or group of activities, reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

NOTE 27: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
As of August 31, 2023, UHV has no agreements that are qualified as Public-Private and Public-Public Partnerships and Availability Payment Arrangements.

NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources
In fiscal 2023, UHV reported no deferred outflows of resources nor deferred inflows of resources in connection with the TRS pension plan and GASB 87 Leases.

NOTE 29: Troubled Debt Restructuring
As of August 31, 2023, no debts have been identified that fall under the troubled debt restructuring guidelines of GASB 62, *Codification Accounting and Reporting.*

NOTE 30: Non-Exchange Financial Guarantees
As of August 31, 2023, UHV has no non-exchange financial guarantees; therefore, there are no balances to be reported.

NOTE 31: Tax Abatements
As of August 31, 2023, UHV has no tax abatement agreements entered into to reduce the reporting revenues nor agreements with other governments that reduce the tax revenues.

NOTE 32: Governmental Fund Balances
As of August 31, 2023, UHV does not have any fund balance reporting of obligations or requirements as established by GASB 54, *Fund Balance*, because the University of Houston – Victoria's fund balances are reported as proprietary funds and not governmental funds.

UHV AWARDS
$38M
IN FINANCIAL AID TO STUDENTS ANNUALLY

UHV OFFERS MORE THAN
50 ACADEMIC PROGRAMS
AS WELL AS A WIDE RANGE OF CONCENTRATIONS & CERTIFICATES

THE TEXAS LEGISLATURE APPROVED
$3M
FOR UHV TO CREATE
A NEW AVIATION PROGRAM

Texas Higher Education
COORDINATING BOARD

1801 N. Congress Ave., Suite 12.200, Austin, TX 78701
Mail: PO Box 12788, Austin, TX 78711-2788
Phone: 512-427-6101
Fax: 512-427-6127

March 11, 2024

Dr. Bob Glenn
President
University of Houston - Victoria
3007 N. Ben Wilson Street
Victoria, Texas 77901

Re: *A Compliance Monitoring Desk Review of Formula Funding at University of Houston -Victoria*, Report No. THECB-CM-FF-24-003.

Dear Dr. Glenn,

I am attaching the final report on *A Compliance Monitoring Desk Review of Formula Funding at University of Houston - Victoria*, Report No. THECB-CM-FF-24-003. There were no observations resulting from this engagement.

Summary

University of Houston - Victoria complied with relevant Coordinating Board (THECB) rules and regulations for the Formula Funding (FF) program and with Texas Administrative Code (TAC), Title 19, Part 1, Chapter 13, Subchapter F, Sections 13.100.

Our review included tests of relevant CBM0CS and CBM008 enrollment data reported and certified by the University of Houston - Victoria.

Our work included procedures to verify:

- Student tuition payment was received in accordance with requirements;
- Reported course enrollment was eligible for formula funding;
- Evidence of academic credentials were maintained to support instructor qualifications; and
- Information Security Controls related to student information were sufficient for the limited purpose of our review.

This Compliance Monitoring report will be presented to the Texas Higher Education Coordinating Board (THECB) Committee on Agency Operations, a standing committee of the THECB Board, in April 2024.

The cooperation of your staff during this review is greatly appreciated. If you have any questions or comments on the conduct of this review, please let me know.

Sincerely,

Arby James Gonzales, CPA, CFE
Assistant Commissioner, Internal Audit and Compliance

<u>PERFORMED BY:</u>
Ms. Shebah Washington, Compliance Specialist
CC:

THECB
Board Members

<u>Commissioner's Office</u>
Dr. Harrison Keller, Commissioner of Higher Education
Ms. Sarah Keyton, Deputy Commissioner, Administration
Ms. Melissa Henderson, Chief of Staff
Ms. Nichole Bunker-Henderson, General Counsel

<u>Funding and Resource Planning</u>
Ms. Emily Cormier, Assistant Commissioner

<u>The University of Houston - Victoria</u>
Ms. Denise Hernandez, Registrar
Mr. Randy Faulk, IT Director
Ms. Jamie Summerlin, Interim Director of Institutional Research and Effectiveness
Ms. Claire Fletcher, Sr. Institutional Research Analyst

<u>The University of Houston System Office</u>
Dr. Renu Khator, Chancellor, UH System
Mr. Tilman J. Fertitta, Chairman, UH System Board of Regents
Mr. Philp Hurd, Chief Audit and Compliance Executive, UH System

<u>State Auditor's Office</u>
Audit Coordinator

<u>Sunset Advisory Commission</u>
Mr. Eric Beverly, Executive Director

<u>Office of the Governor-Budget and Policy Division</u>
Ms. Sarah Hicks, Budget and Policy Director

<u>Legislative Budget Board</u>
Mr. Christopher Mattsson, Assistant Director