

HOUSTON PUBLIC MEDIA

(A Division of the University of Houston System)

Independent Auditor's Report and Financial Statements

August 31, 2024 and 2023

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

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Independent Auditor's Report

Board of Regents
University of Houston System
Houston, Texas

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Houston Public Media (Stations), a division of the University of Houston System, (UH System) as of and for the years ended August 31, 2024 and 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, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2024 and 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.

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.

Forvis Mazars, LLP

Houston, Texas
March 10, 2025

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Management's Discussion and Analysis
Years Ended August 31, 2024 and 2023

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the activities and the financial position of Houston Public Media (Stations), a division of the University of Houston (UH) System (UH System), as of and for the years ended August 31, 2024 and 2023. 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 (Board) 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, 2024 and 2023. 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.

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

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

CONDENSED FINANCIAL INFORMATION

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets:			
Current assets	\$ 8,167,448	\$ 9,128,474	\$ 8,239,346
Capital assets, net	4,933,821	4,888,082	5,641,592
Other noncurrent assets	2,798,765	2,189,902	2,110,619
Total assets	<u>15,900,034</u>	<u>16,206,458</u>	<u>15,991,557</u>
Liabilities:			
Current liabilities	1,637,174	1,332,220	1,180,826
Noncurrent liabilities	3,500,481	3,673,061	3,836,123
Total liabilities	<u>5,137,655</u>	<u>5,005,281</u>	<u>5,016,949</u>
Net position:			
Net investment in capital assets	1,260,761	1,051,958	1,651,255
Restricted for endowment funds	1,363,888	822,064	757,242
Unrestricted	8,137,730	9,327,155	8,566,111
Total net position	<u>\$ 10,762,379</u>	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 23,793,236	\$ 22,525,307	\$ 21,877,024
Operating expenses	24,412,446	22,653,185	19,340,683
Operating income (loss)	<u>(619,210)</u>	<u>(127,878)</u>	<u>2,536,341</u>
Nonoperating income (loss):			
Endowment distributions	(69,496)	(67,081)	(63,463)
Gain (loss) from endowment	261,221	142,569	(165,234)
Interest expense on lease obligations	(59,772)	(62,135)	(64,523)
Other nonoperating income	48,459	341,094	(34,593)
Change in net position	(438,798)	226,569	2,208,528
Net position, beginning of year	11,201,177	10,974,608	8,766,080
Net position, end of year	<u>\$ 10,762,379</u>	<u>\$ 11,201,177</u>	<u>\$ 10,974,608</u>

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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, 2024, 2023, and 2022:

Revenues by Source	FY24		FY23		FY22		2024–2023 Increase (Decrease)		2023–2022 Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
<u>Operating revenues:</u>										
Contributions	\$ 10,693,695	45.000%	\$ 12,247,242	54%	\$ 12,875,056	59%	\$ (1,553,547)	-123%	\$ (627,814)	-97%
General support from the UH System	3,377,552	15.000%	3,280,515	15%	2,114,868	10%	97,037	9%	1,165,647	180%
Program underwriting	6,137,778	26.000%	3,201,009	14%	3,037,105	14%	2,936,769	233%	163,904	25%
Production service Corporation for Public Broadcasting (CPB) grants	766,254	3.000%	1,067,333	5%	1,011,817	5%	(301,079)	-24%	55,516	9%
Broadcasting (CPB) grants	2,213,129	9.000%	2,143,861	9%	2,307,717	11%	69,268	5%	(163,856)	-25%
Special events	-	0.000%	-	0%	2,460	0%	-	0%	(2,460)	0%
Other	604,828	3.000%	585,347	3%	528,001	2%	19,481	2%	57,346	9%
	<u>\$ 23,793,236</u>	<u>101.0%</u>	<u>\$ 22,525,307</u>	<u>100%</u>	<u>\$ 21,877,024</u>	<u>100%</u>	<u>\$ 1,267,929</u>	<u>101%</u>	<u>\$ 648,283</u>	<u>100%</u>

Operating expenses are the costs necessary to provide those services and to fulfill the mission of the Stations. Alternatively, operating expenses categorized using the natural classification method are disclosed in the schedules of functional expenses. The following schedule presents a summary and comparison of expenses for the fiscal years ended August 31, 2024, 2023 and 2022:

Expenses by Function	FY24		FY23		FY22		Increase (Decrease)		Increase (Decrease)	
	(A) Amount	% of Total	(B) Amount	% of Total	(C) Amount	% of Total	(A-B) Amount	% of Total	(B-C) Amount	% of Total
<u>Operating expenses:</u>										
Programming and production (PRD)	\$ 11,048,944	45%	\$ 9,908,287	45%	\$ 9,144,247	47%	\$ 1,140,657	65%	\$ 764,040	23%
Broadcasting, engineering and technical (BET)	2,805,330	11%	2,768,209	12%	1,859,134	10%	37,121	2%	909,075	27%
Occupancy and physical plant operations (BET)	325,429	1%	325,429	1%	325,429	2%	-	0%	-	0%
Program information (PGM)	-	0%	19	0%	382	0%	(19)	0%	(363)	0%
Fundraising and membership development (FND)	1,341,682	5%	1,397,178	6%	1,291,693	7%	(55,496)	-3%	105,485	3%
Underwriting and grant solicitation (UND)	1,011,370	4%	1,124,345	5%	1,074,090	5%	(112,975)	-6%	50,255	2%
Management and general (MGT)	4,438,051	18%	3,257,627	14%	2,778,371	14%	1,180,424	67%	479,256	14%
Institutional support (MGT)	3,052,123	13%	2,955,086	13%	1,789,439	9%	97,037	6%	1,165,647	35%
Depreciation/amortization	389,517	2%	917,005	4%	1,077,898	6%	(527,488)	-30%	(160,893)	-5%
Total operating expenses	<u>\$ 24,412,446</u>	<u>99%</u>	<u>\$ 22,653,185</u>	<u>100%</u>	<u>\$ 19,340,683</u>	<u>100%</u>	<u>\$ 1,759,261</u>	<u>101%</u>	<u>\$ 3,312,502</u>	<u>100%</u>

FINANCIAL HIGHLIGHTS AND ANALYSIS

Assets and Liabilities – Fiscal Year 2024 Compared to Fiscal Year 2023

- Current assets (cash and cash equivalent) slightly decreased due to one-time initiatives. Year over year fundraising increased in program underwriting. Staffing levels increased as vacancies were filled in several departments, and HPM's Advancement and Digital teams expanded to meet the strategic goals of digital and financial growth.
- Current liabilities increased slightly due to advanced payment of an annual underwriting schedule.

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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.

Operating Revenues – Fiscal Year 2024 Compared to Fiscal Year 2023

The Station's revenue increased year over year in underwriting and decreased in contributions due to strategic advancement initiatives and overall giving commitments. Revenue from UH General Support and CPB grants increased. In FY24, total operating revenue was slightly ahead of FY23 revenue.

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 Expenses – Fiscal Year 2024 Compared to Fiscal Year 2023

The Stations' expenses in FY24 increased due to several initiatives that were associated with FY23 "continuation" (staffing, technical and studio production upgrades).

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).

CAPITAL ASSET AND DEBT ADMINISTRATION

As of the end of fiscal 2024 and 2023, the Stations had \$4,933,821 and \$4,888,082, 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, 2024 and 2023

	2024		2023	
	Primary institution	Component unit (HPMF)	Primary institution	Component unit (HPMF)
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,587,091	\$ 593,779	\$ 5,053,769	\$ 812,662
Accounts receivable	-	390,128	293	610,388
Restricted cash and cash equivalents for capital projects	3,210,593	-	3,806,330	-
Restricted cash and cash equivalents	110,002	531,972	120,936	459,038
Film rights, net	259,762	-	147,146	-
Total current assets	8,167,448	1,515,879	9,128,474	1,882,088
Noncurrent assets:				
Capital assets, net	4,933,821	14,100	4,888,082	14,100
Investments restricted for endowment	2,798,765	1,988,951	2,189,902	1,746,218
Total noncurrent assets	7,732,586	2,003,051	7,077,984	1,760,318
Total assets	15,900,034	3,518,930	16,206,458	3,642,406
Liabilities				
Current liabilities:				
Accounts payable	282,831	115,454	47,519	154,583
Accrued payroll	667,265	-	649,823	-
Employees' compensable leave	509,699	-	466,802	-
Unearned revenue	-	245,995	-	210,840
Lease liability - current portion	172,579	-	163,063	-
Interest payable	4,800	-	5,013	-
Total current liabilities	1,637,174	361,449	1,332,220	365,423
Noncurrent liabilities:				
Lease liability, less current portion	3,500,481	-	3,673,061	-
Total liabilities	5,137,655	361,449	5,005,281	365,423
Net Position				
Net investment in capital assets	1,260,761	14,100	1,051,958	14,100
Restricted:				
Nonexpendable	1,015,930	1,462,489	595,000	1,462,489
Expendable	347,958	551,726	227,064	343,833
Unrestricted	8,137,730	1,129,166	9,327,155	1,456,561
Total net position	\$ 10,762,379	\$ 3,157,481	\$ 11,201,177	\$ 3,276,983

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
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Statements of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2024 and 2023

	2024		2023	
	Primary institution	Component unit (HPMF)	Primary institution	Component unit (HPMF)
Operating revenues:				
Contributions	10,693,695	11,997,104	12,247,242	11,311,733
General support from the UH System	3,377,552	-	3,280,515	-
Program underwriting	6,137,778	4,289,622	3,201,009	3,614,909
Production service	766,254	112,912	1,067,333	91,310
Corporation for Public Broadcasting (CPB) grants	2,213,129	-	2,143,861	-
Royalties	136	-	-	-
Other	604,692	72,934	585,347	71,946
Total operating revenues	<u>23,793,236</u>	<u>16,472,572</u>	<u>22,525,307</u>	<u>15,089,898</u>
Operating expenses:				
Grants to primary institution	-	13,975,110	-	12,288,616
Programming and production (PRD)	11,048,944	184,913	9,908,287	250,835
Broadcasting, engineering, and technical (BET)	2,805,330	247,736	2,768,209	50,242
Occupancy and physical plant operations (BET)	325,429	-	325,429	-
Program information (PGM)	-	-	19	-
Fundraising and membership development (FND)	1,341,682	1,065,693	1,397,178	1,185,767
Underwriting and grant solicitation (UND)	1,011,370	1,011,370	1,124,345	1,124,345
Management and general (MGT)	4,438,051	349,985	3,257,627	385,806
Institutional support (MGT)	3,052,123	-	2,955,086	-
Depreciation and amortization	389,517	-	917,005	-
Total operating expenses	<u>24,412,446</u>	<u>16,834,807</u>	<u>22,653,185</u>	<u>15,285,611</u>
Operating loss	<u>(619,210)</u>	<u>(362,235)</u>	<u>(127,878)</u>	<u>(195,713)</u>
Nonoperating income (expense):				
Endowment distributions	(69,496)	-	(67,081)	-
Gain from endowment	261,221	242,733	142,569	76,071
Interest expense on lease obligations	(59,772)	-	(62,135)	-
Other nonoperating income	48,459	-	341,094	-
Total nonoperating income	<u>180,412</u>	<u>242,733</u>	<u>354,447</u>	<u>76,071</u>
Change in net position	<u>(438,798)</u>	<u>(119,502)</u>	<u>226,569</u>	<u>(119,642)</u>
Net position, beginning of year	<u>11,201,177</u>	<u>3,276,983</u>	<u>10,974,608</u>	<u>3,396,625</u>
Net position, end of year	<u>\$ 10,762,379</u>	<u>\$ 3,157,481</u>	<u>\$ 11,201,177</u>	<u>\$ 3,276,983</u>

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
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Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<u>Primary institution</u>	<u>Primary institution</u>
Cash flows from operating activities:		
Proceeds from contributions	\$ 10,693,695	\$ 12,247,241
Proceeds from CPB grant	2,213,129	2,143,861
Proceeds from program underwriting	6,138,071	3,200,716
Proceeds from other revenues	1,371,082	1,652,680
Payments to suppliers for goods and services	(7,005,324)	(5,924,360)
Payments to employees	(8,446,405)	(7,319,132)
Payments for broadcasting fees	(4,785,991)	(4,342,414)
Net cash provided by operating activities	<u>178,257</u>	<u>1,658,592</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(435,256)	(163,495)
Purchase of film rights	(224,622)	(215,749)
Interest paid on lease obligations	(59,771)	(62,336)
Payments for right-to-use lease asset	(163,063)	(154,214)
Net cash used in capital and related financing activities	<u>(882,712)</u>	<u>(595,794)</u>
Cash flows from (used in) non-capital and related financing activities:		
Proceeds from UH System	100,000	337,299
Payments to UH System	(468,894)	-
Net cash provided by (used in) non-capital and related financing activities	<u>(368,894)</u>	<u>337,299</u>
Change in cash and cash equivalents	(1,073,349)	1,400,097
Cash and cash equivalents, beginning of year	<u>8,981,035</u>	<u>7,580,938</u>
Cash and cash equivalents, end of year	<u>\$ 7,907,686</u>	<u>\$ 8,981,035</u>
Cash and cash equivalents are presented on the Statement of Net Position as:		
Cash and cash equivalents	\$ 4,587,091	\$ 5,053,769
Restricted cash and cash equivalents for capital projects	3,210,593	3,806,330
Restricted cash and cash equivalents	110,002	120,936
	<u>\$ 7,907,686</u>	<u>\$ 8,981,035</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	<u>\$ (619,210)</u>	<u>\$ (127,878)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	389,517	917,005
Amortization of film rights	112,006	77,011
Decrease (increase) in accounts receivable	293	(293)
Increase in prepaid expenses	-	650,000
Increase (decrease) in accounts payable	235,312	(58,832)
Increase in accrued payroll	17,442	113,610
Increase in employees' compensable leave	42,897	87,969
Total adjustments	<u>797,467</u>	<u>1,786,470</u>
Net cash provided by operating activities	<u>\$ 178,257</u>	<u>\$ 1,658,592</u>

See accompanying notes to basic financial statements.

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Notes to Basic Financial Statements
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(1) Entity

Houston Public Media (Stations or Primary Institution) of the University of Houston (UH) System (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 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 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.

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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.

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(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, 2024 and 2023.

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.

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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 (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 (ROU) 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.

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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, 2024 and 2023, 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.

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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, 2024 and 2023 was \$196,531 and \$172,347, 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. 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, 2025.

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.

GASB Statement No. 103, *Financial Reporting Model Improvements*, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

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GASB Statement No. 104, *Disclosure of Certain Capital Assets*, focuses on enhancing disclosure requirements for certain capital assets held by state and local governments. It aims to improve transparency regarding new asset types, particularly those created by recent GASB Statements like Nos. 87, 94, and 96, which introduced "right-to-use" assets. Key provisions of Statement 104 include the requirement that certain types of capital assets be disclosed separately in the capital asset note disclosures required by GASB Statement No. 34. These include lease assets reported under Statement 87; intangible right-to-use assets recognized under Statement 94; and subscription assets reported under Statement 96. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Statement 104 establishes requirements for capital assets held for sale. An asset qualifies if the government has decided to pursue the sale of the capital assets and the sale is expected to be completed within one year of the financial statement date. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Governments must disclose the historical cost and accumulated depreciation of these assets, organized by major asset class. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2026.

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, 2024 and 2023.

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, 2024 and 2023.

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

(3) Endowment Funds

a. Primary Institution

Gifts to the UH System are placed in the UH System's endowment fund (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 2024 and 2023. 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.

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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, 2024 and 2023, HPMF had cash deposits held by Amegy Bank in the amount of approximately \$875,751 and \$583,518, respectively, that were uninsured and uncollateralized. The Stations did not have any balances that were uninsured or uncollateralized as of August 31, 2024 or 2023, 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 2024 and 2023, the Endowment Management Committee of the UH System Board 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, 2024 and 2023:

Balance, September 1, 2022	\$ 2,110,619
FY23 distributions	(67,081)
FY23 realized/unrealized gains	<u>146,364</u>
Balance, August 31, 2023	2,189,902
FY24 distributions	(69,496)
FY24 contributions	417,138
FY24 realized/unrealized gains	<u>261,221</u>
Balance, August 31, 2024	<u><u>\$ 2,798,765</u></u>

Unrealized gains and losses for each year are recorded in the accompanying statements of revenues, expenses, and changes in net position.

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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 (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 interest 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 \$1,988,951 and \$1,746,218 as of August 31, 2024 and 2023, 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.

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The following summarizes HPMF's activity for the years ended August 31, 2024 and 2023:

Balance, September 1, 2022	\$ 1,670,148
FY23 realized/unrealized gains	<u>76,070</u>
Balance, August 31, 2023	1,746,218
FY24 realized/unrealized gains	<u>242,733</u>
Balance, August 31, 2024	<u><u>\$ 1,988,951</u></u>

(4) Capital Assets

Capital asset balances and activity for the year ended August 31, 2024 were as follows for the Stations:

	<u>2023</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2024</u>
Capital assets:				
Buildings and building improvements	\$ 12,706,461	\$ -	\$ -	\$ 12,706,461
Furniture and equipment	8,957,722	289,516	252,528	8,994,710
Intangible and other assets	75,000	-	-	75,000
Construction in progress	<u>163,495</u>	<u>145,740</u>	<u>-</u>	<u>309,235</u>
Total capital assets	21,902,678	435,256	252,528	22,085,406
Less accumulated depreciation and amortization	<u>17,014,596</u>	<u>389,517</u>	<u>252,528</u>	<u>17,151,585</u>
Net capital assets	<u><u>\$ 4,888,082</u></u>	<u><u>\$ 45,739</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,933,821</u></u>

Capital asset balances and activity for the year ended August 31, 2024 were as follows for HPMF:

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	<u>55,105</u>	<u>-</u>	<u>-</u>	<u>55,105</u>
Total capital assets	1,204,698	-	-	1,204,698
Less accumulated depreciation	<u>1,190,598</u>	<u>-</u>	<u>-</u>	<u>1,190,598</u>
Net capital assets	<u><u>\$ 14,100</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,100</u></u>

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

	<u>2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2023</u>
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
	<u>21,767,521</u>	<u>163,495</u>	<u>28,338</u>	<u>21,902,678</u>
Total capital assets	21,767,521	163,495	28,338	21,902,678
Less accumulated depreciation and amortization	<u>16,125,929</u>	<u>917,005</u>	<u>28,338</u>	<u>17,014,596</u>
Net capital assets	<u>\$ 5,641,592</u>	<u>(753,510)</u>	<u>-</u>	<u>4,888,082</u>

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

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
	<u>1,204,698</u>	<u>-</u>	<u>-</u>	<u>1,204,698</u>
Total capital assets	1,204,698	-	-	1,204,698
Less accumulated depreciation	<u>1,190,598</u>	<u>-</u>	<u>-</u>	<u>1,190,598</u>
Net capital assets	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>

(5) Investments Restricted for Endowment and Programs

The Stations' investments restricted for endowment are placed in the Endowment Fund, which is a pooled investment of individual endowments. HPMF has investments restricted for endowment and investments restricted for programs in an external investment pool held with the U of H Foundation. None of the external investment pools are publicly registered and the investments may only be redeemed by action of the Board of Directors. The Endowment Fund attempts to preserve the real (inflation adjusted) purchasing power of endowment assets, when measured over rolling periods of at least five years, and to outperform the capital markets in which the endowment assets are invested, measured over rolling periods of three to five years. The U of H Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The U of H Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Stations' and HPMF's investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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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, 2024 and 2023:

- Pooled investments of \$2,798,765 and \$2,189,902, 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, 2024 and 2023:

- Pooled investments of \$1,988,951 and \$1,746,218, respectively, are valued at fair value per share of the pool's underlying portfolio.

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, 2024 and 2023 were as follows:

Balance, September 1, 2022	\$ 8,408
FY23 additions	215,749
FY23 amortization	<u>(77,011)</u>
Balance, August 31, 2023	147,146
FY24 additions	224,622
FY24 amortization	<u>(112,006)</u>
Balance, August 31, 2024	<u><u>\$ 259,762</u></u>

(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 2024 and 2023. 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 \$3,377,552 and \$3,280,515 in 2024 and 2023, respectively.

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Notes to Basic Financial Statements
August 31, 2024 and 2023

(8) Leases

The Stations recognize ROU 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 ROU lease asset has been discounted at a rate of 1.59%. As of August 31, 2024 and 2023, the ROU asset was \$4,271,530, and accumulated amortization was \$915,328 and \$686,496, respectively. The ROU lease asset is included in note (4) Capital Assets and categorized in furniture and equipment.

Future maturities of lease payments are as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2025	172,579	57,159	229,738
2026	182,286	54,345	236,631
2027	192,356	51,374	243,730
2028	202,669	48,372	251,041
2029–2033	1,184,637	188,159	1,372,796
2034–2038	1,509,836	81,610	1,591,446
2039	228,699	1,371	230,070
	<u>\$ 3,673,062</u>	<u>\$ 482,390</u>	<u>\$ 4,155,452</u>

(9) Transactions Between Primary Institution and Component Unit

Cash expenditures made by HPMF on behalf of the Stations, such as expenditures associated primarily with fundraising for the Stations and production of the Stations' local programs, are recorded as revenues and expenses for the Stations. Such cash expenditures for the fiscal years ended August 31, 2024 and 2023 amounted to \$2,859,697 and \$2,996,996 respectively, and have been included in the contributions, 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 2024 and 2023. The CPB provided approximately 14% of revenues, and UH provided approximately 9% in cash, support, and donated facilities. For the year ended August 31, 2023, the CPB provided approximately 10% of revenues, and UH provided approximately 15% in cash, support, and donated facilities.

There were no significant concentrations of revenues for HPMF.

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Notes to Basic Financial Statements
August 31, 2024 and 2023

(11) Community Service Grants (CSG)

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

<u>Year of Grant</u>	<u>Grants Received</u>	<u>Expended</u>			<u>Uncommitted Balance at August 31, 2024</u>
		<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	
2022-23	\$ 2,404,872	\$ 2,123,837	\$ 17,869	\$ 153,164	\$ 110,002

(12) Restrictions on Net Position

Included in restricted expendable net position at August 31, 2024 are restricted cash from unspent CSG grants of \$110,002 and endowment earnings of \$237,956 for the Stations and endowment earnings of \$551,726 for HPMF. 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. The restricted nonexpendable net position at August 31, 2024 and 2023 contains the endowment balances of \$1,015,930 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, 2024

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	\$ 3,988,839	\$ 664,165	\$ -	\$ 4,653,004	\$ 201,846	\$ 1,801,633	\$ -	\$ 2,003,479	\$ 6,656,483
Fringe benefits	1,145,143	170,488	-	1,315,631	61,515	473,115	-	534,630	1,850,261
Financial and legal services	2,296	409	-	2,705	8	315,357	-	315,365	318,070
Fundraising	25,608	1,588	-	27,196	164,723	200,373	578	365,674	392,870
Membership fees	547	80	-	627	35,294	74,765	-	110,059	110,686
Other expenses	444,268	516,910	-	961,178	534,923	299,003	1,010,303	1,844,229	2,805,407
Mail services	665	307	-	972	80,162	648	489	81,299	82,271
Printing and reproduction services	2,048	-	-	2,048	128,591	1,585	-	130,176	132,224
Professional services	1,148,682	59,876	-	1,208,558	35,923	1,263,223	-	1,299,146	2,507,704
Program rights	4,206,935	388,726	-	4,595,661	(13,434)	52,862	-	39,428	4,635,089
Rental and leases	24,323	286,866	-	311,189	-	(192,066)	-	(192,066)	119,123
Repairs and maintenance	107	246,891	-	246,998	-	65,810	-	65,810	312,808
Supplies and materials	27,630	187,312	-	214,942	111,980	53,655	-	165,635	380,577
Telephone	-	119,953	-	119,953	-	-	-	-	119,953
Travel	31,853	10,857	-	42,710	151	28,088	-	28,239	70,949
Utilities	-	150,902	-	150,902	-	-	-	-	150,902
Total expenses before in-kind	11,048,944	2,805,330	-	13,854,274	1,341,682	4,438,051	1,011,370	6,791,103	20,645,377
In-kind	-	325,429	-	325,429	-	3,052,123	-	3,052,123	3,377,552
Total expenses before depreciation and amortization	11,048,944	3,130,759	-	14,179,703	1,341,682	7,490,174	1,011,370	9,843,226	24,022,929
Depreciation and amortization	-	-	-	-	-	389,517	-	389,517	389,517
Total operating expenses	<u>\$ 11,048,944</u>	<u>\$ 3,130,759</u>	<u>\$ -</u>	<u>\$ 14,179,703</u>	<u>\$ 1,341,682</u>	<u>\$ 7,879,691</u>	<u>\$ 1,011,370</u>	<u>\$ 10,232,743</u>	<u>\$ 24,412,446</u>
Percentage of total expenses before depreciation	46%	13%	0%	59%	6%	31%	4%	41%	100%

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Component Unit (HPMF) Schedule of Functional Expenses
Year Ended August 31, 2024

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	\$ -	2	-	2	8	82,986	-	82,994	82,996
Fundraising	-	25,087	1,588	26,675	164,723	199,629	578	364,930	391,605
Grants to KUHF-FM	6,987,555	-	-	6,987,555	-	-	-	-	6,987,555
Grants to KUHT-TV	6,987,555	-	-	6,987,555	-	-	-	-	6,987,555
Membership fees	-	80	80	160	35,294	1,577	-	36,871	37,031
Other expenses	-	141,786	242,193	383,979	534,649	45,974	1,010,303	1,590,926	1,974,905
Mail services	-	100	-	100	67,877	86	489	68,452	68,552
Printing and reproduction services	-	2,048	-	2,048	128,590	1,495	-	130,085	132,133
Professional services	-	520	-	520	35,924	-	-	35,924	36,444
Program rights	-	-	-	-	(13,434)	-	-	(13,434)	(13,434)
Supplies and materials	-	15,179	3,875	19,054	111,911	17,433	-	129,344	148,398
Travel	-	111	-	111	151	805	-	956	1,067
	-	-	-	-	-	-	-	-	-
Total operating expenses	<u>\$ 13,975,110</u>	<u>\$ 184,913</u>	<u>\$ 247,736</u>	<u>\$ 14,407,759</u>	<u>\$ 1,065,693</u>	<u>\$ 349,985</u>	<u>\$ 1,011,370</u>	<u>\$ 2,427,048</u>	<u>\$ 16,834,807</u>

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

Schedule 3

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

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

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

HOUSTON PUBLIC MEDIA
(A Division of the University of Houston System)
Combining Schedule of Revenues and Expenses by Station
Year Ended August 31, 2024

Schedule 5

	<u>KUHF-FM</u>	<u>KUHT-TV</u>	<u>Totals</u>
Operating revenues:			
Contributions	\$ 5,340,809	\$ 5,352,886	\$ 10,693,695
General support from the UH System	1,607,395	1,770,157	3,377,552
Program underwriting	3,290,399	2,847,379	6,137,778
Production service	275,559	490,695	766,254
Corporation for Public Broadcasting grants	540,385	1,672,744	2,213,129
Royalties	68	68	136
Other	323,740	280,952	604,692
Total operating revenues	<u>11,378,355</u>	<u>12,414,881</u>	<u>23,793,236</u>
Operating expenses:			
Financial and legal services	159,548	158,522	318,070
Fringe benefits	925,140	925,121	1,850,261
Fundraising	134,410	258,460	392,870
Mail services	41,220	41,051	82,271
Membership fees	49,561	61,125	110,686
Other expenses	1,485,613	1,319,794	2,805,407
Printing and reproduction services	66,112	66,112	132,224
Professional services	1,216,961	1,290,743	2,507,704
Program rights	2,186,196	2,448,893	4,635,089
Rental and leases	125,673	(6,550)	119,123
Repairs and maintenance	133,797	179,011	312,808
Salaries and wages	3,326,100	3,330,383	6,656,483
Supplies and materials	204,345	176,232	380,577
Telephone	59,976	59,977	119,953
Travel	51,817	19,132	70,949
Utilities	76,498	74,404	150,902
In-kind	1,607,395	1,770,157	3,377,552
Depreciation	114,416	275,101	389,517
Total operating expenses	<u>11,964,778</u>	<u>12,447,668</u>	<u>24,412,446</u>
Operating loss	<u>(586,423)</u>	<u>(32,787)</u>	<u>(619,210)</u>
Nonoperating income (expense):			
Interest expense on lease obligations	(29,886)	(29,886)	(59,772)
Endowment distribution	(61,490)	(8,006)	(69,496)
Gain on endowments	73,044	67,067	140,111
Realized gain on endowments, net	63,770	57,340	121,110
Other nonoperating income	24,228	24,231	48,459
Total nonoperating income	<u>69,666</u>	<u>110,746</u>	<u>180,412</u>
Change in net position	<u>\$ (516,757)</u>	<u>\$ 77,959</u>	<u>\$ (438,798)</u>