

UNIVERSITY of HOUSTON SYSTEM

ANNUAL
FINANCIAL
REPORT

08
09



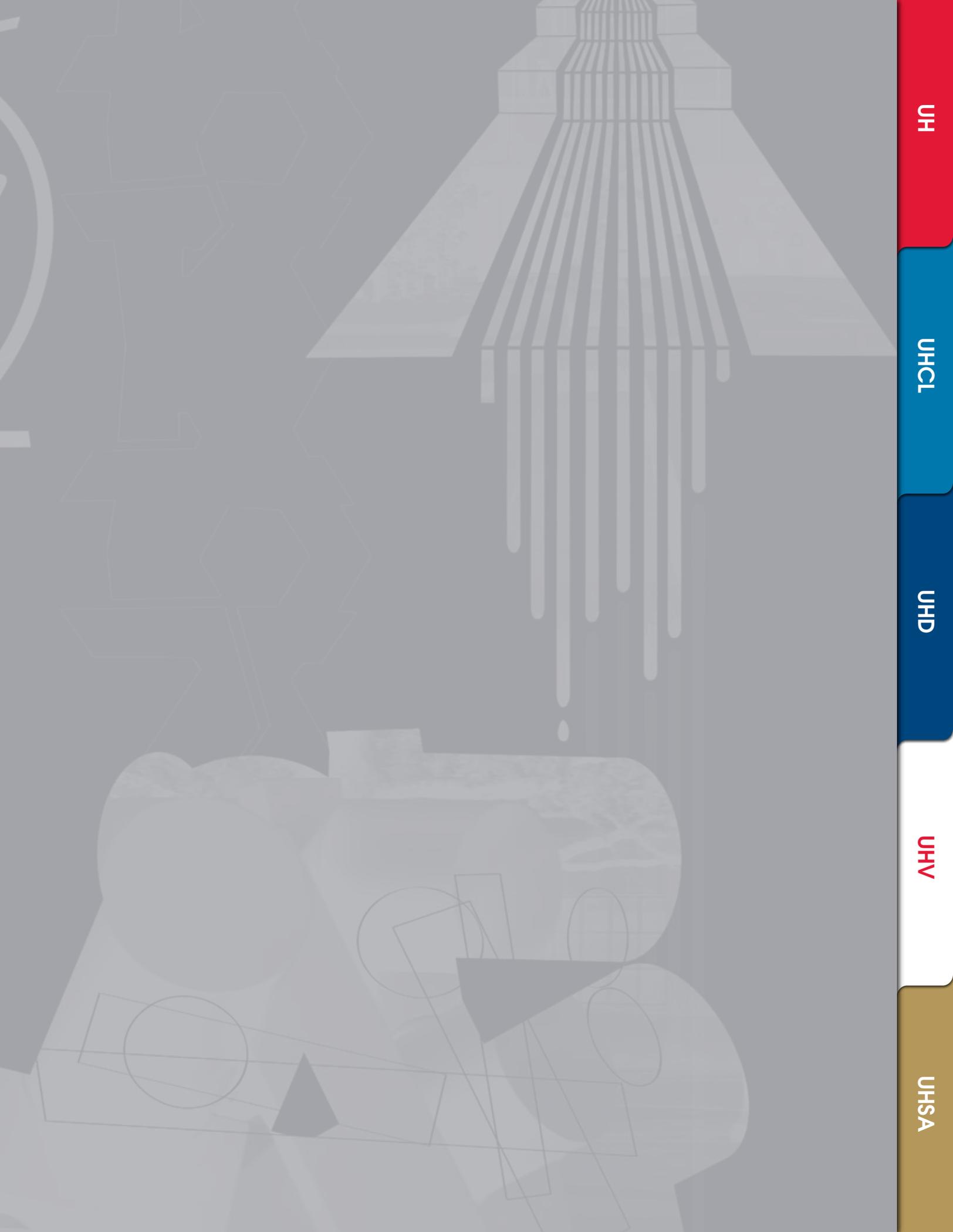
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ANNUAL FINANCIAL REPORT

08
09

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EUPHONIA

By Frank Stella, UH



A Comma A

By Jim Sanborn, UH

BOARD OF REGENTS

WELCOME W. WILSON, SR., HOUSTON
Term Expires August 31, 2011

LYNDEN B. ROSE, HOUSTON
Term Expires August 31, 2009

DENNIS D. GOLDEN, O.D., CARTHAGE
Term Expires August 31, 2009

CALVIN W. STEPHENS, DALLAS
Term Expires August 31, 2009

JIM P. WISE, HOUSTON
Term Expires August 31, 2011

CARROLL ROBERTSON RAY, HOUSTON
Term Expires August 31, 2011

MICA MOSBACHER, HOUSTON
Term Expires August 31, 2013

NELDA LUCE BLAIR, THE WOODLANDS
Term Expires August 31, 2013

JACOB M. MONTY, HOUSTON
Term Expires August 31, 2013

TAMARA K. GOODWIN, AUSTIN
Term Expires May 31, 2009

TERM BEGINNING SEPTEMBER 1, 2009

NANDITA V. BERRY, HOUSTON
Term Expires August 31, 2015

TILMAN J. FERTITTA, HOUSTON
Term Expires August 31, 2015

JARVIS V. HOLLINGSWORTH, HOUSTON
Term Expires August 31, 2015

KRISTEN LINDLEY, HOUSTON
Term Expires May 31, 2010

OFFICERS OF THE BOARD (FISCAL YEAR 2009)

WELCOME W. WILSON, SR.
Chair

LYNDEN B. ROSE
Vice Chair

JIM P. WISE
Secretary

OFFICERS OF THE BOARD (FISCAL YEAR 2010)

Welcome W. Wilson, Sr.
Chair

JIM P. WISE
Vice Chair

NELDA LUCE BLAIR
Secretary

ADMINISTRATIVE OFFICERS

RENU KHATOR
Chancellor

JOHN J. ANTEL
Senior Vice Chancellor for Academic
Affairs and Provost

CARL P. CARLUCCI
Executive Vice Chancellor
for Administration and Finance

ELWYN C. LEE
Vice Chancellor
for Student Affairs

GROVER S. CAMPBELL
Vice Chancellor
for Governmental Relations

DONALD L. BIRX
Vice Chancellor for Research

MICHAEL RIERSON
Vice Chancellor
for University Advancement

DONA H. CORNELL
Vice Chancellor
for Legal Affairs and General Counsel

RENU KHATOR
President – University of Houston

WILLIAM A. STAPLES
President – UH Clear Lake

WILLIAM FLORES
President – UH Downtown

TIM HUDSON
President – UH Victoria



TOOLS OF THOUGHT
by Neil Harshfield, UHV



RENU KHATOR
Chancellor



The UH System, as a public institution, must account fully for the dollars we receive as investments in the educational future and the economic progress of the people of Houston and Texas. We are pleased to present the Annual Financial Report of the University of Houston System for Fiscal Year 2009, one way of providing assurance of such accountability.

We are the only metropolitan university system in Texas, serving a region that accounts for almost a quarter of the state's population and almost a third of the gross state product. We have an enrollment of 59,000 students, four universities (University of Houston, UH-Clear Lake, UH-Downtown, UH-Victoria), and teaching centers in Cinco Ranch, Sugar Land, and Pearland. Each of our universities is unique in its mission and in the communities it serves, and as a group, we offer a full range of outstanding educational opportunities, preparing our students to be successful as leaders in the global marketplace. We have a \$3.1 billion yearly economic impact on the region, and provide the intellectual and human capital necessary for Houston and Texas to grow and prosper.

The UH System administration evaluates on an ongoing basis the utilization of our resources to ensure we continue to provide exceptional and affordable educational opportunities to our students, regardless of their social or economic condition, while maintaining our outstanding outreach in service to our communities.

Ours is a remarkable past filled with great achievements and an even brighter future as we continue our focused and determined drive to achieve Tier-One national status for the University of Houston, the UH System's flagship university, and the highest levels of accomplishment for UH-Clear Lake, UH-Downtown, and UH-Victoria in the respective categories.

Following a year in which we achieved record enrollments, record amounts of research grants, and record fundraising, we look forward to 2010 with great expectations for a spectacular year.

RENU KHATOR
Chancellor, UH System
President, University of Houston

2 Message from the Chancellor

Message from the Executive Vice Chancellor

The Annual Financial Report of the University of Houston System includes financial statements as well as additional informative data that help ensure the UH System's accountability to the public. The financial statements that follow have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The System's administrators and management are responsible for the integrity and accuracy of these financial statements.

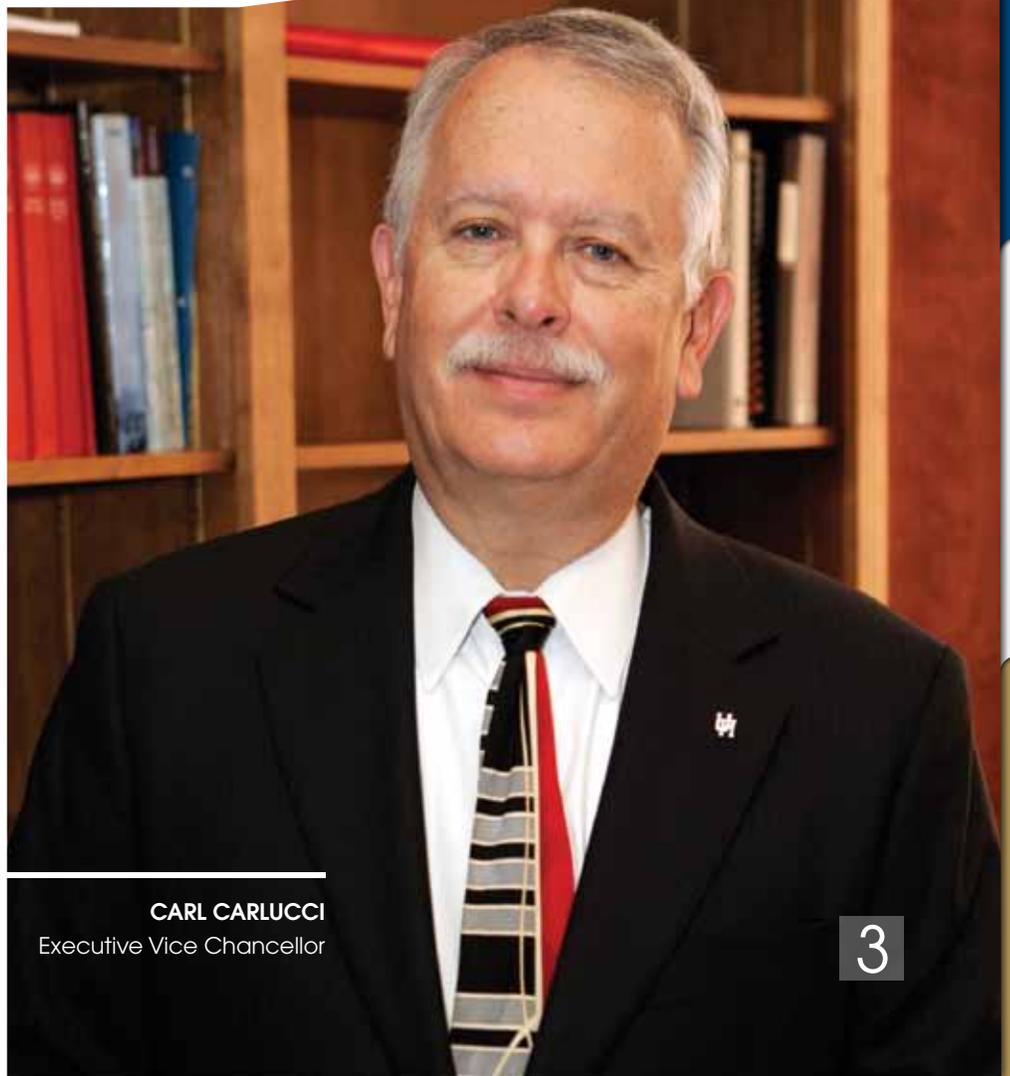
The statements and information contained in this report illustrate the System's financial performance and financial condition for the fiscal year ended August 31, 2009. The supporting schedules and graphics included in the accompanying narrative are designed to enable analysis of significant items. I join with management and the staff of all the universities within the UH System in taking pride in presenting to you the following financial report.

We believe our system of internal controls is sound and sufficient. We remain mindful of our fiduciary responsibilities to our customers – our students and their families, our alumni, our benefactors, and the citizens of Texas.

As our System universities conclude another successful and productive academic and fiscal year, we reflect on our achievements and prepare for the goals we have set for our future. Our focus for these accomplishments has been attaining national competitiveness, providing student success, and engaging in community advancement. These financial statements provide a mechanism to evaluate our progress.

The difficult economic climate that emerged during fiscal year 2009 presented the System with financial challenges and resulted in reductions of some revenue sources. Although the Texas economy has remained stronger than that of many other states, our universities have felt the impact. In response, we have evaluated our budget projections and investigated possibilities for cost containment and expenditure reductions. We will prudently move forward and implement all necessary measures to conserve and maximize our resources.

CARL CARLUCCI
Executive Vice Chancellor
for Administration and Finance

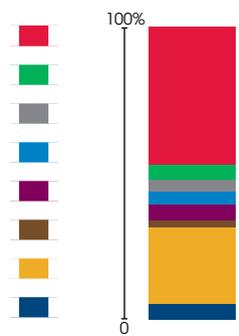


CARL CARLUCCI
Executive Vice Chancellor

UNIVERSITY OF HOUSTON SYSTEM

ASSETS • for the Year Ended August 31, 2009

| | 2009 | % |
|--|-------------------------|-------------|
| Cash & Investments | \$ 949,898,367 | 48 |
| Appropriations | 86,802,836 | 5 |
| Receivables | 59,032,105 | 3 |
| Inventories & Other Assets | 87,532,466 | 4 |
| Land | 100,823,711 | 5 |
| Construction in Progress | 47,175,913 | 2 |
| Building, Infrastructure, & Improvements | 528,642,225 | 27 |
| Equipment, Books, & Art | 103,028,409 | 6 |
| Total Assets | \$ 1,962,936,032 | 100% |



MILLENNIUM PLAZA

By William Fitzgibbons, UHV

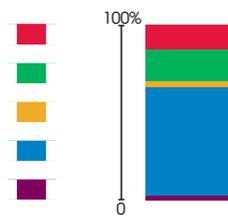


EUPHONIA
By Frank Stella, UH

UNIVERSITY OF HOUSTON SYSTEM

LIABILITIES • for the Year Ended August 31, 2009

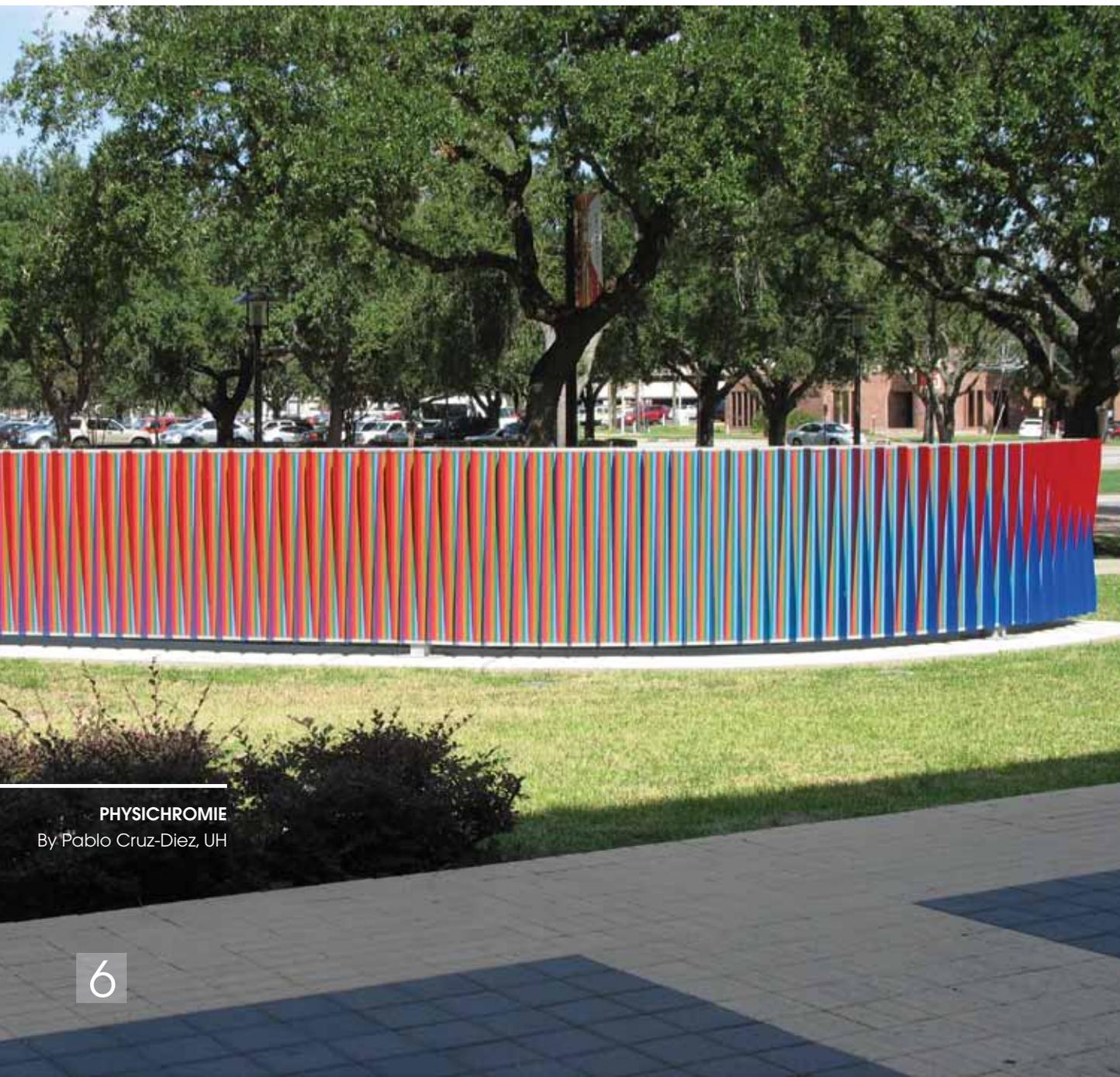
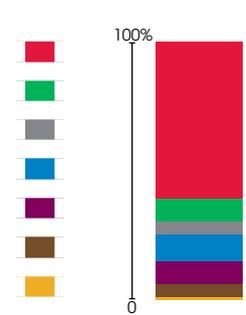
| | 2009 | % |
|--------------------------------------|-----------------------|-------------|
| Payables & Accrued Liabilities | \$ 116,116,475 | 13 |
| Deferred Revenue | 168,470,917 | 18 |
| Accrued Compensable Absences Payable | 23,098,951 | 3 |
| Bonds Payable | 602,088,053 | 64 |
| Funds Held For Others | 14,172,961 | 2 |
| Total Liabilities | \$ 923,947,357 | 100% |



UNIVERSITY OF HOUSTON SYSTEM

OPERATING REVENUES • for the Year Ended August 31, 2009

| | 2009 | % |
|----------------------------------|-----------------------|-------------|
| Tuition & Fees, Net of Discounts | \$ 324,277,329 | 61 |
| Sales of Auxiliary Services | 45,647,634 | 9 |
| Sales of Other Goods & Services | 22,364,008 | 4 |
| Federal Grant Revenues | 62,150,117 | 12 |
| State Grant Revenue | 46,910,292 | 9 |
| Local & Private Awards | 20,874,526 | 4 |
| Other Operating Revenues | 1,806,422 | 1 |
| Total Operating Revenues | \$ 524,030,328 | 100% |



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By Pablo Cruz-Diez, UH



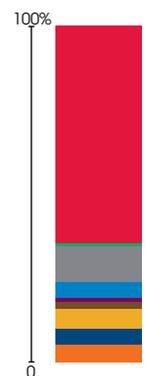
BRAZOS TRACE

By Rob Ziebell and Elizabeth Ward, UHS, Sugarland

UNIVERSITY OF HOUSTON SYSTEM

OPERATING EXPENSES - NATURAL CLASSIFICATION • for the Year Ended August 31, 2009

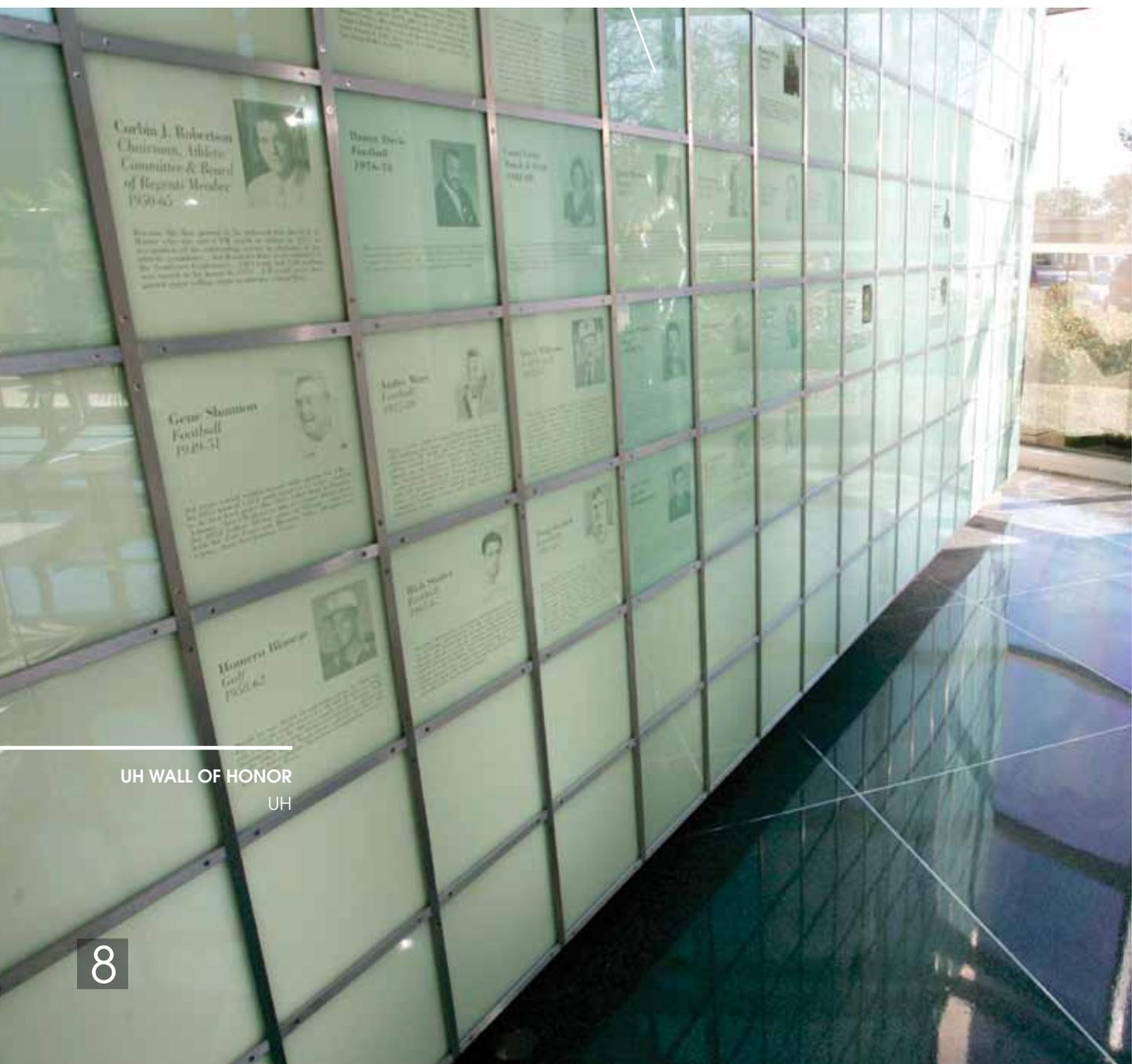
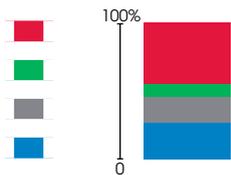
| | 2009 | % |
|---|-----------------------|-------------|
| Salaries & Benefits | \$ 571,855,620 | 64 |
| Pass Through Expenses | 3,154,091 | 1 |
| Supplies, Office Operations, Travel | 103,497,700 | 11 |
| Communication & Utilities | 45,641,029 | 5 |
| Repairs & Maintenance | 12,698,902 | 1 |
| Financing & Legal | 14,619,689 | 2 |
| Scholarships | 58,775,330 | 6 |
| Depreciation | 41,770,971 | 5 |
| Other Operating Expenses | 42,448,074 | 5 |
| Total Operating Expenses (Natural) | \$ 894,461,406 | 100% |



UNIVERSITY OF HOUSTON SYSTEM

TOTAL REVENUES • for the Year Ended August 31, 2009

| | 2009 | % |
|----------------------------------|-----------------------|-------------|
| OPERATING REVENUE | | |
| Tuition & Fees, Net of Discounts | \$ 324,277,329 | 45 |
| Sales of Goods & Services | 68,011,643 | 9 |
| Grants & Contracts | 129,934,935 | 18 |
| Non Operating Revenue | 205,931,187 | 28 |
| Total Revenues | \$ 728,155,094 | 100% |



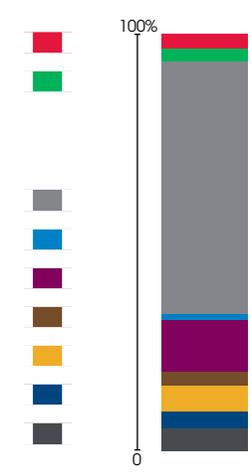
UH WALL OF HONOR
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UNIVERSITY OF HOUSTON SYSTEM

TOTAL EXPENSES • for the Year Ended August 31, 2009

| | 2009 | % |
|-------------------------------|-----------------------|-------------|
| NON-OPERATING EXPENSES | | |
| Interest Expense | \$ 22,113,595 | 3 |
| Non-Operating Expenses | 15,287,317 | 2 |
| OPERATING EXPENSES | | |
| Salaries & Benefits | 571,855,620 | 60 |
| Pass Through Expenses | 3,154,091 | 1 |
| Office Operations & Supplies | 161,837,631 | 16 |
| Financing & Legal | 14,619,689 | 3 |
| Scholarships | 58,775,330 | 6 |
| Depreciation | 41,770,971 | 4 |
| Other Operating Expenses | 42,448,074 | 5 |
| Total Expenses | \$ 931,862,318 | 100% |



UNIVERSITY OF HOUSTON SYSTEM

STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 180,622,500 | \$ 166,137,744 |
| Short-term Investments | 164,320,758 | 131,751,149 |
| Restricted Cash & Cash Equivalents | 23,092,527 | 11,694,907 |
| Loans & Contracts | 15,198,638 | 6,640,421 |
| Legislative Appropriations | 86,802,836 | 76,426,016 |
| Receivables | 59,032,105 | 56,556,596 |
| Inventories | 2,538,147 | 2,330,059 |
| Deferred Charges | 53,627,412 | 39,439,082 |
| Total Current Assets | 585,234,923 | 490,975,974 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | 50,629,066 | 43,671,531 |
| Loans & Other Receivables | 22,451,874 | 30,566,590 |
| Investments | 524,949,911 | 716,312,856 |
| Capital Assets, Non-Depreciable | 150,672,528 | 170,064,947 |
| Capital Assets, Depreciable | 1,375,922,967 | 1,169,404,294 |
| Accumulated Depreciation | (746,925,237) | (713,211,693) |
| Total Noncurrent Assets | 1,377,701,109 | 1,416,808,525 |
| Total Assets | 1,962,936,032 | 1,907,784,499 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 88,802,049 | 72,580,784 |
| Deferred Revenues | 168,470,917 | 151,768,763 |
| Notes Payable | 27,300,000 | |
| Employees' Compensable Leave | 10,804,185 | 10,080,415 |
| Revenue Bonds Payable | 21,935,606 | 22,591,393 |
| Funds Held for Others | 14,172,961 | 12,497,504 |
| Total Current Liabilities | 331,485,718 | 269,518,859 |
| NONCURRENT LIABILITIES | | |
| Payables | 14,425 | 14,636 |
| Employees' Compensable Leave | 12,294,767 | 11,689,504 |
| Revenue Bonds Payable | 580,152,447 | 442,138,789 |
| Total Noncurrent Liabilities | 592,461,639 | 453,842,929 |
| Total Liabilities | 923,947,357 | 723,361,788 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 364,447,459 | 283,560,864 |
| Restricted, Debt Retirement | 4,356,434 | 5,790,181 |
| Restricted, Capital Projects | 3,259,343 | 4,140,833 |
| Restricted, Endowment Funds | 360,219,183 | 496,516,799 |
| Restricted, Other | 102,584,985 | 115,470,898 |
| Unrestricted | 204,121,271 | 278,943,136 |
| Total Net Assets | \$ 1,038,988,675 | \$ 1,184,422,711 |

UNIVERSITY OF HOUSTON SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-------------------------|-------------------------|
| OPERATING REVENUES | | |
| Tuition & Fees, Net of Discounts | \$ 324,277,329 | \$ 308,491,079 |
| Sales of Goods & Services | 69,818,064 | 67,806,010 |
| Federal Revenue | 62,150,117 | 106,802,211 |
| State Grant Revenue | 46,910,292 | 32,426,982 |
| Other Grants & Contracts | 20,874,526 | 14,930,317 |
| Total Operating Revenues | 524,030,328 | 530,456,599 |
| OPERATING EXPENSES | | |
| Instruction | 276,415,400 | 264,505,061 |
| Research | 87,722,681 | 80,513,171 |
| Public Service | 40,982,362 | 40,319,266 |
| Academic Support | 142,889,411 | 128,294,875 |
| Student Services | 35,299,656 | 32,257,749 |
| Institutional Support | 81,684,582 | 76,144,247 |
| Operation and Maintenance of Plant | 51,727,006 | 54,324,022 |
| Scholarships & Fellowships | 54,411,280 | 53,455,692 |
| Auxiliary Enterprises | 81,558,057 | 77,705,506 |
| Depreciation & Amortization | 41,770,971 | 41,231,411 |
| Total Operating Expenses | 894,461,406 | 848,751,000 |
| Operating Income (Loss) | (370,431,078) | (318,294,401) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 284,238,433 | 282,553,332 |
| Gifts | 35,518,010 | 66,127,625 |
| Federal Revenue Non Operating | 56,028,517 | |
| Investment Income | (169,038,853) | 79,449,168 |
| Interest Expense & Fiscal Charges | (22,113,595) | (13,718,478) |
| Other Nonoperating Revenues (Expenses) | (15,286,913) | (35,196,612) |
| Total Nonoperating Revenues (Expenses) | 169,345,599 | 379,215,035 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers | (201,085,479) | 60,920,634 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS | | |
| Higher Education Assistance Funds | 53,332,099 | 53,188,511 |
| Additions to Permanent & Term Endowments | 6,635,447 | 11,826,699 |
| Transfers | (3,529,482) | (2,953,497) |
| Legislative Appropriations Lapsed | (1,224,870) | (1,047,681) |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | 55,213,194 | 61,014,032 |
| Change In Net Assets | (145,872,285) | 121,934,666 |
| Net Assets Beginning | 1,184,422,711 | 1,063,187,180 |
| Restatements | 438,249 | (699,135) |
| Net Assets Beginning, as Restated | 1,184,860,960 | 1,062,488,045 |
| Net Assets, Ending | \$ 1,038,988,675 | \$ 1,184,422,711 |

UNIVERSITY OF HOUSTON SYSTEM
SYSTEM STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 349,683,248 | \$ 355,974,977 |
| Proceeds from Loan Programs | 125,798,584 | 63,695,517 |
| Proceeds from Other Revenues | 187,525,861 | 212,720,774 |
| Payments to Suppliers for Goods & Services | (183,939,675) | (171,910,593) |
| Payments to Employees | (567,660,283) | (531,474,152) |
| Payments for Loans Provided | (136,348,561) | (68,822,417) |
| Payments for Other Expenses | (95,091,839) | (117,171,795) |
| Net Cash Provided (Used) by Operating Activities | (320,032,665) | (256,987,689) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 272,521,665 | 262,475,209 |
| Proceeds from Gifts | 55,627,401 | 35,054,634 |
| Proceeds from Endowments | 9,982,044 | 20,289,698 |
| Proceeds of Transfers from Other Funds | 25,517,436 | 23,705,512 |
| Proceeds from Other Revenues | 61,002,796 | |
| Payments for Other Uses | (99,490,060) | (44,039,267) |
| Net Cash Provided by Noncapital Financing Activities | 325,161,282 | 297,485,786 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Disposal of Capital Assets | | |
| Proceeds from Capital Financing Activities | 302,981,894 | 53,188,511 |
| Payments for Additions to Capital Assets | (196,645,762) | (23,146,832) |
| Payments of Principal & Interest on Debt Issuance | (100,115,931) | (79,155,297) |
| Net Cash Used by Capital & Related Financing Activities | 6,220,201 | (49,113,618) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Interest & Investment Income | 588,976,098 | 946,736,634 |
| Payments to Acquire Investments | (567,485,004) | (925,098,885) |
| Net Cash Provided by Investing Activities | 21,491,094 | 21,637,749 |
| Increase (Decrease) in Cash & Cash Equivalents | 32,839,912 | 13,022,228 |
| Cash & Cash Equivalents, September 1 | 221,504,181 | 208,481,953 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 254,344,093 | \$ 221,504,181 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (370,431,078) | \$ (318,294,401) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 41,770,971 | 41,231,411 |
| Bad Debt Expense | 43,524 | 161,579 |
| Classification Differences | (10,985,399) | (8,565,247) |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | 151,516 | 6,135,556 |
| (Increase) Decrease in Inventories | (208,088) | 702,373 |
| (Increase) Decrease in Other Assets | (1,690,561) | 65,689 |
| (Increase) Decrease in Prepaid Expenses | (14,188,330) | (15,588,730) |
| Increase (Decrease) in Payables | 14,501,857 | (51,706) |
| Increase (Decrease) in Deferred Income | 16,702,154 | 29,296,711 |
| Increase (Decrease) in Other Liabilities | 4,300,769 | 7,919,076 |
| Total Adjustments | 50,398,413 | 61,306,712 |
| Net Cash Provided by Operating Activities | \$ (320,032,665) | \$ (256,987,689) |

UNIVERSITY OF HOUSTON SYSTEM

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Cost of Goods Sold | \$ 2,604,382 | \$ 3,037,709 |
| Salaries & Wages | 469,299,862 | 437,260,765 |
| Payroll Related Costs | 102,555,758 | 97,763,008 |
| Professional Fees & Services | 42,349,995 | 40,597,168 |
| Federal Pass-Through Expenses | 3,154,091 | 3,274,049 |
| Travel | 14,373,283 | 14,401,032 |
| Materials & Supplies | 39,120,318 | 41,580,808 |
| Communication & Utilities | 45,641,029 | 50,298,935 |
| Repairs & Maintenance | 12,698,902 | 9,603,176 |
| Rentals & Leases | 13,195,238 | 12,706,933 |
| Printing & Reproduction | 5,049,722 | 5,337,489 |
| Depreciation & Amortization | 41,770,971 | 41,231,411 |
| Interest | 63,313 | 72,190 |
| Scholarships | 58,775,330 | 56,621,318 |
| Claims & Losses | 1,361,137 | 951,412 |
| Other Operating Expenses | 42,448,075 | 34,013,597 |
| Total Operating Expenses | \$ 894,461,406 | \$ 848,751,000 |

| | | |
|---|-----------------------|-----------------------|
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ 276,415,400 | \$ 264,505,061 |
| Research | 87,722,681 | 80,513,171 |
| Public Service | 40,982,362 | 40,319,266 |
| Academic Support | 142,889,411 | 128,294,875 |
| Student Services | 35,299,656 | 32,257,749 |
| Institutional Support | 81,684,582 | 76,144,247 |
| Operation & Maintenance of Plant | 51,727,006 | 54,324,022 |
| Scholarships & Fellowships | 54,411,280 | 53,455,692 |
| Auxiliary Enterprises | 81,558,057 | 77,705,506 |
| Depreciation & Amortization | 41,770,971 | 41,231,411 |
| Total Expenses by Expenditure Function | \$ 894,461,406 | \$ 848,751,000 |



GENESIS II

By Robert Ezell, UH, Cinco Ranch

UNIVERSITY OF HOUSTON SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2009

INTRODUCTION

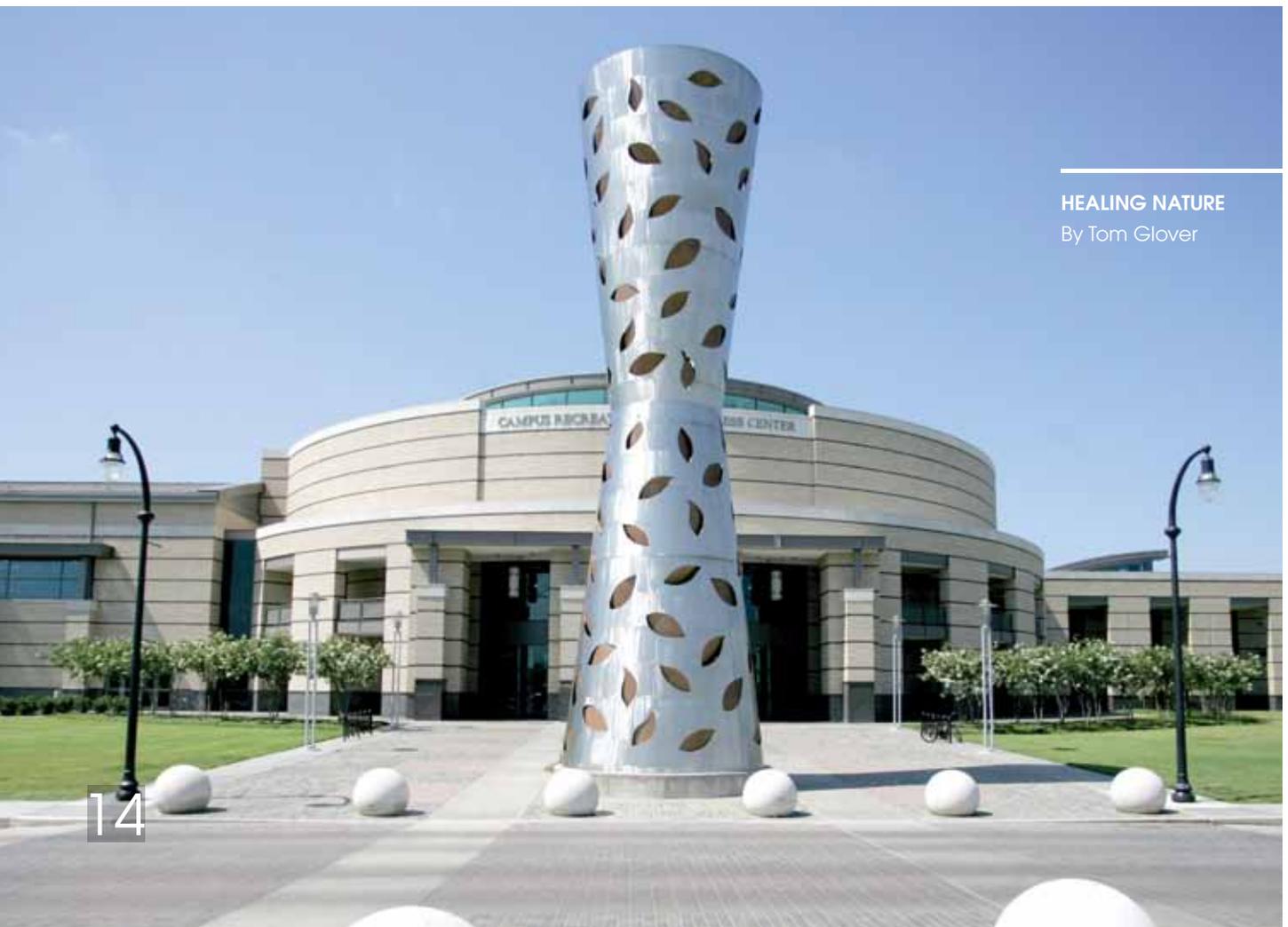
The following Management's Discussion and Analysis section of the University of Houston System's Annual Financial Report has been prepared to provide an overview of the activities and the financial position of the University of Houston System (the System) for the fiscal year ended August 31, 2009. This 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 the System's basic financial statements and the notes to the statements.

BACKGROUND

The University of Houston System (UHS) serves the nation's fourth largest metropolitan area and the upper Texas Gulf Coast, and is part of the state-supported system of higher education in Texas. The System is comprised of four universities and a supporting System Administration. The four universities are University of Houston (UH), University of Houston - Clear Lake (UHCL), University of Houston - Downtown (UHD), and University of Houston - Victoria (UHV); all of which are located along the Texas Gulf Coast.

The University of Houston is a nationally-recognized doctoral degree-granting, comprehensive research university, and the University of Houston - Downtown, a four-year undergraduate university, is beginning limited expansion into graduate programs. The University of Houston - Clear Lake and the University of Houston - Victoria are both upper division and master's-level institutions. The System has also established teaching centers that offer instructional opportunities at facilities at the UH System at Sugar Land, and the UH System at Cinco Ranch in Katy. Houston and the upper Gulf Coast region are some of the most ethnically diverse parts of the state, and the universities of the System remain a reflection of that diversity.

Over the past six years, both enrollment system-wide, and the number of degrees awarded has increased. In addition, research awards have also experienced an increase system-wide. As the region's largest provider of comprehensive (baccalaureate to doctorate) higher education services, the University of Houston System plays a primary role in meeting the needs of the Houston metropolitan area, including its highly-skilled professional workforce as well as its technological and industrial research and development community. Toward this end, the System is striving to expand access to its universities to all qualified students; to ensure their success by the completion of a degree; to deliver programs that



HEALING NATURE

By Tom Glover

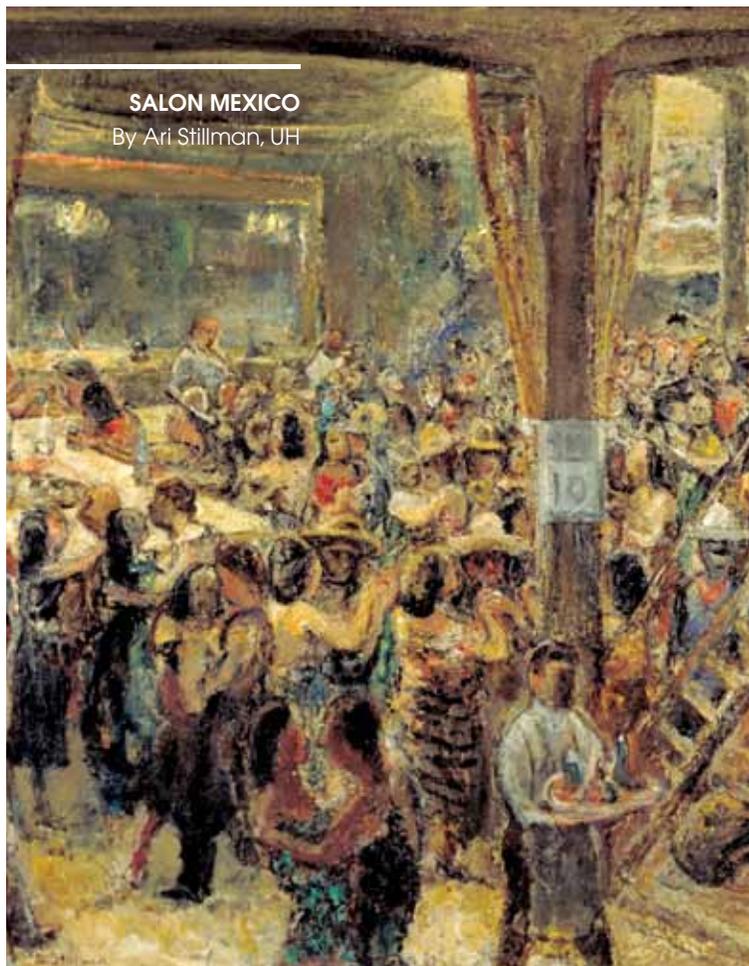
correspond to workforce needs; to conduct research that is relevant to industry and society; and to do it all with limited resources in a way that demonstrates accountability to its students and the citizens of Texas.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for fiscal year 2009 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). These include Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The requirements focus on the preparation of financial statements that present financial operations in the aggregate, rather than accountability by individual fund group. These standards were adopted by the State of Texas and the System during the 2002 fiscal year. All financial statements for fiscal years 2002 through 2009 have been prepared in accordance with these rules. Additionally, these statements conform to reporting requirements of the Texas Comptroller of Public Accounts and to guidelines issued by the National Association of College and University Business Officers.

Governmental Accounting Standards Board Statement No. 35 requires the System to include three financial statements in the annual financial report. They are (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows. The information contained in the financial statements of the University of Houston System is part of and included in the State of Texas Comprehensive Annual Financial Report. The financial statements of the System are presented for the fiscal year ended August 31, 2009, with financial data for the fiscal year ended August 31, 2008, 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 format of the statewide financial statements presents a more comprehensive perspective of the state's financial activities. The state's activities are divided into three types for presentation in the primary financial statements. They are: Governmental Activities, Business-type Activities, and Component Units. The financial operations of the University of Houston System are considered a business-type activity because the System's universities charge a fee in the form of tuition to customers in order to pay for a majority of the cost of the



SALON MEXICO
By Ari Stillman, UH

services provided. Under this classification, the System's financial statements conform to the guidelines and presentation formats prescribed for Proprietary Funds.

As required by GASB reporting standards, the System reports accumulated depreciation on its capital assets. Additionally, the System recognizes a current year charge for depreciation expense. Revenues and expenses are classified as either Operating or Non-operating in the financial statements. The statements provide a measurement of entity-wide operations. Significant portions of the System's recurring resources are classified as Non-operating by GASB Statement No. 35. Substantially all state appropriations are treated as Non-operating Revenues.

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 the System 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



A MOMENT IN TIME

By Alyson Shotz, UH

and equal to amounts owed by the students to the System. This accounting procedure is defined as tuition discounting.

STATEMENT OF NET ASSETS

The first schedule presented is the Statement of Net Assets. The statement reflects the System's Assets and Liabilities using the full accrual basis of accounting, and represents 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, 2009. Comparative data for the previous fiscal year has also been presented as of August 31, 2008. Assets and Liabilities are presented as either Current or Non-current to provide an indication of their anticipated liquidation. Net Assets is equal to Assets minus Liabilities. Unrestricted Net Assets are available to the System for any lawful purpose. Unrestricted Net Assets often have constraints on resources, which are imposed by management, but can be removed or modified. On August 31, 2009, the University of Houston System's Assets totaled \$1.962 billion, and Liabilities totaled \$923 million, resulting in a Net Asset valuation of \$1.039 billion. This represents a decrease in net assets of \$146 million.

The Statement of Net Assets enables the reader of the financial statements to determine the assets available for use in the continuing operations of the institutions. Also, the reader will be able to determine the amounts owed to vendors, investors, and lending institutions. Net Assets are presented in three major categories: Invested in Capital Assets, Net of Debt; Restricted Net Assets; and Unrestricted Net Assets. The Invested in Capital Assets

category identifies the equity in property, plant, and equipment owned by the System. Restricted Net Assets are comprised of two sub categories: Non-expendable and Expendable. Non-expendable Restricted Net Assets are available only for endowed investment purposes. Expendable Net Assets are available for expenditure but must be expended for the purposes specified by the external donor or provider of the assets. Unrestricted net assets are available for any lawful purpose of the institution. Although not subject to the stipulations of external requirements, a significant portion of the System's unrestricted net assets are committed to various future operating budgets related to academic, research, and capital programs and projects. These commitments are summarized in the accompanying table.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Assets. This schedule identifies operating and non-operating revenues received by the System. Additionally, both the operating and non-operating expenses incurred by the System during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expense are reported.

During the 2009 fiscal year the System recognized operating revenues of \$524 million and operating expenses of \$894 million. After recognizing non-operating activities and other gains and losses, the System realized a net decrease in net assets of \$146 million. This is a result of declines in

SCHEDULE OF UNRESTRICTED NET ASSETS

| | 2009 | 2008 |
|--------------------------------------|---------------|---------------|
| Reserved for: | | |
| Accounts Receivable | \$ 46 | \$ 36 |
| Encumbrances | 15 | 16 |
| Higher Education Fund | 54 | 45 |
| Future Operating Budgets | 60 | 43 |
| Student Fees Restricted by Statute | 8 | |
| Other funds | 26 | 32 |
| Unreserved Allocated: | | |
| Service Department Operating | 6 | 6 |
| Auxilliary Enterprise Operating | 10 | 8 |
| Endowment and Loan Funds | 34 | 13 |
| Retirement of Indebtedness | (16) | (7) |
| Student Fees | 23 | 30 |
| Unallocated | (62) | 57 |
| Total Unrestricted Net Assets | \$ 204 | \$ 279 |

revenues received, particularly decreases in revenues from investments and decreased distributions of endowment earnings due to the decline in national economic conditions. During the prior fiscal year, the System experienced an increase in net assets of \$121 million.

Operating revenues are received and recognized as a result of providing services to the component universities' customers. Operating expenses are the costs necessary to provide those services and to fulfill the mission of the System. Operating expenses are displayed in the Statement using the functional method of classification. The functional, or programmatic, classification method presents operating expenses in a manner that reflects the System's commitments in fulfilling its mission of instruction, research, and public service, as well as the requirements of supporting and maintaining its administrative and physical structure. A supplemental Schedule of Operating Expenses displays operating expenses comparing the functional classification and the natural classification methods. 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 revenue because they are provided by the Legislature to the System without the Legislature directly receiving goods or services for those revenues. As previously mentioned, significant portions of the System's recurring resources are classified as non-operating. Net resources from other than operating revenues totaled \$431 million for fiscal year 2009.



A Comma A

By Jim Sanborn, UH



BLAFFER GALLERY
UH

STATEMENT OF CASH FLOWS

The third primary statement included in the financial statements is the Statement of Cash Flows. This schedule 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 non-capital 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 used to the operating loss or income reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The cash and cash equivalents balance at the conclusion of the 2009 fiscal year totaled \$254 million, which reflected a net increase in cash of \$33 million.

CAPITAL ASSETS

Maintaining quality in classrooms, laboratories, libraries, and equipment is critical to achieving the System's goals of academic and research excellence. As the number of students and faculty at the UH institutions grow, so

too does the need for expanded and better facilities and infrastructure. The System's institutions continue the implementation of their long-range capital plans, with a managed combination of renovation and modernization of older facilities, along with new construction.

At the end of the 2009 fiscal year, the System had \$780 million of capital assets, net of accumulated depreciation. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, and works of art. Several major capital construction projects are in various stages of completion and the cumulative investment in these assets is reported as construction in progress. Capital Assets, net of accumulated depreciation, at August 31, 2008, totaled \$626 million.

During fiscal year 2009, the System continued its efforts to implement capital projects in support of its strategic plan. Construction was completed on Brazos Hall, a new \$35 million classroom building at the UH System at Sugar Land, a complex to be used jointly with Wharton County Junior College in collaboration with the UHS multi-institution teaching center. At UH, Calhoun Lofts, a 984 bed loft-style residential complex, opened its doors in August 2009; while design and preparation began for the construction of Cougar Village, a 1,096 bed residential facility, which is designed to meet the needs of freshmen students. The Michael J. Cemo Lecture Hall and Academic Center, a 33,000 square foot classroom, testing, and career center, is nearing completion; and a 1,500 car parking garage on the east side of the UH campus will be placed into service for the 2009 fall semester.

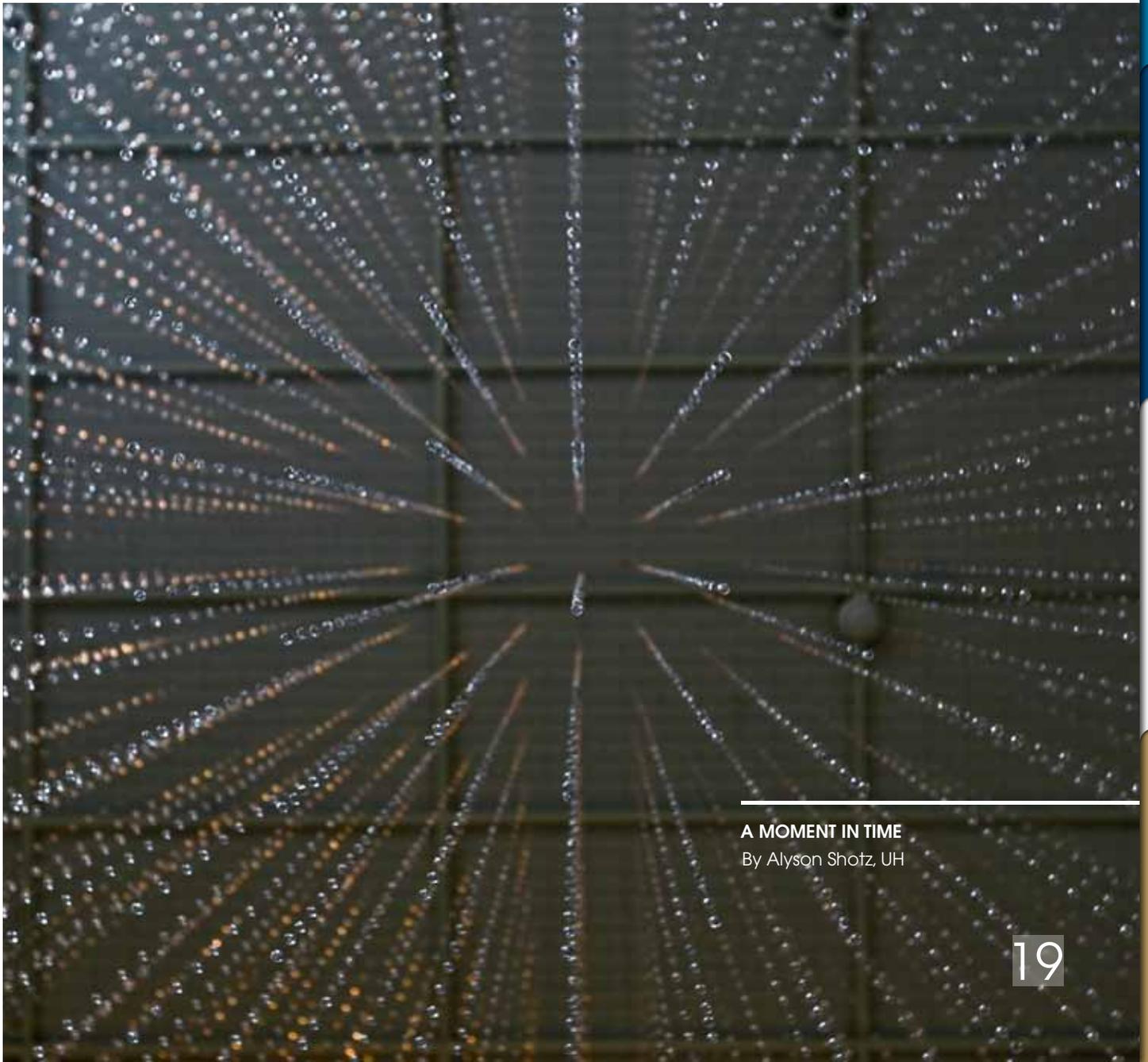
Conceptual designs are in progress for a \$10.2 million combined regional economic and allied health center facility at University of Houston – Victoria. UHCL is preparing designs for a \$10.6 million renovation and addition to the Arbor building. Construction has begun on the Pearland campus for UHCL, a joint venture with the city of Pearland that will provide upper level instructional facilities for that community. In August UH acquired a 74 acre complex adjacent to the main campus to be known as the UH Energy Research Park. The vision for the Energy Research Park is three-fold: education, innovation, and impact. The Park will provide research and classroom space for programs like petroleum engineering, and be home for UH energy research centers, institutes, and an incubator for start-up companies. The completion of each of these capital asset projects will provide enhanced and significant benefits to the System’s students and the local communities. The System maintains a goal of improving the physical

condition of the campuses, while at the same time, preserving their condition and maximizing their utilization.

DEBT ADMINISTRATION

The management of financial resources is enhanced through the prudent use of debt to finance capital projects. The System has sufficient debt capacity to finance planned capital improvements and facilities. Detailed information concerning the System’s long-term debt is found in the Notes to the Financial Statements.

The University of Houston System 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, 2009, the University of Houston System had \$602 million of



A MOMENT IN TIME
By Alyson Shotz, UH



BRAZOS TRACE

By Rob Ziebell and Elizabeth Ward,
UHS, Sugarland

long term bonded debt outstanding, \$22 million of which will be retired during the 2010 fiscal year.

In fiscal year 2009, the University of Houston System issued \$108.3 million of Consolidated Revenue and Refunding Bonds, Series 2009. Proceeds from this bond issue will be used to finance renovations of science labs at UH, construction of parking facilities, and the acquisition of residential life facilities for the University of Houston, as well as renovations to classroom facilities at the University of Houston – Clear Lake. Consolidated Revenue and Refunding Bonds, Series 2009A, issued in the amount of \$71.2 million, will provide \$19.0 million to refund the Consolidated Revenue Bonds, Series 1999 and \$52.2 million of construction funds for an undergraduate housing project at UH. Issuance of additional long-term debt is anticipated to occur during the 2010 fiscal year.

The System established a commercial paper program during the 2008 fiscal year, which permits the issuance of commercial paper notes which may not exceed, in the aggregate, a principal amount which was initially established at \$50,000,000 at any one time, and was increased in March 2009 to \$125,000,000 at any one time. The commercial paper program provides interim financing for the costs of various capital projects within the System. In fiscal year 2009, the University of Houston System issued and fully repaid \$48.5 million of Consolidated Revenue Commercial Paper Notes, Series A, second draw. During August 2009 the System issued \$27.3 million of Series A, third draw Commercial Paper Notes.

ECONOMIC OUTLOOK

Since January 2008, when the UH System Board of Regents appointed Dr. Renu Khator as the eighth chancellor of the University of Houston System and the thirteenth president of the University of Houston, the UH System has achieved significant successes toward achieving the goals of Tier One recognition and academic excellence. Attainment of these goals has been sought by targeting three specific objectives – (1) student access and success, (2) national competitiveness, and (3) community advancement.

Elevating the University of Houston main campus to tier one status will reap economic and educational benefits for Houston and the region for generations to come. Through greater financial support from the state, the UH System will be able to enhance the quality of student education, attract and retain more high-quality faculty, use state appropriations as leverage for greater federal research support, increase technology transfer to the private sector, attract new companies and industries to the Houston metropolitan area and produce spin-off companies. Texas has only two public universities classified as tier one institutions – UT-Austin and Texas A&M. Texas lags greatly in this area behind states such as California, which has nine, and New York, which has seven. Broadening the number of top-tier institutions in Texas would allow students who are financially disadvantaged to attend high-quality schools closer to home for less money. UHS believes that Texas' investment in higher education should include creating additional tier one institutions to compete with other states for the best and brightest students and faculty, spur

economic growth, sustain an educated workforce, and support innovative research.

Specific successes and achievements during the past fiscal year for which the System and its universities can take pride in celebrating include: record breaking enrollments, increases in the number of degrees granted, and significant increases in the amount of sponsored research awards received. Additionally, UHS achieved record breaking numbers and performance in nationally-ranked programs, community partnerships, private fundraising, and alumni participation.

During the 2009 fiscal year, the U.S. and world-wide economies experienced a significant down turn in their financial environments. Although the Texas economy has remained stronger than that of many other states, the global effects of the recessionary situation has left a mark on the Houston area and on the UH System. The performance of capital markets in the U.S. and abroad; markets in which the System's endowment and other resources are invested, have suffered greatly. The System believes important steps were taken by management, working with its investment consultant, over the course of previous fiscal years in expectation of a climate such as that currently being faced. UHS experienced a significant decrease in revenues from investments and a decreased distribution of endowment earnings as a consequence of the downturn in the global economy. Some improvement has been seen in the valuation of UHS endowment and investment holdings over the course of the fiscal year. The duration of the economic issues facing the U.S. and the global economy cannot be predicted, however management believes that the endowment's financial condition has historically reflected strength and is capable of withstanding and adjusting to future economic uncertainties.

Looking ahead toward the next fiscal period, management is aware that the state's revenue projections are down, and the unemployment rate has risen. These statistics are lower than the national average, although the Texas economy has shown signs of increasing weakness. Several of the System's academic endowments are at historically low valuations, and auxiliary revenue is lower than desired. All of these trends indicate a serious economic challenge for UHS. In dealing with this problem, two choices exist – either lower institutional goals, or operate in a more focused, intelligent, and informed manner. UHS goals are non-negotiable because they are fundamental to the System's mission, including increasing the six-year graduation rate, becoming nationally competitive, and making a difference in the community. The only choice left is to sharpen administrative and management focus. In order to do that, UHS will follow

two fundamental principles. First, there will be a holistic, three-prong approach – increase efficiency, cut costs, and enhance revenue; and second, actions will be strategic and will not be achieved by making across-the-board cuts. Management will invest in priorities. UHS anticipates submitting a budget reduction plan to the state. In doing so, academic and finance administrators will collaborate with the deans and faculty to develop a plan that is strategic in its approach.

Although it is not possible to predict ultimate results, management believes the University of Houston System continues to maintain a healthy financial position and is administratively structured and governed in a manner that has equipped it to weather the current world-wide adverse financial situation. The System continues to stand committed to the principles of prudent and effective administration and management, while demonstrating that the universities of the System are good stewards of the resources entrusted to them by their constituencies.



JAZZ

By Ari Stillman, UH

UNIVERSITY OF HOUSTON SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2009

GENERAL INTRODUCTION

The State Auditor of Texas has not audited the accompanying Annual Financial Report and, therefore, an opinion has not been nor will be expressed on the financial statements and related information contained in this report. The information contained in the combined financial statements of the University of Houston System, and its related components, is part of and included in the State of Texas Comprehensive Annual Financial Report, upon which an opinion is expressed. The state's financial statements are audited by the State Auditor.

ENTITY

The University of Houston System (the System) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The University of Houston 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 upper Texas Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the state's population and economy.

The System was established by House Bill No. 188, Sixty-Fifth Legislature, Regular Session, effective September 1, 1977. Components of the System are System Administration (1977), University of Houston (1963), Clear Lake (1973), Downtown (1974), and Victoria (1973). The System is governed by an appointed nine member Board of Regents.

During the 2002 fiscal year, the State of Texas adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These accounting pronouncements established new reporting requirements including the presentation of new financial information and a restructuring of the presentation of previous fiscal years. Since the System's annual financial report is not subject to a separate financial audit, certain information, such as a complete set of Government-Wide

Financial Statements, is not included in the accompanying report. The financial statements are presented in columnar form, including totals for prior year data. Prior year totals have been restated when necessary to reflect current year changes in reporting procedures and to permit comparability of reported totals.

No component units have been identified which should have been discretely presented in the financial statements.

BASIS OF ACCOUNTING

A. Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The operations of the System and its component universities are considered to be a Business-Type Activity. The System charges fees to external users for goods and services. Consequently the accompanying financial statements are presented using the Proprietary Fund type structure.

B. Basis of Accounting

The basis of accounting determines when revenues and 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 are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

C. Budget & Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Additionally the System prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the System'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 & NET ASSETS

A. Assets

Significant asset categories are as follows.



WINGED WOMAN
By Stephen De Stabler, UH

Cash & 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 revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories & 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. Prepaid items reflect payments for costs applicable to future accounting periods. The consumption method of accounting is used to account for inventories and prepaid items. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as library books, works of art, and historical treasures are not depreciated. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Other Receivables

Other current receivables include year-end revenue accruals not included in any other receivable category. Non-current receivable balances are not expected to be collected within one year of fiscal year end.

B. Liabilities

Significant liability categories are summarized below.

Accounts Payable

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

Other Payable

Other current payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Non-current payable balances are 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 noncurrent in the Statement of Net Assets.

Bonds Payable - Revenue Bonds

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 noncurrent in the Statement of Net Assets.

C. Net Assets

The difference between fund assets and liabilities is Net Assets.

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 Assets

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

Unrestricted Net Assets

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

CAPITAL ASSETS

The System reports accumulated depreciation on its capital assets and recognizes depreciation expense as a current year charge.

At August 31, 2009, non-depreciable capital assets, consisting of land and construction in progress, totaled \$150,672,528. Depreciable capital assets, net of accumulated depreciation, and consisting of buildings, infrastructure, facilities, equipment, library books, and works of art, totaled \$628,997,730.

DEPOSITS & INVESTMENTS

A. Deposits of Cash in Bank

At August 31, 2009, the carrying amount of the System's cash deposits was \$72,336,071 and the bank balance was \$61,094,585. There were no deposits to foreign banks.

B. Investments

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

The fair value of investments, including short-term, long-term, and money market cash equivalents, as of the balance sheet date was \$838,064,435.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the University 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, 2009, the System's credit quality distribution for securities with credit risk included significantly less than 5% of total investments that were not in the top three grade ratings.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2009, the University's concentration of credit risk in any single issuer did not exceed five percent of total investment assets as reported on the Statement of Net Assets.

C. Investment Transactions

Reverse Repurchase Agreements

The System, by statute, is authorized to enter into reverse repurchase agreements. The System did not invest in any reverse repurchase agreements during the fiscal year.

Securities Lending

Securities lending is authorized by state statutes. The System does not participate in a security-lending program.



jaX

By Harold Nichols, UHV

Derivative Investing

The System did not hold any collateralized mortgage obligations at fiscal year-end. The System does not enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates.

SHORT TERM LIABILITIES

The System issued commercial paper (Consolidated Revenue Commercial Paper Notes, Series A) to facilitate the purchase of the Bayou Oaks student housing facility and the UH Energy Research Park. Series A, second draw, totaling \$18,700,000, was redeemed in its entirety during fiscal year 2009 and refinanced by Consolidated Revenue and Refunding Bonds, Series 2009. Series A, third draw, totaling \$27,300,000, will be redeemed during fiscal year 2010, and the System anticipates refinancing it with long-term debt.

LONG TERM LIABILITIES

A. Notes & Loans Payable

The System reported no notes or loans payable at the end of the year ended August 31, 2009.

B. Claims & Judgments

At August 31, 2009, various lawsuits and claims involving the System and/or its components were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against the System 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 System accounts.

C. 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. An expense and liability are recorded as the benefits accrue to employees. The liability for unpaid benefits is recorded in the Statement of Net Assets. 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 2009. Employees with at least six months of state service who terminate their employment



MILLENNIUM PLAZA
By William Fitzgibbons, UHV

are entitled to payment for all accumulated annual leave up to the maximum allowed.

Lump sum payments made to employees, who separated from state service during the 2009 fiscal year, for accrued vacation and compensatory leave, totaled \$1,533,604.

LEASE OBLIGATIONS

The System may enter into long-term leases for financing the purchase of certain fixed assets. Such leases are classified as capital leases for accounting purposes. There were no reportable outstanding capital lease payments payable at August 31, 2009.

Included in expenditures reported in the financial statements is \$5,078,011 for rent paid or due under operating leases. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, as of August 31, 2009, totaled \$11,060,490.

INTERFUND BALANCES

There are numerous transactions between funds and state agencies. At year-end, amounts to be received or paid are reported as (1) Interfund Receivables or Payables, (2) Due From or Due To Other Agencies, (3) Due From or Due To Other Funds, (4) Transfers In or Transfers Out, and (5) Legislative Transfers In or Legislative Transfers Out.

The System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

CONTINGENT LIABILITIES

Various lawsuits and claims involving the System were pending. While the ultimate liability, if any, remains uncertain, management does not expect any possible adverse ruling to have a material effect on System accounts.

The System 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.

CONTINUANCE SUBJECT TO REVIEW

The System 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.

RISK FINANCING & RELATED INSURANCE

The University of Houston System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

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

The System'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.

SEGMENT INFORMATION

The System 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 any other 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.

BONDED INDEBTEDNESS

A. Outstanding Revenue Bonds

Consolidated Revenue Bonds, Series 1998

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, building, structure, activity, service, operation, or facility of the University of Houston, specifically energy conservation projects.
- Issued 1-1-98.
- \$14,565,000; all bonds authorized have been issued.
- Source of revenue for debt service – Tuition, state appropriations, and various other revenues and balances that may be legally available for payment of debt obligations.

Consolidated Revenue Bonds, Series 1999

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, building, structure, activity, service, operation, or facility of the University of Houston System, specifically projects at the University of Houston, University of Houston - Downtown, University of Houston - Victoria, and the University of Houston multi-institutional teaching center in Fort Bend County.
- Issued 1-1-99.
- \$33,350,000; all bonds authorized have been issued.
- Source of revenue for debt service - Tuition and various other revenues and balances that may be legally available for payment of debt obligations.
- All of the outstanding bonds maturing subsequent to 2-15-2009 were paid in full with the proceeds from the Consolidated Revenue Refunding Bonds, Series 2009-A.

Consolidated Revenue Bonds, Series 2000

- To construct a recreation and wellness facility at the University of Houston.
- Issued 9-1-00.
- \$52,070,000; all bonds authorized have been issued.
- 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.

Consolidated Revenue Bonds, Series 2002-A

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, building, structure, activity, operation, or facility of the University of Houston System.
- Issued 9-1-02.
- \$130,955,000; all bonds authorized have been issued.
- Source of revenue for debt service – Tuition and various other revenues and balances that may be legally available for payment of debt obligations (partial funding for fiscal year 2009 from Legislative appropriation).

Consolidated Revenue Variable Rate Demand Bonds, Series 2004

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.
- Issued 6-16-04.
- \$25,000,000; all bonds authorized have been issued.
- 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 2009 from Legislative appropriation).
- The bonds bear interest at a variable rate, which is determined on a weekly basis each Wednesday. The rate is effective for a seven day period commencing on the immediately following Thursday. The variable rate in effect on August 31, 2009 was 0.20%.
- Bondholders have the option to tender their bonds for purchase at the price equal to the principal amount thereof, plus accrued interest, at the times and subject to the conditions described in the bond resolution. Tendered bonds may be remarketed, and remain outstanding. Bonds tendered for purchase will be paid first from the proceeds of remarketing, if any, and then from the legally available money advanced by the Board of Regents. In order to provide for the payment of the purchase price of tendered bonds, the Board has agreed to provide self-liquidity. The Board has not entered into an agreement with an outside entity to provide liquidity in the event that the remarketing agent is unable to remarket the bonds on an optional tender date. Liquidity support for the bonds will be provided by the System's funds and is expected to be provided first from funds invested in the Systems' non-endowed investment pool and money market accounts.
- Outstanding bonds maturing subsequent to 2-15-2009, totaling \$855,000 were extinguished early by using existing assets.

Consolidated Revenue Bonds, Series 2005

- To construct a parking garage facility at the University of Houston.
- Issued 4-1-05.
- \$25,800,000; all bonds authorized have been issued.
- 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.

Consolidated Revenue Bonds, Series 2006

- To 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 University of Houston System and the individual campuses of the System, including construction of a new classroom and office building for the University of Houston Downtown.
- Issued 2-1-06.
- \$35,140,000; all bonds authorized have been issued.
- Source of revenue for debt service – Tuition and various other fees that may be legally available for payment of debt obligations.

General Obligation Bonds

At August 31, 2009, the System had no bonds payable classified as General Obligation Bonds.

Refunding Bonds:

Consolidated Revenue Refunding Bonds, Series 2002-B

- To refund \$27,415,000 of Consolidated Revenue Refunding Bonds, Series 1993 and \$19,385,000 of Consolidated Revenue Bonds, Series 1993-A.
- Issued 11-1-02.
- \$45,425,000; all bonds authorized have been issued.
- Source of revenue for debt service – Designated tuition and various other revenues and balances that may be legally available for payment of debt obligations.
- Average rate of bonds refunded - 5.4% (1993) and 5.5% (1993-A).
- Net proceeds from refunding series - \$47,871,000, after receipt of bond premium of \$2,888,998 and payment of \$442,998 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1993 and 1993-A series bonds, when the bonds were called for early redemption on 2-15-03.
- The 1993 and 1993-A series bonds are considered fully defeased and the liability for those bonds has been removed.
- Refunding of the 1993 and 1993-A series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$3,228,503.
- Economic gain - \$2,733,595; the difference between the net present value of the old and new debt service payment.

Consolidated Revenue Refunding Bonds, Series 2003

- To refund \$15,975,000 of Consolidated Revenue

Refunding Bonds, Series 1995.

- Issued 12-1-03.
- \$16,490,000; all bonds authorized have been issued.
- Source of revenue for debt service – Tuition and various other revenues and balances that may be legally available for payment of debt obligations (funding for 2009 from legislative appropriation).
- Average rate of bonds refunded - 5.92%.
- Net proceeds from refunding series - \$17,419,961.18 after receipt of bond premium of \$896,716, and payment of \$266,453 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1995 series bonds, when the bonds were called for early redemption on 2-15-05.
- The 1995 series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
- Refunding of the 1995 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$1,377,275.
- Economic gain - \$1,292,003; the difference between the net present value of the old and new debt service payment.

Refunding Bonds, Series 1997 (University of Houston-Victoria) and \$44,430,000 of Consolidated Revenue Bonds, Series 2000 (University of Houston).

- Issued 2-1-2006.
- \$48,450,000; all bonds authorized have been issued.
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2009 partially from Legislative appropriation).
- Average rate of bonds refunded - 5.45% (1997) and 5.45% (2000).
- Net proceeds from refunding series - \$49,799,345, after receipt of bond premium of \$1,823,210 and payment of \$473,865 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1997 and 2000 series bonds. The 2000 series bonds will be called for early redemption on 2-15-2010.
- The 1997 series bonds maturing subsequent to 8-15-2007 and the 2000 series bonds maturing subsequent to 2-15-2010 are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
- Refunding of the 1997 and 2000 series bonds reduced the System's debt service payments over the life of

Consolidated Revenue Refunding Bonds, Series 2006

- To refund \$3,295,000 of Consolidated Revenue



EUPHONIA
Frank Stella, UH

the bond issues by approximately \$4,841,586.

- Economic gain - \$3,013,573; the difference between the net present value of the old and new debt service payment.

Consolidated Revenue Refunding Bonds, Series 2008

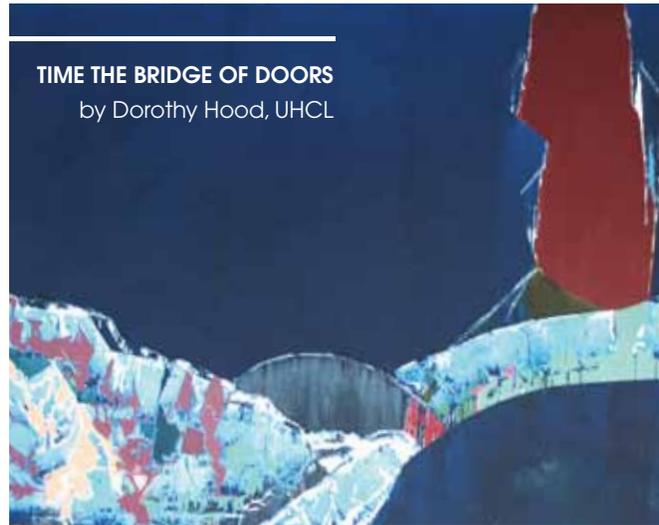
- To (a) refund and defease certain outstanding commercial paper notes of the System. And (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on behalf of the System, including individual campuses of the System .
- Issued 7-1-08.
- \$175,030,000; all bonds authorized have been issued.
- Source of revenue for debt service – Designated tuition and various other revenues and balances that may be legally available for payment of debt obligation. (Funding for fiscal 2009 partially from legislative appropriation.)

Consolidated Revenue and Refunding Bonds, Series 2009

- 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, operation and other facilities, roads or infrastructure related for or on behalf of the System, including individual campuses of the System.
- Issued 2-4-2009.
- \$108,395,000; all bonds authorized have been issued (\$98,230,000 University of Houston and \$10,165,000 University of Houston-Clear Lake).
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2009 partially from Legislative appropriation.)

Consolidated Revenue and Refunding Bonds Series, Series 2009A

- To (a) refund and defease \$20,515,000 of outstanding Consolidated Revenue Bonds, Series 1999 and (b) finance the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services, operation and other facilities, roads or infrastructure related for or on behalf of the System, including individual campuses of the System.
- Issued 7-2-2009
- \$71,175,000; all bonds authorized have been issued (\$52,200,000 revenue bonds - University of Houston and \$18,975,000 refunding bonds – University of



TIME THE BRIDGE OF DOORS
by Dorothy Hood, UHCL

Houston, \$6,829,105.50, University of Houston – Downtown \$4,267,477.50 and University of Houston – Victoria \$7,878,420.00).

- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal 2009 partially from Legislative appropriation.)
- Average interest rate of bonds refunded- 4.885%
- Net proceeds from refunding series - \$20,892,799.63, after receipt of \$1,719,638.50 and additional available funds of \$377,640.50 and payment of \$179,479.37 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 1999 series bonds after they were called for early redemption.
- The 1999 series bonds maturing subsequent to 2-15-2009 are considered fully defeased and the obligation for these bonds has been removed from the reported liabilities of the System.
- Refunding the 1999 series bonds reduced the System’s debt service payments over the life of the bond issues by approximately \$2,023,239.08.
- Economic gain -\$1,174,552.43; the difference between the net present value of the old and new debt service payment.

B. Changes in Bonded Indebtedness

Bonds payable are due in annual installments varying from \$1,247,175 to \$29,536,000 with interest rates from 2.50% to 7.00%, and the final installment due 2-15-39.

C. Future Debt Service Requirements

Principal and interest requirements on the obligations for the next five years were \$246,694,939 and \$663,685,085 for all years beyond.



SPIRITUS MUNDI

By Pablo Serrano, UHCL

DISCOUNTS & ALLOWANCES

The System reports revenues net of discounts and allowances in proprietary funds. Discounts and allowances are calculated based on historical experience. For the fiscal year 2009 discounts and allowances that related to tuition and fee revenues totaled \$74,734,672.

EMPLOYEES RETIREMENT PLANS

The State has joint contributory retirement plans for substantially all its employees. The System 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. The Optional Retirement Program provides for the purchase of annuity or mutual fund contracts.

The contributions made by plan members for 2008 were \$11,250,699. System contributions were \$13,672,447. Since these are individual investment product contracts, the state has no additional or unfunded liability for this program.

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. Two plans are available for employees' deferred compensation plans. 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 the University of Houston System 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.

RESTATEMENT OF NET ASSETS

During fiscal year 2009 a restatement of the prior year's net assets/fund equity was required. The restatements represent prior period adjustments to beginning net assets related to capital assets and accumulated depreciation changes.

RELATED PARTIES

The System is affiliated with several foundations and organizations that have been created to benefit certain operations of the System. These organizations are considered to be separate legal entities, and as such are not considered component units as defined by generally accepted accounting principles. Therefore, the account balances and financial transactions of these organizations are not included in the System's financial statements.

Several student housing facility projects have been constructed by private external entities in order to enhance

the residential life experience of students at various System campuses. These facilities are operated under grounded leases and management agreements with the System for extended time periods. Under the terms of the agreements, cash revenues from rental income, net of operating expenses, are shared with the University. If cash revenues do not attain certain contractually defined thresholds, the University is liable to the external management for the deficiency. In previous fiscal years (2005 and 2006) contingent liability payments were made, in relation to the Bayou Oaks facility. During the 2009 fiscal year, net cash flows were sufficiently adequate so as not to generate a liability payment. University management believes that current financial and occupancy performance indicates that future years net cash flows will be sufficient and that future contingent liabilities will not occur. Repayment of project financing is serviced from revenues generated by the housing projects, and is the sole responsibility of the external entity. The related loans and bonds are not liabilities of the System or component universities.

SUBSEQUENT EVENTS

The University of Houston System has established a commercial paper program (Consolidated Revenue Commercial Paper Notes, Series A) that permits the issuance of commercial paper notes which may not exceed, in the aggregate, a principal amount which was initially established at \$50,000,000 at any one time, and was increased in March 2009 to \$125,000,000 at any one time. Commercial paper is issued to provide interim financing for the costs of various projects within the System. The maximum maturity of the commercial paper is 270 days and is issued at tax exempt and taxable interest rates. During August 2009, the System issued \$27,300,000 of commercial paper. As of the date of this financial report, the system had outstanding commercial paper liabilities of \$27,300,000.



PRAYER MEETING

By John Scott, UHD

CONTEMPLATION
By Tom Sayre, UH





UNIVERSITY of HOUSTON

UH

UHCL

UHD

UHV

UHSA

UNIVERSITY OF HOUSTON

STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 76,132,472 | \$ 67,417,777 |
| Short-term Investments | | 2,136,287 |
| Restricted Cash & Cash Equivalents | 25,084,930 | 10,407,991 |
| Loans & Contracts | 10,602,321 | |
| Legislative Appropriations | 62,988,906 | 59,801,148 |
| Receivables | 199,044,868 | 203,311,213 |
| Inventories | 2,495,231 | 2,282,043 |
| Deferred Charges | 45,483,514 | 33,444,400 |
| Total Current Assets | 421,832,242 | 378,800,859 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | 55,789,763 | 50,691,738 |
| Loans & Other Receivables | 419,675,047 | 427,655,150 |
| Investments | 570,330 | 267,018 |
| Capital Assets, Non-Depreciable | 119,263,500 | 117,079,891 |
| Capital Assets, Depreciable | 1,024,626,356 | 857,729,046 |
| Accumulated Depreciation | (583,044,419) | (558,137,381) |
| Total Noncurrent Assets | 1,036,880,577 | 895,285,462 |
| Total Assets | 1,458,712,819 | 1,274,086,321 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 68,591,544 | 46,795,633 |
| Deferred Revenues | 122,850,856 | 109,391,844 |
| Notes Payable | 27,300,000 | |
| Employees' Compensable Leave | 7,995,394 | 7,401,502 |
| Revenue Bonds Payable | 13,961,902 | 14,865,934 |
| Funds Held for Others | 12,052,217 | 10,376,400 |
| Total Current Liabilities | 252,751,913 | 188,831,313 |
| NONCURRENT LIABILITIES | | |
| Payables | 12,470 | 12,641 |
| Employees' Compensable Leave | 9,096,086 | 8,570,665 |
| Revenue Bonds Payable | 447,180,196 | 311,224,490 |
| Total Noncurrent Liabilities | 456,288,752 | 319,807,796 |
| Total Liabilities | 709,040,665 | 508,639,109 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 216,851,878 | 184,838,330 |
| Restricted, Debt Retirement | 4,132,691 | 5,782,528 |
| Restricted, Capital Projects | 3,150,499 | 684,444 |
| Restricted, Endowment Funds | 254,716,141 | 283,737,499 |
| Restricted, Other | 86,444,445 | 98,232,467 |
| Unrestricted | 184,376,500 | 192,171,944 |
| Total Net Assets | \$ 749,672,154 | \$ 765,447,212 |

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Tuition & Fees, Net of Discounts | \$ 233,248,031 | \$ 223,434,114 |
| Sales of Goods & Services | 62,004,602 | 60,761,391 |
| Federal Revenue | 56,766,253 | 81,453,634 |
| State Grant Revenue | 37,695,153 | 29,011,142 |
| Other Grants & Contracts | 17,393,515 | 13,599,667 |
| Total Operating Revenues | 407,107,554 | 408,259,948 |
| OPERATING EXPENSES | | |
| Instruction | 193,273,643 | 183,436,103 |
| Research | 84,560,067 | 77,902,485 |
| Public Service | 37,297,832 | 36,826,504 |
| Academic Support | 110,147,715 | 100,089,247 |
| Student Services | 24,966,649 | 22,336,061 |
| Institutional Support | 51,192,687 | 48,371,209 |
| Operation & Maintenance of Plant | 35,755,138 | 37,705,676 |
| Scholarships & Fellowships | 29,380,961 | 33,582,154 |
| Auxiliary Enterprises | 71,445,200 | 68,227,511 |
| Depreciation & Amortization | 29,600,737 | 28,876,819 |
| Total Operating Expenses | 667,620,629 | 637,353,769 |
| Operating Income (Loss) | (260,513,075) | (229,093,821) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 184,862,607 | 189,598,914 |
| Gifts | 33,563,953 | 62,961,728 |
| Federal Revenue Non Operating | 32,135,277 | |
| Investment Income | (26,996,947) | 32,366,202 |
| Interest Expense & Fiscal Charges | (16,153,671) | (8,619,339) |
| Other Nonoperating Revenues (Expenses) | (9,820,916) | (18,208,478) |
| Total Nonoperating Revenues (Expenses) | 197,590,303 | 285,099,027 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses & Transfers | (62,922,772) | 29,005,206 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS | | |
| Higher Education Assistance Funds | 36,091,538 | 35,276,140 |
| Additions to Permanent & Term Endowments | 5,464,978 | 3,863,015 |
| Intercomponent Transfers | 8,154,877 | 12,148,259 |
| Transfers | (2,723,447) | (2,208,546) |
| Legislative Transfers | 130,816 | 130,817 |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | 47,118,762 | 49,138,775 |
| Change In Net Assets | (15,804,010) | 78,143,981 |
| Net Assets Beginning | 765,447,212 | 687,965,985 |
| Restatements | 28,952 | (662,754) |
| Net Assets Beginning, as Restated | 765,476,164 | 687,303,231 |
| Net Assets, Ending | \$ 749,672,154 | \$ 765,447,212 |

UNIVERSITY OF HOUSTON
STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

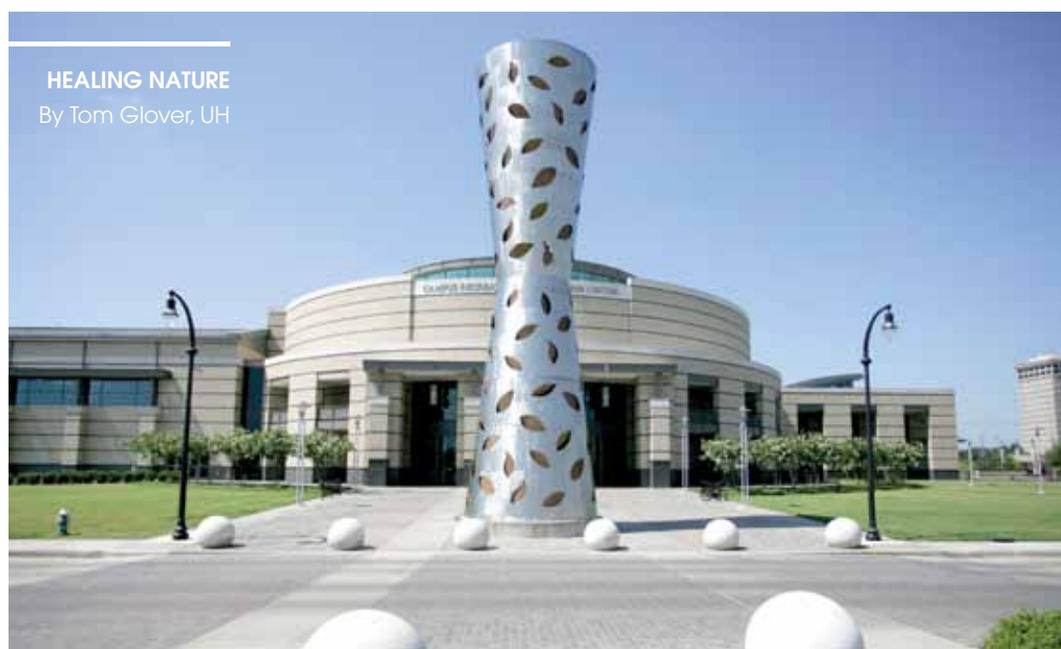
| | 2009 | 2008 |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 250,978,954 | \$ 263,063,977 |
| Proceeds from Loan Programs | 116,933,064 | 57,228,387 |
| Proceeds from Other Revenues | 168,012,565 | 181,429,914 |
| Payments to Suppliers for Goods & Services | (147,254,232) | (138,336,334) |
| Payments to Employees | (417,428,483) | (389,959,503) |
| Payments for Loans Provided | (127,503,085) | (60,325,289) |
| Payments for Other Expenses | (62,443,364) | (88,789,557) |
| Net Cash Provided (Used) by Operating Activities | (218,704,581) | (175,688,405) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 181,674,848 | 174,395,138 |
| Proceeds from Gifts | 51,092,007 | 30,711,606 |
| Proceeds from Endowments | 5,464,978 | 3,863,015 |
| Proceeds of Transfers from Other Funds | 10,849,132 | 18,276,557 |
| Proceeds from Other Revenues | 36,531,600 | (8,110,416) |
| Payments for Other Uses | (23,706,368) | (3,174,863) |
| Net Cash Provided by Noncapital Financing Activities | 261,906,197 | 215,961,037 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Disposal of Capital Assets | | |
| Proceeds from Capital Financing Activities | 226,707,209 | 35,276,140 |
| Payments for Additions to Capital Assets | (173,774,618) | (14,523,257) |
| Payments of Principal & Interest on Debt Issuance | (74,263,082) | (64,508,848) |
| Net Cash Used by Capital & Related Financing Activities | (21,330,491) | (43,755,965) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Interest & Investment Income | 41,665,661 | 15,448,754 |
| Payments to Acquire Investments | (35,047,127) | |
| Net Cash Provided by Investing Activities | 6,618,534 | 15,448,754 |
| Increase (Decrease) in Cash & Cash Equivalents | 28,489,659 | 11,965,421 |
| Cash & Cash Equivalents, September 1 | 128,517,506 | 116,552,085 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 157,007,165 | \$ 128,517,506 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (260,513,075) | \$ (229,093,821) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 29,600,737 | 28,876,819 |
| Classification Differences | (10,570,021) | (2,868,527) |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | 648,403 | 9,829,010 |
| (Increase) Decrease in Inventories | (213,188) | 698,365 |
| (Increase) Decrease in Other Assets | (1,708,092) | |
| (Increase) Decrease in Prepaid Expenses | (12,039,115) | (14,468,269) |
| Increase (Decrease) in Payables | 18,325,213 | (1,559,965) |
| Increase (Decrease) in Deferred Income | 13,459,012 | 23,392,271 |
| Increase (Decrease) in Other Liabilities | 4,305,545 | 9,505,712 |
| Total Adjustments | 41,808,494 | 53,405,416 |
| Net Cash Provided by Operating Activities | \$ (218,704,581) | \$ (175,688,405) |

UNIVERSITY OF HOUSTON

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Cost of Goods Sold | \$ 2,596,722 | \$ 3,023,653 |
| Salaries & Wages | 346,422,141 | 322,218,879 |
| Payroll Related Costs | 74,109,318 | 70,152,725 |
| Professional Fees & Services | 40,020,440 | 38,193,822 |
| Federal Pass-Through Expenses | 3,266,564 | 3,318,178 |
| Travel | 11,905,391 | 11,936,221 |
| Materials & Supplies | 28,439,003 | 31,620,177 |
| Communication & Utilities | 37,727,145 | 41,144,074 |
| Repairs & Maintenance | 8,005,083 | 6,218,507 |
| Rentals & Leases | 11,534,313 | 11,081,257 |
| Printing & Reproduction | 3,993,741 | 4,450,644 |
| Depreciation & Amortization | 29,600,737 | 28,876,819 |
| Interest | 31,877 | 46,222 |
| Scholarships | 32,542,070 | 35,458,982 |
| Claims & Losses | 943,285 | 695,122 |
| Other Operating Expenses | 36,482,799 | 28,918,487 |
| Total Operating Expenses | \$ 667,620,629 | \$ 637,353,769 |

| | | |
|---|-----------------------|-----------------------|
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ 193,273,643 | \$ 183,436,103 |
| Research | 84,560,067 | 77,902,485 |
| Public Service | 37,297,832 | 36,826,504 |
| Academic Support | 110,147,715 | 100,089,247 |
| Student Services | 24,966,649 | 22,336,061 |
| Institutional Support | 51,192,687 | 48,371,209 |
| Physical Plant | 35,755,138 | 37,705,676 |
| Scholarships & Fellowships | 29,380,961 | 33,582,154 |
| Auxiliary Enterprises | 71,445,200 | 68,227,511 |
| Depreciation & Amortization | 29,600,737 | 28,876,819 |
| Total Expenses by Expenditure Function | \$ 667,620,629 | \$ 637,353,769 |



UHCL

UHD

UHV

UHSA



A



B



D



C



E



F



G



H



I

UNIVERSITY OF HOUSTON

A walking tour of the University of Houston campus showcases artwork created to enhance the journey through the 550 acres of strategically placed walkways, buildings and rest areas. Outdoor sculptures in metal, stone and concrete are tucked into secluded corners between buildings, under trees and in front of buildings. The soft sounds of fountains draw students seeking a place to study. Canvas creations with colors — so vibrant they take your breath away — bring life to foyers and hallways between classrooms.

Beginning in 1969, the UH Board of Regents created a standing committee that evaluates submissions for the "1% for Art Program." The exceptional choices of this committee have made the University of Houston a showcase for different types of art from local, national and international artists.

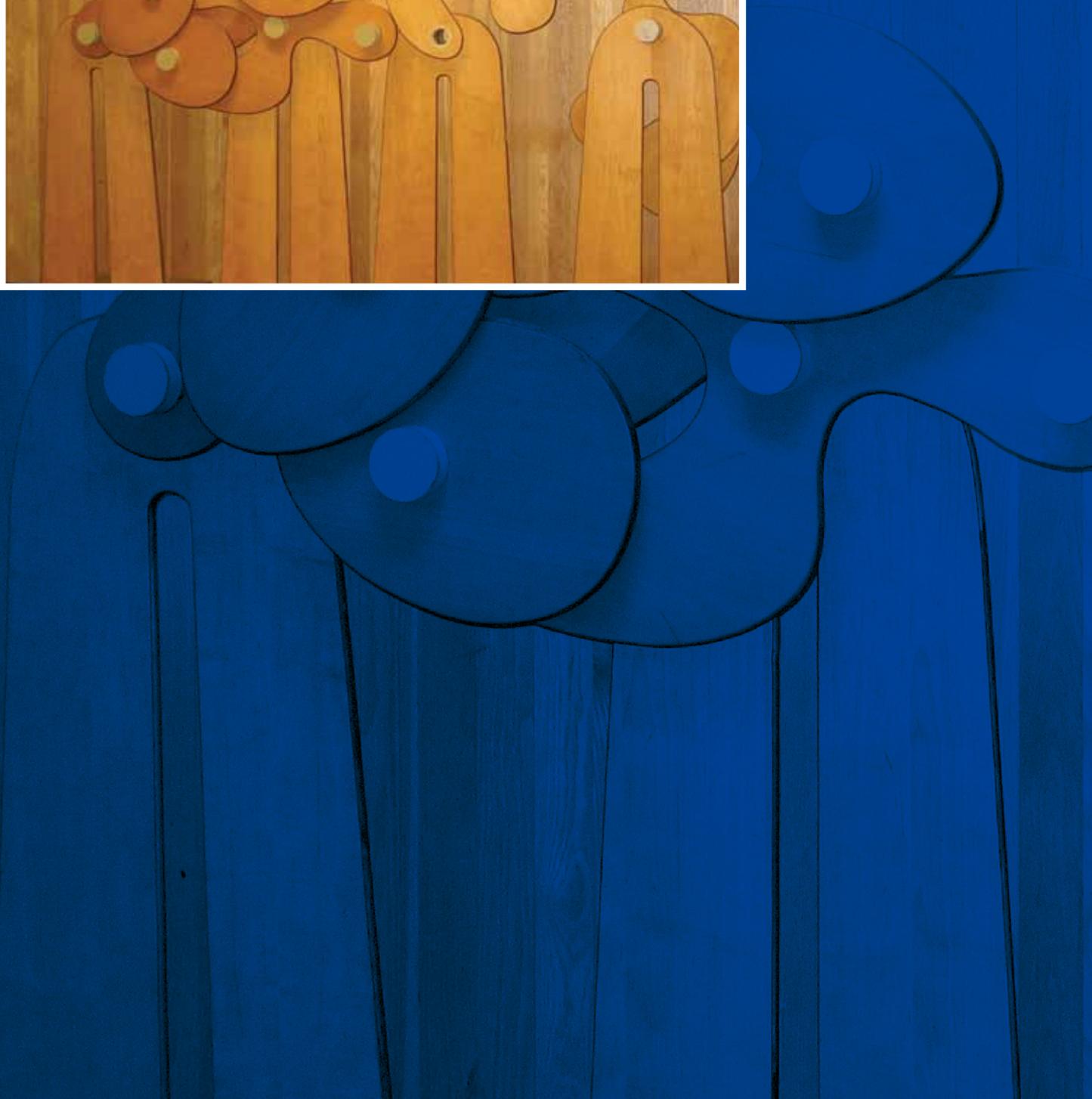
After sunset, the sculpture *A Comma A* by Jim Sanborn shines brightly from within as the lighting inside projects through die-cut words from several languages on the outside walls of the M.D Anderson Library. Opera fans are mesmerized with *Euphonia*, created by Frank Stella, a mural on the ceiling of the Moore's Opera House foyer and also above the stage. The bronze, *Albertus Magnus*, by Gerhardt Marks guards the entry to the Law Library.

The sponsorship and exhibition of art is a centuries-old practice in university communities. The University of Houston has made a commitment to enriching the lives of the university community with art. As long as new construction and extensive renovations occur, new and exciting pieces of art will be created for everyone to enjoy.

- A) *Tower of the Cheyenne*, by Peter Forakis, UH
- B) *Untitled*, by Mary Miss, UH
- C) *Cougar*, by R.T. Wallen, UH
- D) *A Comma A*, by Jim Sanborn, UH
- E) *Orpheus*, by Gerhard Marks, UH
- F) *Nassau Street*, by Ari Stillman, UH
- G) *Round About*, by Linda Howard, UH
- H) *Alli*, by Brian Wall, UH
- I) *Steel and River Waterfall*, by Lee Kelly, UH

QUASI ONE AND TWO

By Kurt B. Delbanco, UHCL



University of Houston  Clear Lake

UNIVERSITY OF HOUSTON CLEAR LAKE
STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 19,208,361 | \$ 16,261,413 |
| Restricted Cash & Cash Equivalents | (1,616,678) | (822,310) |
| Loans & Contracts | 2,277,221 | 2,435,606 |
| Legislative Appropriations | 4,419,859 | 4,879,666 |
| Receivables | 27,785,324 | 26,045,554 |
| Inventories | 17,196 | 15,067 |
| Deferred Charges | 2,087,655 | 1,688,841 |
| Total Current Assets | 54,178,938 | 50,503,837 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | (1,252,460) | (486,497) |
| Loans & Other Receivables | 25,472,253 | 16,118,326 |
| Capital Assets, Non-Depreciable | 11,362,367 | 12,023,685 |
| Capital Assets, Depreciable | 125,156,547 | 121,644,244 |
| Accumulated Depreciation | (80,476,565) | (78,377,475) |
| Total Noncurrent Assets | 80,262,142 | 70,922,283 |
| Total Assets | 134,441,080 | 121,426,120 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 4,893,817 | 4,823,931 |
| Deferred Revenues | 19,126,552 | 18,146,030 |
| Employees' Compensable Leave | 914,966 | 859,352 |
| Revenue Bonds Payable | 1,914,858 | 1,503,066 |
| Funds Held for Others | 325,849 | (515,216) |
| Total Current Liabilities | 27,176,042 | 24,817,163 |
| NONCURRENT LIABILITIES | | |
| Employees' Compensable Leave | 1,040,925 | 995,097 |
| Revenue Bonds Payable | 34,401,617 | 26,380,827 |
| Total Noncurrent Liabilities | 35,442,542 | 27,375,924 |
| Total Liabilities | 62,618,584 | 52,193,087 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 32,065,255 | 28,789,103 |
| Restricted, Debt Retirement | 10 | 3 |
| Restricted, Endowment Funds | 10,771,302 | 11,812,292 |
| Restricted, Other | 1,160,980 | 1,254,588 |
| Unrestricted | 27,824,949 | 27,377,047 |
| Total Net Assets | \$ 71,822,496 | \$ 69,233,033 |

UNIVERSITY OF HOUSTON CLEAR LAKE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Tuition & Fees, Net of Discounts | \$ 37,454,316 | \$ 34,223,277 |
| Sales of Goods & Services | 2,804,367 | 2,904,481 |
| Federal Revenue | 1,775,984 | 4,773,442 |
| State Grant Revenue | 2,614,827 | 942,098 |
| Other Grants & Contracts | 587,614 | 258,452 |
| Total Operating Revenues | 45,237,108 | 43,101,750 |
| OPERATING EXPENSES | | |
| Instruction | 33,427,282 | 33,205,607 |
| Research | 1,244,098 | 1,016,346 |
| Public Service | 237,569 | 214,846 |
| Academic Support | 11,097,452 | 10,558,383 |
| Student Services | 3,303,598 | 3,345,121 |
| Institutional Support | 13,377,595 | 12,337,082 |
| Operation & Maintenance of Plant | 7,580,707 | 7,516,794 |
| Scholarships & Fellowships | 7,298,971 | 4,543,633 |
| Auxiliary Enterprises | 4,444,925 | 4,506,370 |
| Depreciation & Amortization | 3,866,984 | 3,786,506 |
| Total Operating Expenses | 85,879,181 | 81,030,688 |
| Operating Income (Loss) | (40,642,073) | (37,928,938) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 35,420,786 | 35,467,540 |
| Gifts | 527,714 | 422,622 |
| Federal Revenue Non Operating | 4,593,009 | |
| Investment Income | (53,306) | 2,408,607 |
| Interest Expense & Fiscal Charges | (1,367,026) | (1,186,205) |
| Other Nonoperating Revenues (Expenses) | (925,139) | (43,024) |
| Total Nonoperating Revenues (Expenses) | 38,196,038 | 37,069,540 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses & Transfers | (2,446,035) | (859,398) |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS | | |
| Higher Education Assistance Funds | 5,355,874 | 6,001,337 |
| Additions to Permanent & Term Endowments | 260,302 | 228,623 |
| Intercomponent Transfers | (612,559) | (559,670) |
| Transfers | (232,440) | (179,300) |
| Legislative Transfers | (130,816) | (130,817) |
| Legislative Appropriations Lapsed | (15,334) | (974,326) |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | 4,625,027 | 4,385,847 |
| Change In Net Assets | 2,178,992 | (3,526,449) |
| Net Assets Beginning | 69,233,033 | 65,706,584 |
| Restatements | 410,471 | |
| Net Assets Beginning, as Restated | 69,643,504 | 65,706,584 |
| Net Assets, Ending | \$ 71,822,496 | \$ 69,233,033 |

UNIVERSITY OF HOUSTON CLEAR LAKE
STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

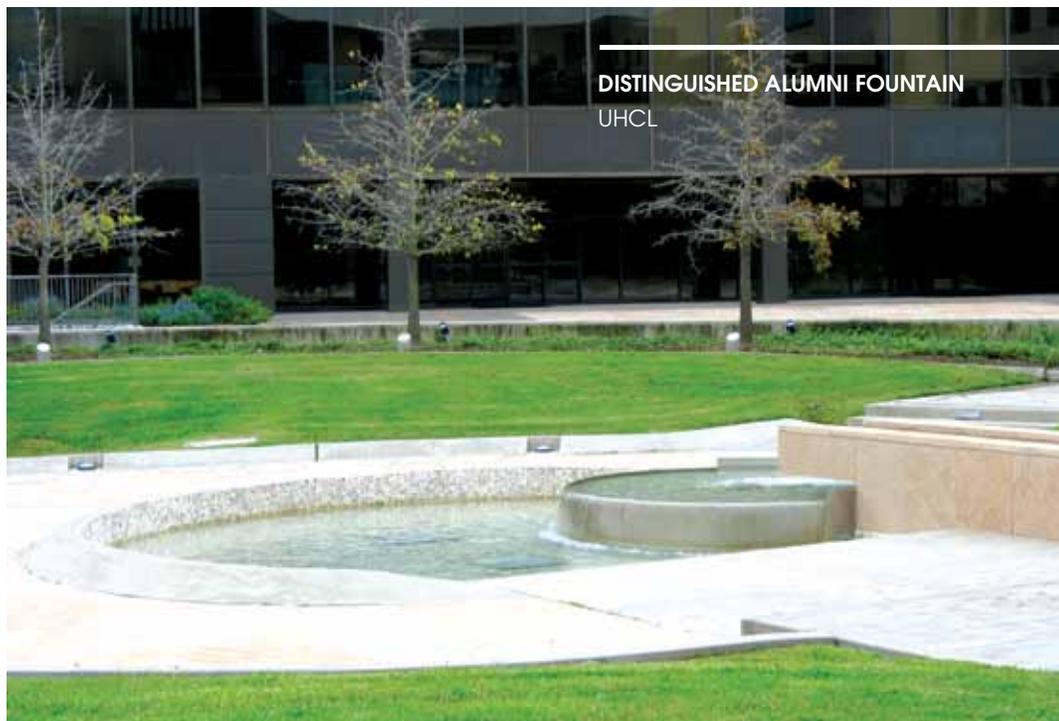
| | 2009 | 2008 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 39,354,431 | \$ 38,014,738 |
| Proceeds from Loan Programs | 3,694,749 | 3,301,765 |
| Proceeds from Other Revenues | 5,753,291 | 7,502,754 |
| Payments to Suppliers for Goods & Services | (16,255,689) | (15,863,688) |
| Payments to Employees | (55,811,550) | (54,280,643) |
| Payments for Loans Provided | (3,545,355) | (3,854,695) |
| Payments for Other Expenses | (9,324,604) | (9,225,315) |
| Net Cash Provided (Used) by Operating Activities | (36,134,727) | (34,405,084) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 35,750,181 | 34,183,253 |
| Proceeds from Gifts | 527,714 | 422,622 |
| Proceeds from Endowments | 260,302 | 228,623 |
| Proceeds from Other Revenues | 4,593,009 | |
| Payments for Other Uses | (11,822,900) | (12,277,768) |
| Net Cash Provided by Noncapital Financing Activities | 29,308,306 | 22,556,730 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Disposal of Capital Assets | | |
| Proceeds from Capital Financing Activities | 16,008,456 | 6,001,337 |
| Payments for Additions to Capital Assets | (4,208,408) | (3,380,226) |
| Payments of Principal & Interest on Debt Issuance | (3,533,704) | (3,543,909) |
| Net Cash Used by Capital & Related Financing Activities | 8,266,344 | (922,798) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Interest & Investment Income | (53,305) | 2,408,608 |
| Payments to Acquire Investments | | |
| Net Cash Provided by Investing Activities | (53,305) | 2,408,608 |
| Increase (Decrease) in Cash & Cash Equivalents | 1,386,618 | (10,362,544) |
| Cash & Cash Equivalents, September 1 | 14,952,606 | 25,315,150 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 16,339,224 | \$ 14,952,606 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (40,642,073) | \$ (37,928,938) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 3,866,984 | 3,786,506 |
| Bad Debt Expense | 43,524 | 161,579 |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | (1,043,690) | (388,475) |
| (Increase) Decrease in Inventories | (2,129) | (65) |
| (Increase) Decrease in Other Assets | 16,881 | 32,217 |
| (Increase) Decrease in Prepaid Expenses | (398,815) | (379,431) |
| Increase (Decrease) in Payables | 133,888 | 239,703 |
| Increase (Decrease) in Deferred Income | 980,522 | 2,058,608 |
| Increase (Decrease) in Other Liabilities | 910,181 | (1,986,788) |
| Total Adjustments | 4,507,346 | 3,523,854 |
| Net Cash Provided by Operating Activities | \$ (36,134,727) | \$ (34,405,084) |

UNIVERSITY OF HOUSTON CLEAR LAKE

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

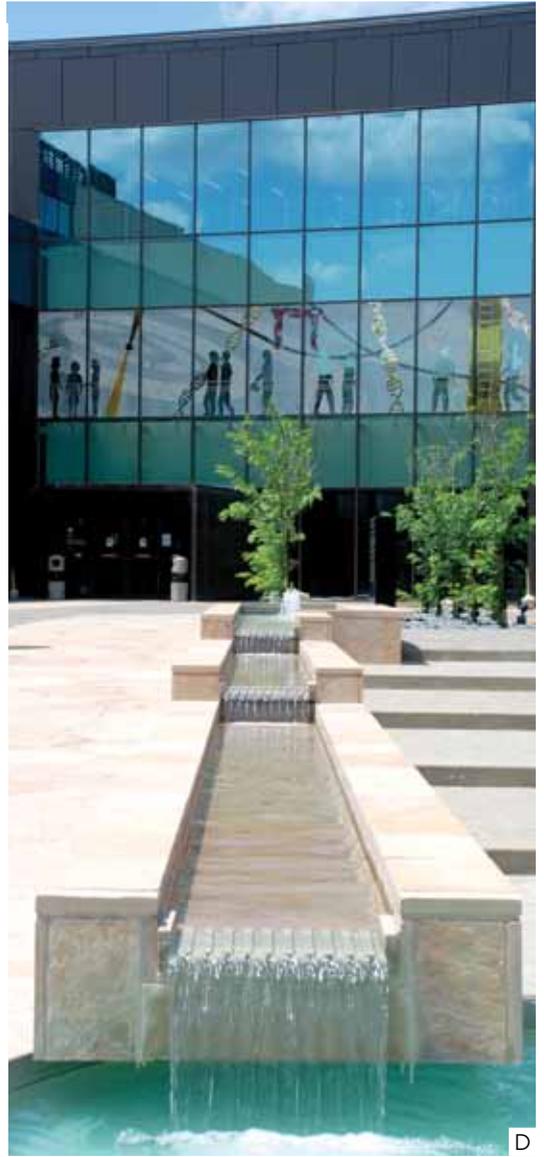
| | 2009 | 2008 |
|---|----------------------|----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Cost of Goods Sold | \$ 6,764 | \$ 13,335 |
| Salaries & Wages | 45,464,418 | 44,058,875 |
| Payroll Related Costs | 10,709,661 | 10,559,073 |
| Professional Fees & Services | 4,907,491 | 5,110,048 |
| Travel | 641,947 | 719,578 |
| Materials & Supplies | 4,100,722 | 3,859,025 |
| Communication & Utilities | 3,605,327 | 4,378,201 |
| Repairs & Maintenance | 2,225,669 | 1,280,625 |
| Rentals & Leases | 407,238 | 366,085 |
| Printing & Reproduction | 599,340 | 475,515 |
| Depreciation & Amortization | 3,866,984 | 3,786,506 |
| Interest | 2,195 | 1,359 |
| Scholarships | 7,382,797 | 4,687,653 |
| Claims & Losses | 142,141 | 128,720 |
| Other Operating Expenses | 1,816,487 | 1,606,090 |
| Total Operating Expenses | \$ 85,879,181 | \$ 81,030,688 |

| | | |
|---|----------------------|----------------------|
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ 33,427,282 | \$ 33,205,607 |
| Research | 1,244,098 | 1,016,346 |
| Public Service | 237,569 | 214,846 |
| Academic Support | 11,097,452 | 10,558,383 |
| Student Services | 3,303,598 | 3,345,121 |
| Institutional Support | 13,377,595 | 12,337,082 |
| Physical Plant | 7,580,707 | 7,516,794 |
| Scholarships & Fellowships | 7,298,971 | 4,543,633 |
| Auxiliary Enterprises | 4,444,925 | 4,506,370 |
| Depreciation & Amortization | 3,866,984 | 3,786,506 |
| Total Expenses by Expenditure Function | \$ 85,879,181 | \$ 81,030,688 |





A



D



B



C



E



F



G



H

UH CLEAR LAKE

The University of Houston Clear Lake features picturesque park-like settings, nature trails and wooded areas abundant with wildlife. The vast 524-acre campus is a monument to the integration of nature and development that makes the classroom space a retreat from the noise of the surrounding contemporary world.

The art chosen by the 1% for Art Committee comes from all mediums. One of the landmark pieces was designed by the Spanish sculptor Pablo Serrano. Titled *Spiritus Mundi*, and weighing 8 tons, it was placed on the University's front lawn before the Arbor Building was completed. A cast bronze sculpture entitled *Flying Birds*, by David Parsons, brings a sense of nature indoors. The sun streams through skylights into two atriums lined with canvases in a variety of artistic styles.

The many and varied art pieces at University of Houston Clear Lake encourage contemplation of art and nature and the connections we make through both.

- A) *Flying Birds*, by David Parsons, UHCL
- B) *Spiritus Mundi*, by Pablo Serrano, UHCL
- C) *Consillience*, by Paul Marioni and Ann Troutner
- D) Distinguished Alumni Fountain, UHCL
- E) *Horse and Rider*, by Dennis Black, UHCL
- F) *Untitled*, by Richard Stout, UHCL
- G) *Time the Bridge of Doors*, by Dorothy Hood, UHCL
- H) *Russian Quadiptych*, UHCL



CONTEMPLATING SUCCESS
By Floyd Newsome, UHD



UHD
UH-Downtown

UHD

UHV

UHSA

UNIVERSITY OF HOUSTON DOWNTOWN

STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 30,694,477 | \$ 24,813,486 |
| Restricted Cash & Cash Equivalents | (7,683,607) | (2,984,970) |
| Loans & Contracts | 622,874 | 908,902 |
| Legislative Appropriations | 9,358,081 | 7,489,439 |
| Receivables | 30,888,210 | 27,770,765 |
| Inventories | 25,722 | 32,950 |
| Deferred Charges | 4,536,365 | 3,886,542 |
| Total Current Assets | 68,442,122 | 61,917,114 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | (826,832) | 516,016 |
| Loans & Other Receivables | 15,769,592 | 17,676,641 |
| Capital Assets, Non-Depreciable | 11,154,102 | 10,103,898 |
| Capital Assets, Depreciable | 157,301,693 | 155,438,903 |
| Accumulated Depreciation | (68,670,557) | (63,626,799) |
| Total Noncurrent Assets | 114,727,998 | 120,108,659 |
| Total Assets | 183,170,120 | 182,025,773 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 6,234,369 | 7,366,545 |
| Deferred Revenues | 19,009,293 | 18,686,186 |
| Employees' Compensable Leave | 1,061,669 | 1,050,602 |
| Revenue Bonds Payable | 3,850,255 | 3,736,231 |
| Funds Held for Others | 1,798,833 | 1,940,580 |
| Total Current Liabilities | 31,954,419 | 32,780,144 |
| NONCURRENT LIABILITIES | | |
| Payables | 1,772 | 1,780 |
| Employees' Compensable Leave | 1,211,041 | 1,233,315 |
| Revenue Bonds Payable | 60,127,947 | 63,944,469 |
| Total Noncurrent Liabilities | 61,340,760 | 65,179,564 |
| Total Liabilities | 93,295,179 | 97,959,708 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 39,937,915 | 38,577,722 |
| Restricted, Debt Retirement | 193 | 1,898 |
| Restricted, Capital Projects | 94,574 | 83,130 |
| Restricted, Endowment Funds | 13,642,211 | 15,245,187 |
| Restricted, Other | 4,342,735 | 6,052,671 |
| Unrestricted | 31,857,313 | 24,105,457 |
| Total Net Assets | \$ 89,874,941 | \$ 84,066,065 |

UNIVERSITY OF HOUSTON DOWNTOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Tuition & Fees, Net of Discounts | \$ 40,816,418 | \$ 39,675,226 |
| Sales of Goods & Services | 4,264,906 | 3,723,530 |
| Federal Revenue | 3,313,307 | 18,360,891 |
| State Grant Revenue | 5,714,604 | 2,215,153 |
| Other Grants & Contracts | 290,259 | 151,490 |
| Total Operating Revenues | 54,399,494 | 64,126,290 |
| OPERATING EXPENSES | | |
| Instruction | 35,296,076 | 33,415,465 |
| Research | 726,783 | 444,536 |
| Public Service | 2,670,150 | 2,530,517 |
| Academic Support | 13,782,381 | 12,672,567 |
| Student Services | 3,604,034 | 3,351,320 |
| Institutional Support | 16,524,270 | 14,847,793 |
| Operation & Maintenance of Plant | 5,688,215 | 5,755,433 |
| Scholarships & Fellowships | 16,409,013 | 12,603,878 |
| Auxiliary Enterprises | 5,877,051 | 5,177,303 |
| Depreciation & Amortization | 6,464,096 | 6,453,777 |
| Total Operating Expenses | 107,042,069 | 97,252,589 |
| Operating Income (Loss) | (52,642,575) | (33,126,299) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 34,053,688 | 33,850,498 |
| Gifts | 1,193,111 | 1,608,348 |
| Federal Revenue Non Operating | 18,139,503 | |
| Investment Income | (650,676) | (2,744,849) |
| Interest Expense & Fiscal Charges | (2,616,504) | (3,042,221) |
| Other Nonoperating Revenues (Expenses) | (1,001,940) | (362,964) |
| Total Nonoperating Revenues (Expenses) | 49,117,182 | 34,798,510 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses & Transfers | (3,525,393) | 1,672,211 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS | | |
| Higher Education Assistance Funds | 9,548,995 | 9,628,151 |
| Additions to Permanent & Term Endowments | 777,325 | 659,799 |
| Intercomponent Transfers | (498,221) | (362,934) |
| Transfers | (493,227) | (510,163) |
| Legislative Appropriations Lapsed | (603) | |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | 9,334,269 | 9,414,853 |
| Change In Net Assets | 5,808,876 | 11,087,064 |
| Net Assets Beginning | 84,066,065 | 72,984,874 |
| Restatements | | (5,873) |
| Net Assets Beginning, as Restated | 84,066,065 | 72,979,001 |
| Net Assets, Ending | \$ 89,874,941 | \$ 84,066,065 |

UNIVERSITY OF HOUSTON DOWNTOWN
STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

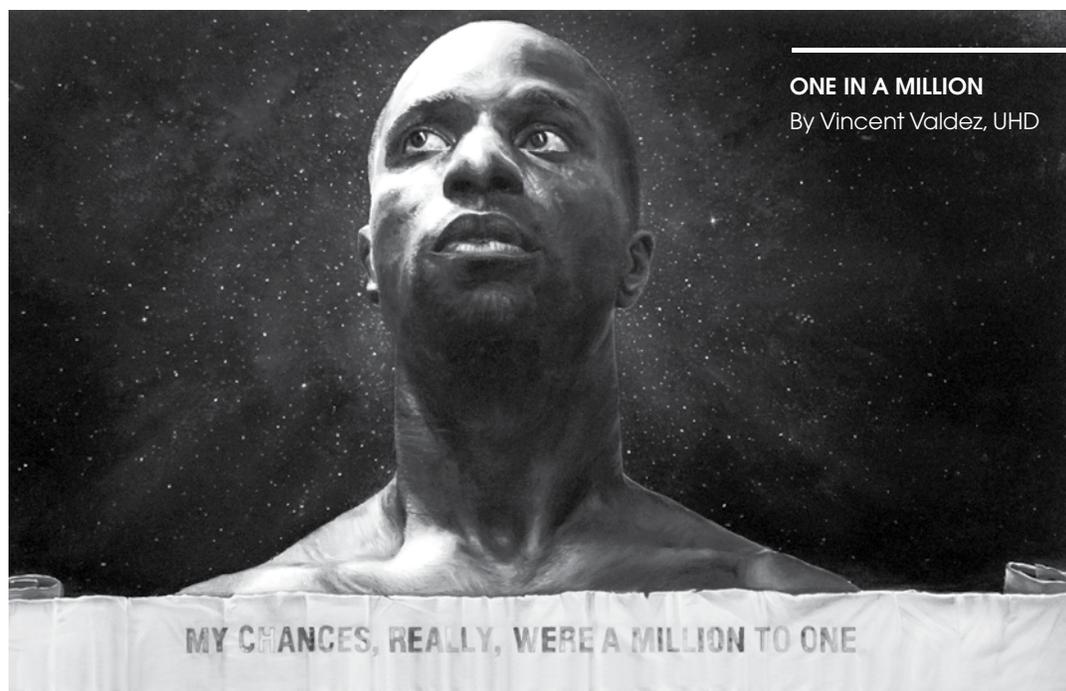
| | 2009 | 2008 |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 43,503,521 | \$ 42,230,302 |
| Proceeds from Loan Programs | 2,386,424 | 3,102,140 |
| Proceeds from Other Revenues | 9,175,305 | 20,885,527 |
| Payments to Suppliers for Goods & Services | (20,277,608) | (18,674,077) |
| Payments to Employees | (63,216,336) | (55,736,056) |
| Payments for Loans Provided | (2,100,396) | (3,298,366) |
| Payments for Other Expenses | (19,311,598) | (14,296,251) |
| Net Cash Provided (Used) by Operating Activities | (49,840,688) | (25,786,781) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 32,184,442 | 32,390,302 |
| Proceeds from Gifts | 1,866,444 | 2,256,952 |
| Proceeds from Endowments | 2,739,733 | (360,963) |
| Proceeds of Transfers from Other Funds | 410,496 | 566,854 |
| Proceeds from Other Revenues | 18,717,459 | |
| Payments for Other Uses | (1,543,692) | (1,940,859) |
| Net Cash Provided by Noncapital Financing Activities | 54,374,882 | 32,912,286 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Disposal of Capital Assets | | |
| Proceeds from Capital Financing Activities | 9,548,995 | 9,628,151 |
| Payments for Additions to Capital Assets | (6,200,024) | (4,603,263) |
| Payments of Principal & Interest on Debt Issuance | (6,453,033) | (6,525,412) |
| Net Cash Used by Capital and Related Financing Activities | (3,104,062) | (1,500,524) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Interest and Investment Income | (1,590,626) | (9,843,782) |
| Payments to Acquire Investments | | |
| Net Cash Provided by Investing Activities | (1,590,626) | (9,843,782) |
| Increase (Decrease) in Cash & Cash Equivalents | (160,494) | (4,218,801) |
| Cash & Cash Equivalents, September 1 | 22,344,532 | 26,563,333 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 22,184,038 | \$ 22,344,532 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (52,642,575) | \$ (33,126,299) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 6,464,096 | 6,453,777 |
| Classification Differences | | |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | (2,336,048) | (1,352,237) |
| (Increase) Decrease in Inventories | 7,228 | 4,073 |
| (Increase) Decrease in Other Assets | 931 | 36,724 |
| (Increase) Decrease in Prepaid Expenses | (649,822) | (452,736) |
| Increase (Decrease) in Payables | (996,398) | 1,259,380 |
| Increase (Decrease) in Deferred Income | 323,106 | 956,522 |
| Increase (Decrease) in Other Liabilities | (11,206) | 434,015 |
| Total Adjustments | 2,801,887 | 7,339,518 |
| Net Cash Provided by Operating Activities | \$ (49,840,688) | \$ (25,786,781) |

UNIVERSITY OF HOUSTON DOWNTOWN

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Cost of Goods Sold | \$ 897 | \$ 721 |
| Salaries & Wages | 51,787,458 | 47,165,073 |
| Payroll Related Costs | 11,489,458 | 11,203,122 |
| Professional Fees & Services | 6,059,757 | 6,146,236 |
| Federal Pass-Through Expenses | | 21,752 |
| Travel | 1,047,874 | 889,414 |
| Materials & Supplies | 4,913,375 | 4,369,945 |
| Communication & Utilities | 2,824,236 | 3,378,982 |
| Repairs & Maintenance | 1,994,851 | 1,642,567 |
| Rentals & Leases | 434,542 | 499,323 |
| Printing & Reproduction | 311,692 | 268,612 |
| Depreciation & Amortization | 6,464,096 | 6,453,777 |
| Interest | 28,437 | 22,711 |
| Scholarships | 16,600,815 | 12,908,918 |
| Claims & Losses | 88,081 | 86,282 |
| Other Operating Expenses | 2,996,500 | 2,195,154 |
| Total Operating Expenses | \$ 107,042,069 | \$ 97,252,589 |

| | | |
|---|-----------------------|----------------------|
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ 35,296,076 | \$ 33,415,465 |
| Research | 726,783 | 444,536 |
| Public Service | 2,670,150 | 2,530,517 |
| Academic Support | 13,782,381 | 12,672,567 |
| Student Services | 3,604,034 | 3,351,320 |
| Institutional Support | 16,524,270 | 14,847,793 |
| Physical Plant | 5,688,215 | 5,755,433 |
| Scholarships & Fellowships | 16,409,013 | 12,603,878 |
| Auxiliary Enterprises | 5,877,051 | 5,177,303 |
| Depreciation & Amortization | 6,464,096 | 6,453,777 |
| Total Expenses by Expenditure Function | \$ 107,042,069 | \$ 97,252,589 |





A



B



C



D



E



F

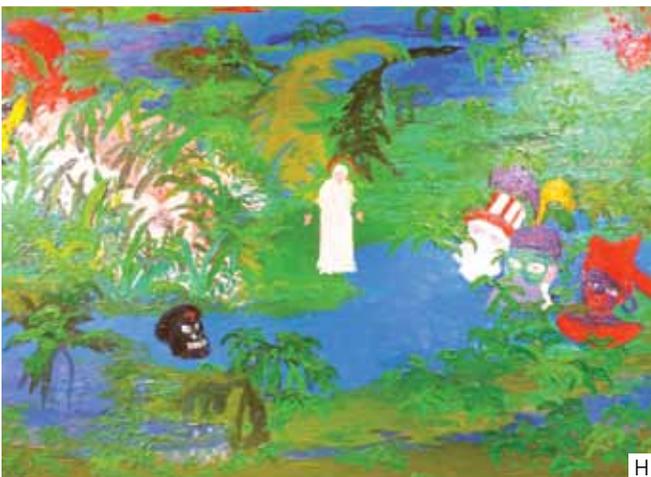


UH DOWNTOWN

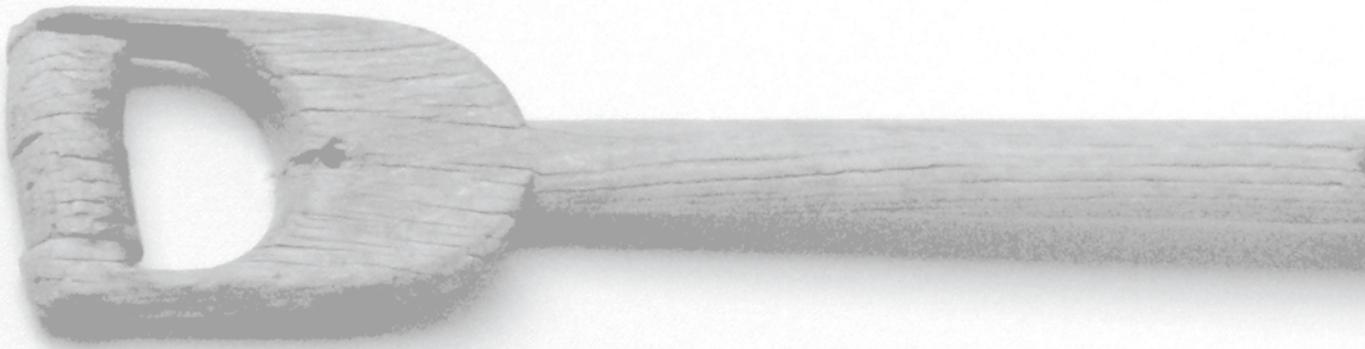
UH Downtown is the second largest campus in the University of Houston System. It is located on central business district acreage along the confluence of Buffalo and White Oaks Bayous. Its downtown location has not limited the choices for art enrichment on this campus. Steel and concrete sculptures as well as many other forms of art highlight the historical buildings that together make up the most ethnically diverse urban university in the southwest United States.

Passages, by Carter Ernst and Paul Kettleon, features a canoe hung from the outside wall of the Student Activities Building. The canoe is stainless steel treated to look like tree bark, with ceramic tiles in an arc under the canoe symbolizing the water of the bayous. A cluster of blue houses, *Stilt Houses* by Justin Berry, recalls the row houses that lined the streets in earlier years and brings back the sense of community we all crave. The oil on canvas titled *One in a Million* by Vincent Valdez is a striking view of the successes we hope to achieve.

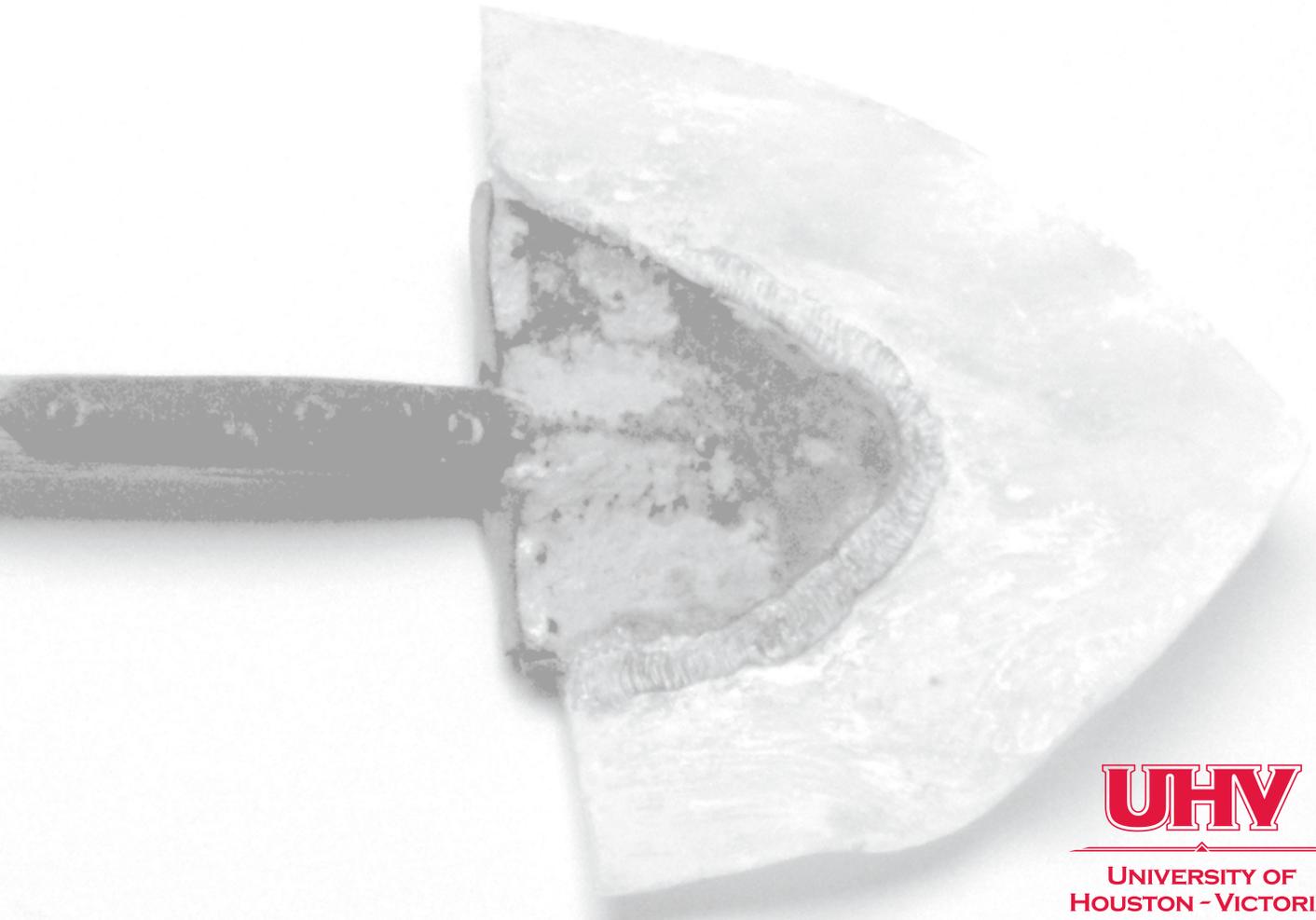
All of the rich tapestries, paintings and sculptures encourage study and contemplation as UH Downtown demonstrates its pride in graduates prepared for successful lives.



- A) *Contemplating Success*, by Floyd Newsome, UHD
- B) *Vogue Oswald and Lech Walesa*, by Derek Bosier, UHD
- C) *Passages*, by Carter Ernst and Paul Kettleon, UHD
- D) *Salt Marsh*, by John Bibbers, UHD
- E) *The Exhibition*, by Derek Bosier, UHD
- F) *The Middle Ages*, by Istavan Ban, UHD
- G) *Stilt Houses*, by Justin Berry, UHD
- H) *Mysteries, New Orleans*, by Derek Bosier, UHD
- I) *Untitled*, by Sandria Hu, UHD



TOOLS OF THOUGHT
By Neil Harshfield, UHV



UHV
UNIVERSITY OF
HOUSTON - VICTORIA

UHV

UHSA

UNIVERSITY OF HOUSTON VICTORIA

STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 7,840,287 | \$ 6,362,113 |
| Restricted Cash & Cash Equivalents | (5,210) | 61,486 |
| Loans & Contracts | 1,696,222 | 1,280,843 |
| Legislative Appropriations | 3,002,608 | 2,863,734 |
| Receivables | 6,052,647 | 6,585,616 |
| Deferred Charges | 1,519,854 | 419,276 |
| Total Current Assets | 20,106,408 | 17,573,068 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | (135,519) | (175,376) |
| Loans & Other Receivables | 16,561,090 | 27,697,962 |
| Investments | 98,767 | 71,009 |
| Capital Assets, Non-Depreciable | 1,154,956 | 1,094,426 |
| Capital Assets, Depreciable | 23,656,821 | 23,533,127 |
| Accumulated Depreciation | (10,586,473) | (9,644,443) |
| Total Noncurrent Assets | 30,749,642 | 42,576,705 |
| Total Assets | 50,856,050 | 60,149,773 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 1,894,805 | 1,785,502 |
| Deferred Revenues | 7,479,363 | 5,538,949 |
| Employees' Compensable Leave | 366,592 | 371,558 |
| Revenue Bonds Payable | 2,208,591 | 2,486,162 |
| Funds Held for Others | (18,546) | 684,606 |
| Total Current Liabilities | 11,930,805 | 10,866,777 |
| NONCURRENT LIABILITIES | | |
| Payables | 182 | 171 |
| Employees' Compensable Leave | 417,059 | 430,250 |
| Revenue Bonds Payable | 38,442,687 | 40,589,003 |
| Total Noncurrent Liabilities | 38,859,928 | 41,019,424 |
| Total Liabilities | 50,790,733 | 51,886,201 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 26,367,382 | 3,109,316 |
| Restricted, Debt Retirement | 2,526 | 5,751 |
| Restricted, Endowment Funds | 6,789,603 | 8,037,300 |
| Restricted, Other | 1,656,089 | 1,603,107 |
| Unrestricted | (34,750,283) | (4,491,902) |
| Total Net Assets | \$ 65,317 | \$ 8,263,572 |

UNIVERSITY OF HOUSTON VICTORIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Tuition & Fees, Net of Discounts | \$ 12,758,563 | \$ 11,158,461 |
| Sales of Goods & Services | 369,652 | 416,609 |
| Federal Revenue | 364,833 | 2,280,124 |
| State Grant Revenue | 820,426 | 228,412 |
| Other Grants & Contracts | 853,138 | 920,708 |
| Total Operating Revenues | 15,166,612 | 15,004,314 |
| OPERATING EXPENSES | | |
| Instruction | 14,541,399 | 14,607,482 |
| Research | 23,280 | 15,639 |
| Public Service | 711,812 | 717,399 |
| Academic Support | 5,450,908 | 5,364,676 |
| Student Services | 3,294,422 | 3,081,408 |
| Institutional Support | 3,757,280 | 3,980,685 |
| Operation & Maintenance of Plant | 2,193,299 | 2,347,921 |
| Scholarships & Fellowships | 1,220,614 | 2,683,547 |
| Auxiliary Enterprises | 8,301 | 11,742 |
| Depreciation & Amortization | 1,167,032 | 1,218,433 |
| Total Operating Expenses | 32,368,347 | 34,028,932 |
| Operating Income (Loss) | (17,201,735) | (19,024,618) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 18,252,372 | 19,525,231 |
| Gifts | 193,308 | 519,718 |
| Federal Revenue Non Operating | 1,160,728 | 0 |
| Investment Income | (657,368) | 1,102,075 |
| Interest Expense & Fiscal Charges | (1,976,394) | (870,713) |
| Other Nonoperating Revenues (Expenses) | (9,839,018) | (10,129,911) |
| Total Nonoperating Revenues (Expenses) | 7,133,628 | 10,146,400 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses & Transfers | (10,068,107) | (8,878,218) |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS | | |
| Higher Education Assistance Funds | 2,335,692 | 2,282,883 |
| Additions to Permanent & Term Endowments | 121,841 | 316,418 |
| Intercomponent Transfers | (447,086) | (13,065) |
| Transfers | (80,368) | (55,488) |
| Legislative Appropriations Lapsed | (60,227) | (2,445) |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | 1,869,852 | 2,528,303 |
| Change In Net Assets | (8,198,255) | (6,349,915) |
| Net Assets Beginning | 8,263,572 | 14,643,995 |
| Restatements | | (30,508) |
| Net Assets Beginning, as Restated | 8,263,572 | 14,613,487 |
| Net Assets, Ending | \$ 65,317 | \$ 8,263,572 |

UNIVERSITY OF HOUSTON VICTORIA

STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 15,471,754 | \$ 12,665,961 |
| Proceeds from Loan Programs | 2,784,346 | 63,225 |
| Proceeds from Other Revenues | 2,306,115 | 2,938,393 |
| Payments to Suppliers for Goods & Services | (7,043,268) | (7,583,014) |
| Payments to Employees | (21,962,008) | (21,192,333) |
| Payments for Loans Provided | (3,199,725) | (1,344,068) |
| Payments for Other Expenses | (3,203,969) | (3,937,202) |
| Net Cash Provided (Used) by Operating Activities | (14,846,755) | (18,389,038) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 18,053,270 | 18,121,922 |
| Proceeds from Gifts | 168,774 | 60,845 |
| Proceeds from Endowments | 1,506,032 | 316,418 |
| Proceeds of Transfers from Other Funds | 148,101 | 2,298,219 |
| Proceeds from Other Revenues | 1,160,728 | |
| Payments for Other Uses | (1,393,280) | (186,249) |
| Net Cash Provided by Noncapital Financing Activities | 19,643,625 | 20,611,155 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Debt Issuance | 9,820,804 | |
| Proceeds from Capital Financing Activities | 2,335,692 | 2,282,883 |
| Payments for Additions to Capital Assets | (415,085) | (389,564) |
| Payments of Principal & Interest on Debt Issuance | (14,224,246) | (4,577,128) |
| Net Cash Used by Capital & Related Financing Activities | (2,482,835) | (2,683,809) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Interest & Investment Income | 338,447 | 1,091,997 |
| Payments to Acquire Investments | (1,201,147) | (3,417,992) |
| Net Cash Provided by Investing Activities | (862,700) | (2,325,995) |
| Increase (Decrease) in Cash & Cash Equivalents | 1,451,335 | (2,787,687) |
| Cash & Cash Equivalents, September 1 | 6,248,223 | 9,035,910 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 7,699,558 | \$ 6,248,223 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (17,201,735) | \$ (19,024,618) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 1,167,032 | 1,218,433 |
| Bad Debt Expense | | |
| Classification Differences | (415,379) | (1,280,843) |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | 671,493 | (1,952,631) |
| (Increase) Decrease in Other Assets | (1,309) | (3,252) |
| (Increase) Decrease in Prepaid Expenses | (1,100,578) | (407,454) |
| Increase (Decrease) in Payables | 7,596 | 9,176 |
| Increase (Decrease) in Deferred Income | 1,940,413 | 2,889,310 |
| Increase (Decrease) in Other Liabilities | 85,712 | 162,841 |
| Total Adjustments | 2,354,980 | 635,580 |
| Net Cash Provided by Operating Activities | \$ (14,846,755) | \$ (18,389,038) |

UNIVERSITY OF HOUSTON VICTORIA

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Salaries & Wages | \$ 17,761,516 | \$ 17,189,947 |
| Payroll Related Costs | 4,180,199 | 4,167,073 |
| Professional Fees & Services | 3,349,821 | 3,170,796 |
| Travel | 663,163 | 705,670 |
| Materials & Supplies | 1,154,226 | 1,475,758 |
| Communication & Utilities | 832,793 | 1,197,701 |
| Repairs & Maintenance | 300,187 | 341,158 |
| Rentals & Leases | 559,611 | 553,962 |
| Printing & Reproduction | 97,449 | 107,390 |
| Depreciation & Amortization | 1,167,032 | 1,218,433 |
| Interest | 407 | 1,199 |
| Scholarships | 1,445,309 | 2,820,667 |
| Claims & Losses | 34,631 | 29,380 |
| Other Operating Expenses | 822,003 | 1,049,798 |
| Total Operating Expenses | \$ 32,368,347 | \$ 34,028,932 |

| | | |
|---|----------------------|----------------------|
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ 14,541,399 | \$ 14,607,482 |
| Research | 23,280 | 15,639 |
| Public Service | 711,812 | 717,399 |
| Academic Support | 5,450,908 | 5,364,676 |
| Student Services | 3,294,422 | 3,081,408 |
| Institutional Support | 3,757,280 | 3,980,685 |
| Physical Plant | 2,193,299 | 2,347,921 |
| Scholarships & Fellowships | 1,220,614 | 2,683,547 |
| Auxiliary Enterprises | 8,301 | 11,742 |
| Depreciation & Amortization | 1,167,032 | 1,218,433 |
| Total Expenses by Expenditure Function | \$ 32,368,347 | \$ 34,028,932 |



JAYA SUN III
By Casey Williams, UHV



A



B



C



D



E



UH VICTORIA

UH Victoria brings instruction to the students. Located in the heart of the Texas Coastal Bend UH Victoria houses many artistic accomplishments that make it a pleasure to work and study within it's halls.

2009 brought a new mascot to UH Victoria. The *Jaguar* by Harold Nichols will bring inspiration to current and future athletes representing the university. Hanging in the University Center are a series of what appear to be garden implements created from found objects and glass. Entitled *Tools of Thought* by Neil Harshfield, not only is it environmentally friendly, it reminds us that we should be aware of all of the tools available to continue educating ourselves. Beginning in front of the University Center, *Millennium Plaza* by William Fitzgibbons, draws the visitor through the campus area with small towers and pyramids that make it a pleasure to sit and study or wait for friends.



F



G



H

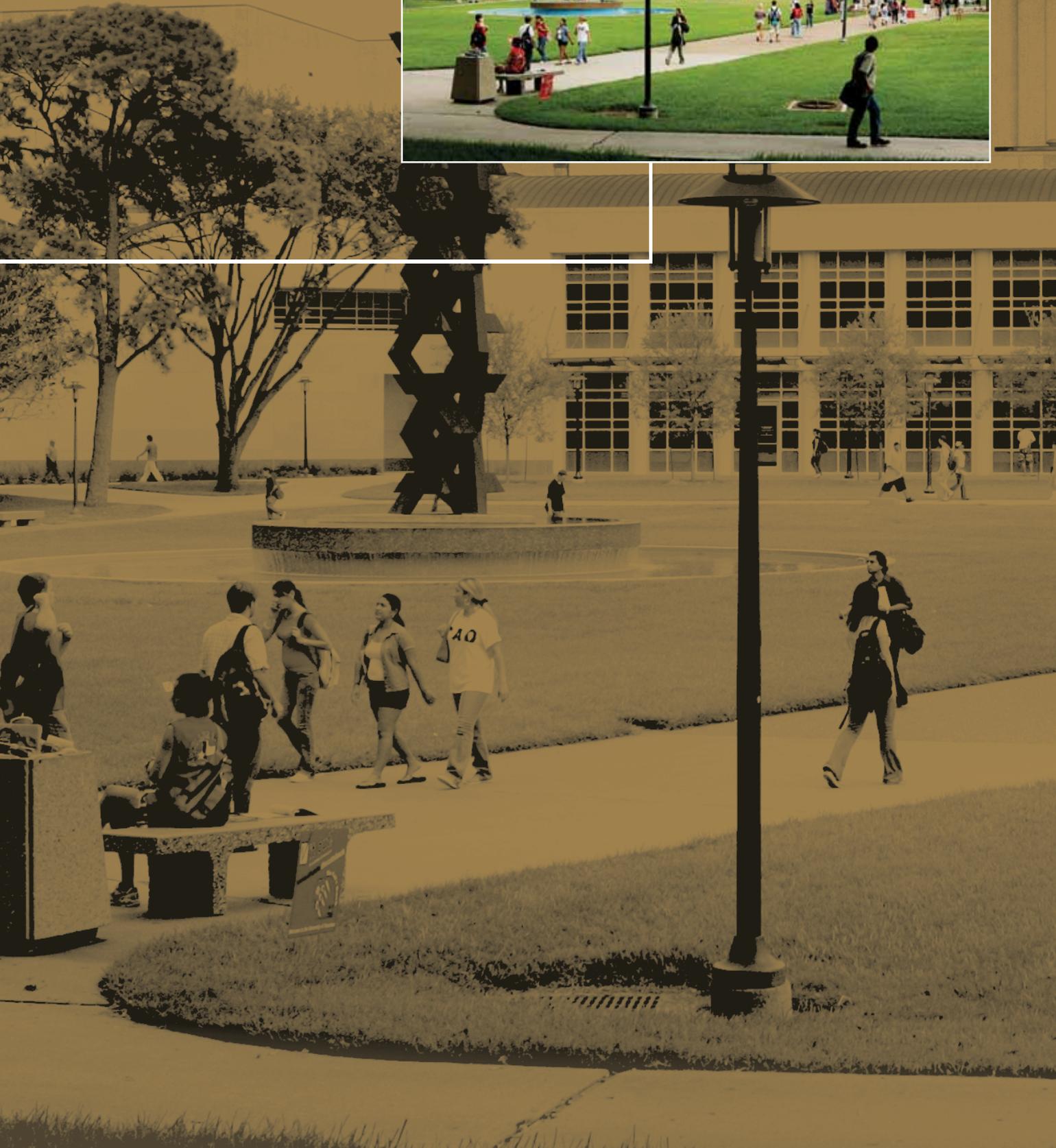
A, B, C) *Tronador*, by Casey Williams, UHV

D) *Koh Jin*, by Casey Williams, UHV

E) *Tools of Thought*, by Neil Harshfield, UHV

F) *Millennium Plaza*, by William Fitzgibbons, UHV

G, H) *Tools of Thought*, by Neil Harshfield, UHV





UNIVERSITY of HOUSTON
SYSTEM ADMINISTRATION

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION

STATEMENT OF NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash & Cash Equivalents | \$ 46,746,903 | \$ 51,282,955 |
| Short-term Investments | 164,320,758 | 131,629,931 |
| Restricted Cash & Cash Equivalents | 7,313,092 | 5,032,710 |
| Legislative Appropriations | 7,033,381 | 1,392,029 |
| Receivables | 3,117,503 | 5,855,681 |
| Deferred Charges | 24 | 24 |
| Total Current Assets | 228,531,661 | 195,193,330 |
| NON-CURRENT ASSETS | | |
| Restricted Cash & Cash Equivalents | (2,945,886) | (6,874,351) |
| Loans & Other Receivables | | 97,922 |
| Investments | 524,280,814 | 715,974,829 |
| Capital Assets, Non-Depreciable | 7,737,603 | 29,763,047 |
| Capital Assets, Depreciable | 45,181,549 | 11,058,974 |
| Accumulated Depreciation | (4,147,222) | (3,425,596) |
| Total Noncurrent Assets | 570,106,858 | 746,594,825 |
| Total Assets | 798,638,519 | 941,788,155 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Payables | 670,070,069 | 683,500,816 |
| Deferred Revenues | 4,854 | 5,754 |
| Employees' Compensable Leave | 465,564 | 397,402 |
| Funds Held for Others | 14,608 | 11,133 |
| Total Current Liabilities | 670,555,095 | 683,915,105 |
| NONCURRENT LIABILITIES | | |
| Payables | 1 | 43 |
| Employees' Compensable Leave | 529,656 | 460,178 |
| Total Noncurrent Liabilities | 529,657 | 460,221 |
| Total Liabilities | 671,084,752 | 684,375,326 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 49,225,029 | 28,246,392 |
| Restricted, Debt Retirement | 221,015 | |
| Restricted, Capital Projects | 14,270 | 3,373,259 |
| Restricted, Endowment Funds | 74,299,926 | 177,684,522 |
| Restricted, Other | 8,980,735 | 8,328,065 |
| Unrestricted | (5,187,208) | 39,780,591 |
| Total Net Assets | \$ 127,553,767 | \$ 257,412,829 |

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Sales of Goods & Services | \$ 374,538 | \$ |
| Federal Revenue | 42,214 | |
| State Grant Revenue | 65,283 | 30,176 |
| Other Grants & Contracts | 1,750,000 | |
| Total Operating Revenues | 2,232,035 | 30,176 |
| OPERATING EXPENSES | | |
| Research | 1,186,901 | 1,146,923 |
| Public Service | 65,000 | 30,000 |
| Academic Support | 4,712,311 | 3,672,233 |
| Student Services | 277,400 | 244,444 |
| Institutional Support | 6,835,817 | 7,993,687 |
| Operation & Maintenance of Plant | 920,910 | 1,026,326 |
| Scholarships & Fellowships | 101,722 | 42,480 |
| Depreciation & Amortization | 672,123 | 895,876 |
| Total Operating Expenses | 14,772,184 | 15,051,969 |
| Operating Income (Loss) | (12,540,149) | (15,021,793) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Legislative Revenue | 11,648,980 | 4,111,149 |
| Gifts | 39,924 | 615,210 |
| Investment Income | (140,680,556) | 40,827,433 |
| Other Nonoperating Revenues (Expenses) | 19,408,630 | 9,448,833 |
| Total Nonoperating Revenues (Expenses) | (109,583,022) | 55,002,625 |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers | (122,123,171) | 39,980,832 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS | | |
| Additions to Permanent & Term Endowments | 11,000 | 6,758,844 |
| Intercomponent Transfers | (6,597,012) | (11,212,589) |
| Legislative Appropriations Lapsed | (1,148,705) | |
| Total Other Revenues, Expenses, Gains, Losses & Transfers | (7,734,717) | (4,453,745) |
| Change In Net Assets | (129,857,888) | 35,527,087 |
| Net Assets Beginning | 257,412,829 | 221,885,742 |
| Restatements | (1,174) | |
| Net Assets Beginning, as Restated | 257,411,655 | 221,885,742 |
| Net Assets, Ending | \$ 127,553,767 | \$ 257,412,829 |

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION
STATEMENT OF CASH FLOWS • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds Received from Students & Customers | \$ 374,589 | \$ |
| Proceeds from Other Revenues | 2,389,925 | 30,066 |
| Payments to Suppliers for Goods & Services | (6,217,407) | (7,354,547) |
| Payments to Employees | (9,241,906) | (10,305,617) |
| Payments for Other Expenses | (919,643) | (989,350) |
| Net Cash Provided (Used) by Operating Activities | (13,614,441) | (18,619,448) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from State Appropriations | 4,858,923 | 3,384,594 |
| Proceeds from Gifts | 1,972,462 | 1,602,610 |
| Proceeds from Endowments | 11,000 | 16,242,604 |
| Proceeds of Transfers from Other Funds | 27,218,235 | 18,464,949 |
| Proceeds from Other Revenues | | |
| Payments for Other Uses | (61,023,819) | (18,349,113) |
| Net Cash Provided by Noncapital Financing Activities | (26,963,199) | 21,345,644 |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | |
| Proceeds from Capital Financing Activities | 38,560,738 | |
| Payments for Additions to Capital Assets | (12,047,628) | (250,522) |
| Payments of Principal & Interest on Debt Issuance | (1,641,865) | |
| Net Cash Used by Capital & Related Financing Activities | 24,871,245 | (250,522) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sales of Investments | 545,005,595 | 730,804,385 |
| Proceeds from Interest & Investment Income | 3,610,326 | 206,826,673 |
| Payments to Acquire Investments | (531,236,730) | (921,680,893) |
| Net Cash Provided by Investing Activities | 17,379,191 | 15,950,165 |
| Increase (Decrease) in Cash & Cash Equivalents | 1,672,795 | 18,425,839 |
| Cash & Cash Equivalents, September 1 | 49,441,314 | 31,015,475 |
| Restatements to Beginning Cash & Cash Equivalents | | |
| Cash & Cash Equivalents, August 31 | \$ 51,114,109 | \$ 49,441,314 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| Provided (Used) by Operating Activities | | |
| OPERATING INCOME (LOSS) | \$ (12,540,149) | \$ (15,021,793) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH | | |
| PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Amortization & Depreciation | 672,123 | 895,876 |
| Classification Differences | | (4,415,878) |
| CHANGES IN ASSETS & LIABILITIES | | |
| (Increase) Decrease in Receivables & Loans | 2,211,358 | (110) |
| (Increase) Decrease in Other Assets | (106) | |
| (Increase) Decrease in Prepaid Expenses | | 119,160 |
| Increase (Decrease) in Payables | (2,968,441) | |
| Increase (Decrease) in Deferred Income | (900) | |
| Increase (Decrease) in Other Liabilities | (988,327) | (196,703) |
| Total Adjustments | (1,074,293) | (3,597,655) |
| Net Cash Provided by Operating Activities | \$ (13,614,442) | \$ (18,619,448) |

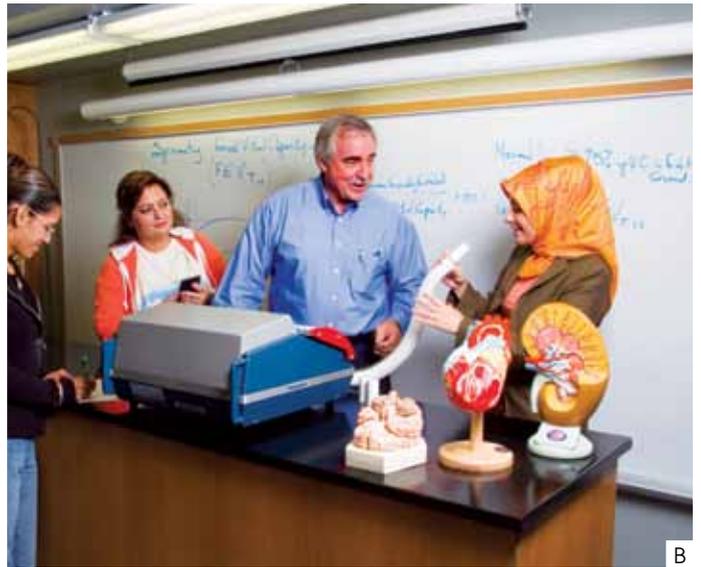
UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION

SCHEDULE OF OPERATING EXPENSES • for the Year Ended August 31, 2009

| | 2009 | 2008 |
|---|----------------------|----------------------|
| EXPENSES BY NATURAL CLASSIFICATION | | |
| Salaries & Wages | \$ 7,864,329 | \$ 6,627,991 |
| Payroll Related Costs | 2,067,122 | 1,681,016 |
| Professional Fees & Services | 1,121,015 | 3,877,334 |
| Travel | 114,907 | 150,149 |
| Materials & Supplies | 512,992 | 255,903 |
| Communication & Utilities | 651,528 | 199,977 |
| Repairs & Maintenance | 173,113 | 120,319 |
| Rentals & Leases | 259,535 | 206,305 |
| Printing & Reproduction | 47,500 | 35,328 |
| Depreciation & Amortization | 672,123 | 895,876 |
| Interest | 397 | 700 |
| Scholarships | 804,339 | 745,097 |
| Claims & Losses | 153,000 | 11,909 |
| Other Operating Expenses | 330,284 | 244,065 |
| Total Operating Expenses | \$ 14,772,184 | \$ 15,051,969 |
| EXPENSES BY FUNCTIONAL CLASSIFICATION | | |
| Instruction | \$ | \$ |
| Research | 1,186,901 | 1,146,923 |
| Public Service | 65,000 | 30,000 |
| Academic Support | 4,712,311 | 3,672,233 |
| Student Services | 277,400 | 244,444 |
| Institutional Support | 6,835,817 | 7,993,687 |
| Operation & Maintenance of Plant | 920,910 | 1,026,326 |
| Scholarships & Fellowships | 101,722 | 42,480 |
| Depreciation & Amortization | 672,123 | 895,876 |
| Total Expenses by Expenditure Function | \$ 14,772,184 | \$ 15,051,969 |



SCIENCE STUDENTS
UHV





UH SYSTEM ADMINISTRATION

Created in 1977 by the Texas Legislature, the University of Houston System Administration is the administrative element of the group of universities that brings higher education to post-secondary students along the southeast Texas coast. At inception, the group consisted of the University of Houston and The University of Houston at Clear Lake. The University of Houston Downtown College was added soon after, then followed by the University of Houston at Victoria. Through numerous name changes and sharpened goals, the group today has become a powerhouse of educational and research opportunities in Texas and the world. The University of Houston, the University of Houston – Clear Lake, the University of Houston – Downtown and the University of Houston – Victoria along with two teaching centers at Cinco Ranch and Sugarland form a strong and productive chain of educational institutions dedicated to student success, national competitiveness and the attainment of Tier One Status. With this status, the universities will be able to attract students and research dollars that drive the economic engines supporting Texas and the world. The success of students and the research and problem-solving skills they develop here will create a better world for all.

All of these pages are students in various locations learning.

- A) UH Professional Writing
- B) UH Science Lab
- C) UH Language Class
- D) Computer Lab, UHCL
- E) Graduating Class, UH
- F) UHV Students
- G) UHCL Classroom
- H) M.D. Anderson Library



F



G



H

UHS-A WORLD CLASS ARTS DESTINATION

The presence of art on university campuses reflects the wisdom that the training provided there should be more than mathematics, more than literature, more than business. It is about the development of the complete graduate. An understanding and appreciation of art is a vital part of everything that is learned in the years spent as a university student. Art itself makes a statement that elevates the minds around it.

The University of Houston has a long history of sponsorship for world class artists beginning in 1964 when an exhibition of the paintings of Ari Stillman came to the university for a brief period. In 1966 the UH Board of Governors (precursor of the UHS Board of Regents) adopted a policy that set aside one percent of the cost of future construction for art acquisition. That policy is now UH System Board of Regents Policy 53.01.1 which states in part:

"This policy pertains to construction projects in excess of \$1,000,000 involving construction of a new building or the addition of square footage to an existing building. One percent of the construction costs shall be allocated for the acquisition of art for the project."

The Texas Legislature has since enacted a statewide 1% for Art Program, making Texas a member of a group of a small number of states that give public art a prominent place in every new public building. An advisory committee reporting to the UHS Board of Regents was formed to aid in the selection of notable pieces created for the 1% for Art Program.

Through the years, as the University has expanded to become an ever greater member of the Texas higher education community, art purchases have made an impression that will last a very long time. The university's current Tier One Initiative includes an Arts Initiative that states:

"The Arts Initiative will position UH as a world class arts destination and as a national innovator in commissioning new work, employing and training thousands of artists and sponsoring world class arts series."

In addition to the pieces commissioned by the university, many of the generous university donors allow the exhibition of their personal art for the pleasure of students, faculty and staff.

There are many indoor and outdoor public art locations at the University, including an exclusive exhibition of Ari Stillman, whose works began the quest to bring art to UH in 1964. A landmark work at UH Clear Lake is a Pablo Serrano piece named "Spiritus Mundi". There is an inspiring mural by Vincent Valdez entitled "One in a Million" at UH Downtown and a beautiful brushed metal sculpture, "Brazos Trace", depicting the Brazos River in the rotunda at UH Sugarland. There are a variety of interesting local pieces at UH Victoria.

With the preservation of existing collections, as well as each new acquisition, the university brightens a corner of its world enhancing the academic experience for the university community, the passerby and the community at large.

PICTURE CREDITS

COVER

Front right: Tower of the Cheyenne, by Peter Forakis, UH
Front left: Prayer Meeting, by John Scott, UHCL
Back upper left: Distinguished Alumni Fountain, UHCL
Back lower right: Contemplation, by Tom Sayre, UH
Back lower left: Millennium Plaza, William Fitzgibbons, UHV

INSIDE COVER

Upper right: Euphonia, by Frank Stella, UH
Lower left: A Comma A, by Jim Sanborn, UH
Page 1: Tools of Thought, by Neil Harshfield, UHV
Pages 2-3: Cougar, by R.T. Wallen, UH

UNIVERSITY OF HOUSTON SYSTEM

Page 4: Millennium Plaza, by William Fitzgibbons, UHV
Page 5: Euphonia, by Frank Stella, UH
Page 6: Psychromie, by Pablo Cruz-Diez, UH
Page 7: Brazos Trace, by Rob Ziebell and Elizabeth Ward, UHS, Sugarland
Page 8: UH Wall of Honor, UH
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Page 13: Genesis II, by Robert Ezell, UH Cinco Ranch
Page 14: Healing Nature, by Tom Glover
Page 15: Salon Mexico, by Ari Stillman, UH
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UNIVERSITY OF HOUSTON CLEAR LAKE

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(D) Distinguished Alumni Fountain, UHCL
(E) Horse and Rider, by Dennis Black, UHCL
Page 47: (F) Untitled, by Richard Stout, UHCL
(G) Time the Bridge of Doors, by Dorothy Hood, UHCL
(H) Russian Quadriptych, UHCL

UNIVERSITY OF HOUSTON DOWNTOWN

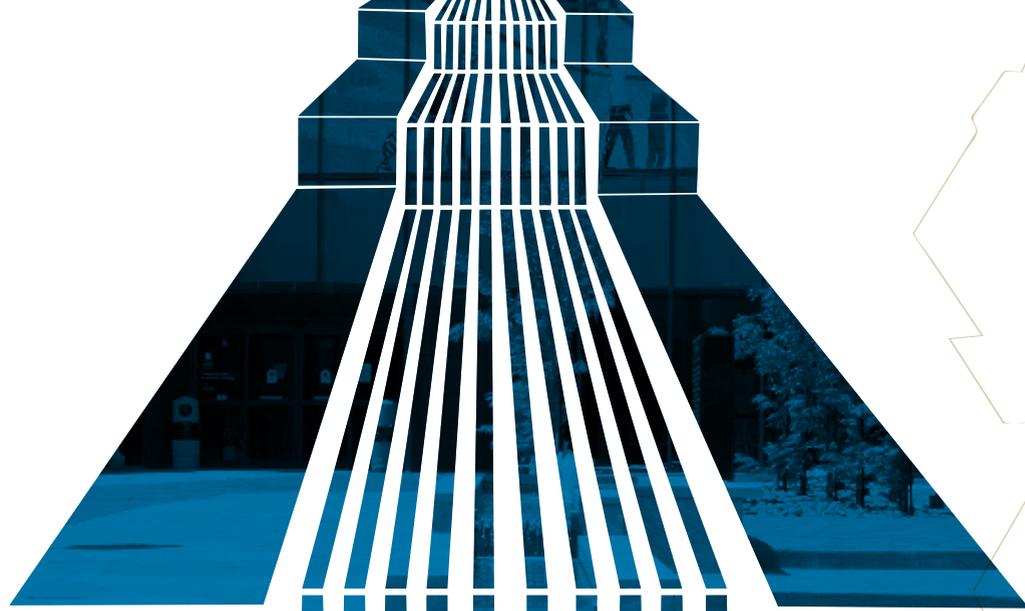
Page 48-49: Contemplating Success, by Floyd Newsome, UHCL
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(C) Passages, by Carter Ernst and Paul Kittleson, UHCL
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(I) Untitled, by Sandria Hu, UHCL

UNIVERSITY OF HOUSTON VICTORIA

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UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION

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(H) M.D. Anderson Library



University of Houston

University of Houston
Clear Lake

University of Houston
Downtown

University of Houston
Victoria

University of Houston
System Administration

