

ORGANIZATIONAL DATA

As of August 31, 2011

BOARD OF REGENTS

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

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

CARROLL ROBERTSON RAY, HOUSTON
Term Expires August 31, 2011

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

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

MICHELE "MICA" MOSBACHER, HOUSTON
Term Expires August 31, 2013

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

TAMECIA GLOVER HARRIS, HOUSTON
Term expires May 31, 2012

OFFICERS OF THE BOARD (FISCAL YEAR 2011)

CARROLL ROBERTSON RAY
Chair

NELDA LUCE BLAIR
Vice Chair

MICHELE "MICA" MOSBACHER
Secretary

OFFICERS OF THE BOARD (FISCAL YEAR 2012)

NELDA LUCE BLAIR
Chair

MICHELE "MICA" MOSBACHER
Vice Chair

JARVIS V. HOLLINGSWORTH
Secretary

ADMINISTRATIVE OFFICERS

RENU KHATOR
Chancellor

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

CARL P. CARLUCCI
Executive Vice Chancellor
for Administration & Finance

MICHAEL J. LAWRENCE
Interim Vice Chancellor
for Student Affairs

GROVER S. CAMPBELL
Vice Chancellor
for Governmental Relations

RATHINDRA N. BOSE
Vice Chancellor
for Research and Technology Transfer

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

RENU KHATOR
President
University of Houston

WILLIAM A. STAPLES
President
UH Clear Lake

WILLIAM V. FLORES
President
UH Downtown

PHILIP D. CASTILE
President
UH Victoria



MESSAGE FROM THE CHANCELLOR

The University of Houston 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. On the following pages, we are pleased to present the UH System’s Annual Financial Report for Fiscal Year 2011 as a way to provide our many constituencies with clear and transparent assurances of such accountability.

As the only metropolitan university system in Texas, we serve a region of the state that accounts for almost a quarter of its population and almost a third of its gross product. The UH System has a \$3.1 billion yearly economic impact on the region, and provides the intellectual and human capital necessary for Houston and Texas to grow and prosper.

Our 67,000 students receive a world-class education at our four universities (University of Houston, UH-Clear Lake, UH-Downtown, UH-Victoria), at the University of Houston Sugar Land Campus, at the UH-Clear Lake Pearland Campus, and at teaching centers in Northwest Houston, Cinco Ranch, and the Texas Medical Center.

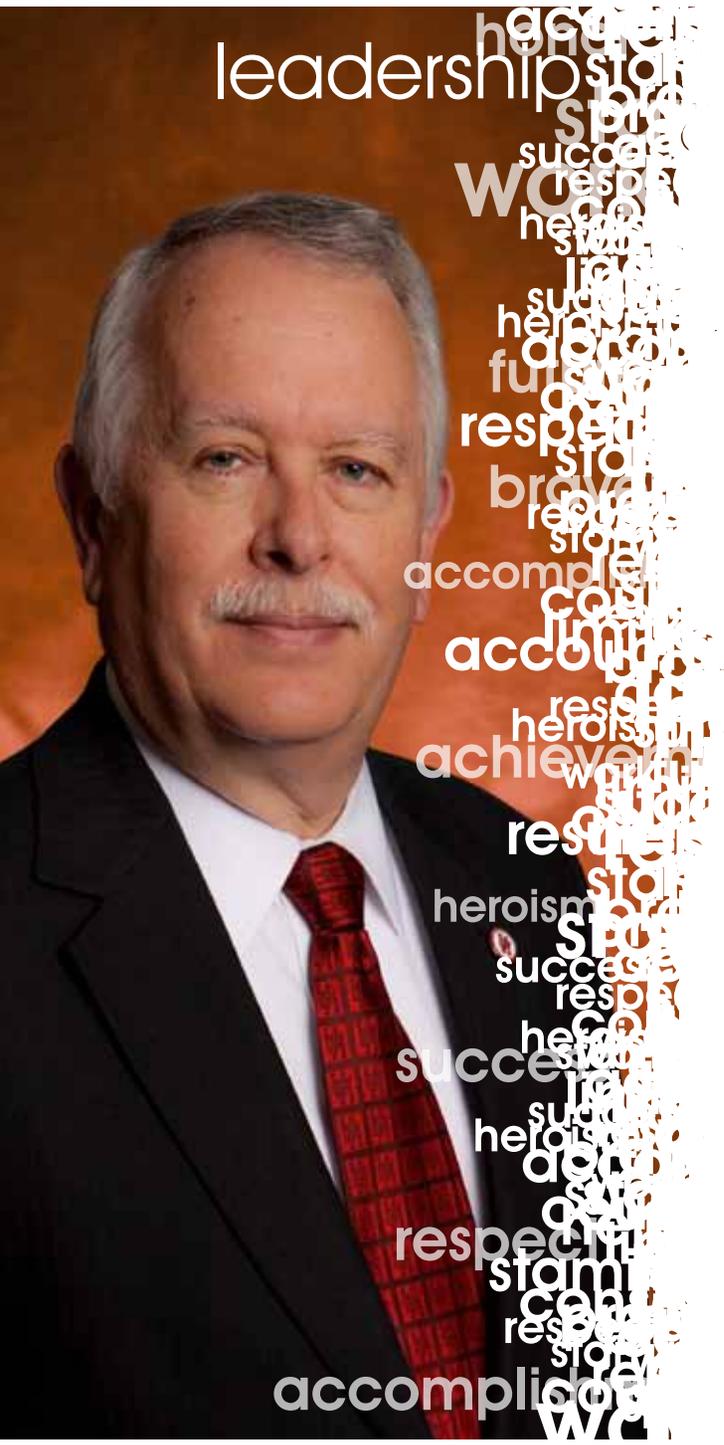
Reflecting the UH System’s top institutional priority, the pictorial theme of this year’s Annual Financial Report is “student access and success.” Whether offering multiple modes and locations to receive instruction, portability of coursework between universities, affordable tuition and generous financial aid programs, or the opportunity to study and live in multicultural environments that prepare our

students to succeed in the modern world, the UH System component universities work diligently and creatively to ensure student access and success.

The UH System is proud of our remarkable past, marked with great scholarly, research, community service, and academic achievements, and proud of an even brighter future as we continue our focused and determined drive to achieve increased national recognition 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.

We look forward to the 2011-2012 academic year and the 2012 fiscal year with great expectations and the promise of additional successes in our intitutional quest of providing student access and success.

RENU KHATOR
 CHANCELLOR, UH SYSTEM
 PRESIDENT, UNIVERSITY OF HOUSTON



MESSAGE FROM THE EXECUTIVE VICE CHANCELLOR

On behalf of the University of Houston System, I am pleased to submit to you our annual financial report for the fiscal year ended August 31, 2011. Within the contents of this presentation you will have the opportunity to review our financial statements and examine the results of financial activities and operations within the UH System.

The data and graphics included in the accompanying narrative are designed to enable analysis of significant financial events and accomplishments. Our faculty, staff, and administrators are dedicated and committed to our responsibility to provide our students and our community a world class level of instruction, research, and community support.

This report contains financial statements that have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the UH System. We believe our system of internal controls is sound and sufficient, thereby ensuring the System's accountability to the public.

I join with all the UH System's administrators, as well as our academic and administrative management, in reaffirming our resolve to provide sound leadership for the System through the exercise of prudent financial direction and decisions and budgetary discipline. During 2011 universities and higher education institutions have contended with financial stresses on a scale unprecedented in recent

U.S. economic history. We have engaged in a rigorous self examination of resources, goals, and priorities, with the objectives of maintaining a stable financial environment within our academic units. At the same time, we have pursued opportunities for growth and enhanced delivery of services.

Throughout the 2011 fiscal year, the UH System prudently allocated resources for the continuance of three system-wide objectives: 1) National Competitiveness - remaining known as one of the best metropolitan higher education systems in the nation; 2) Student Success - providing access to the System's instructional and research resources to the citizens of the greater Houston region and the state and providing the means to enable student success; and 3) Community Advancement - engaging with the community to provide an engine for social and economic advancement. Achievements at all campuses within the system have been strong, as indicated by increases during 2011 in our performance measures for enrollment, degrees awarded, research expenditures, and annual giving. With improving performance on most of our key progress measures, the System is poised for continued success in the coming years. To harness this potential, UH System universities have engaged in strategic planning activities, which have resulted in establishing five and ten year targets for enrollment and research that correspond to campus mission statements.

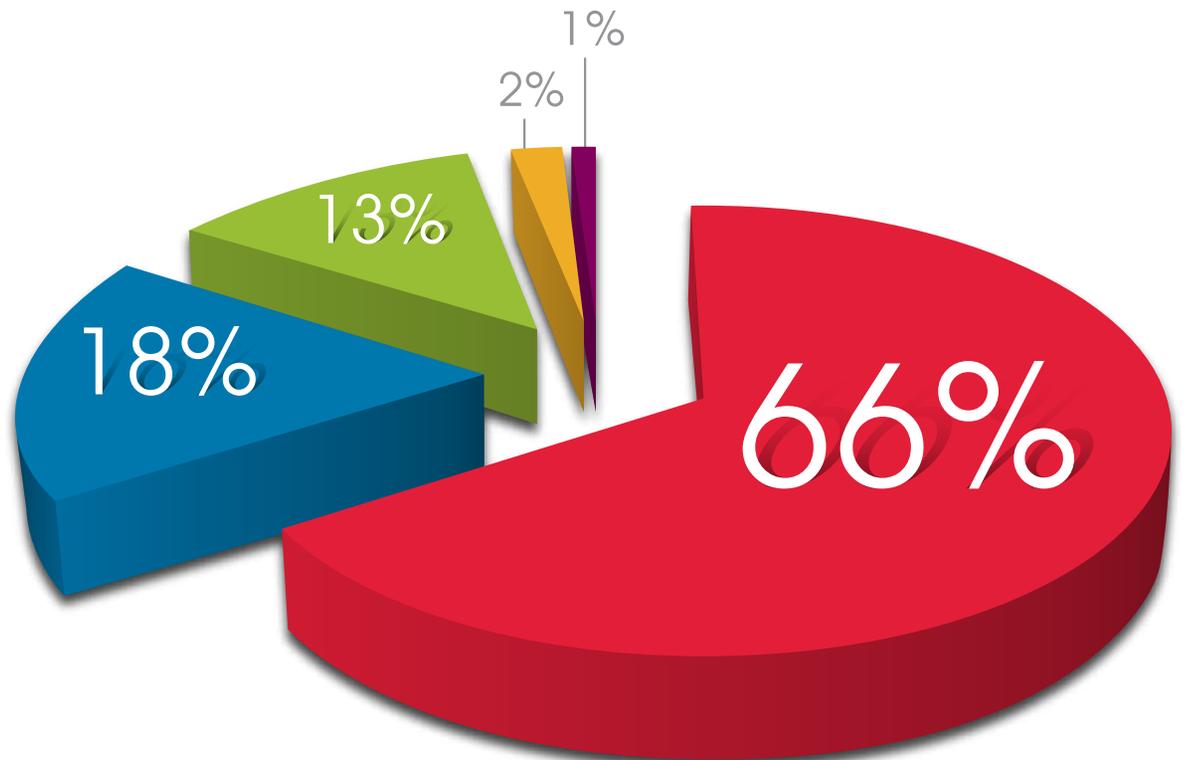
CARL CARLUCCI
EXECUTIVE VICE CHANCELLOR
FOR ADMINISTRATION AND FINANCE

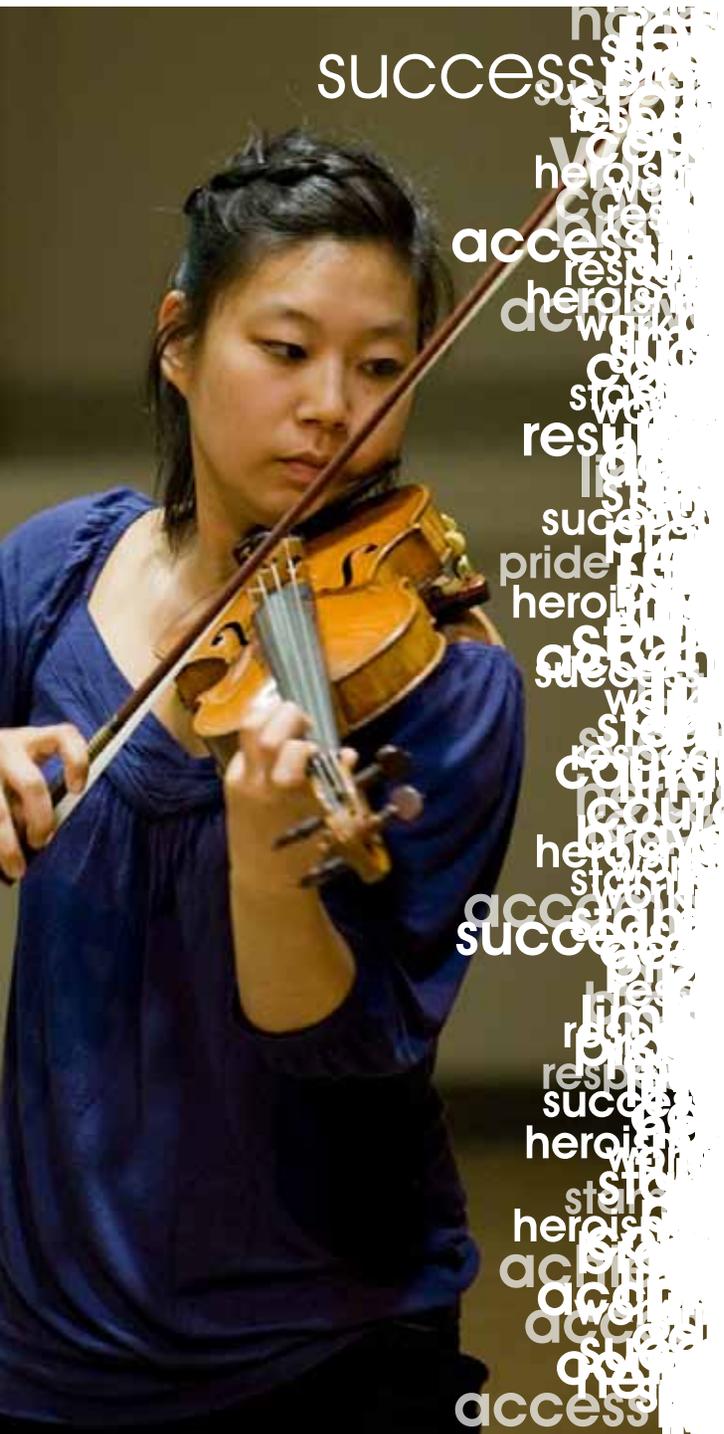


FINANCIAL HIGHLIGHTS

UNIVERSITY OF HOUSTON SYSTEM - LIABILITIES
For the Year Ended August 31, 2011

	2011	%	
Bonds Payable	\$ 674,970,493	66	●
Deferred Revenue	181,832,741	18	●
Payables & Accrued Liabilities	127,496,476	13	●
Accrued Compensable Absences Payable	23,932,068	2	●
Funds Held for Others	9,506,475	1	●
TOTAL LIABILITIES	\$ 1,017,738,253	100	

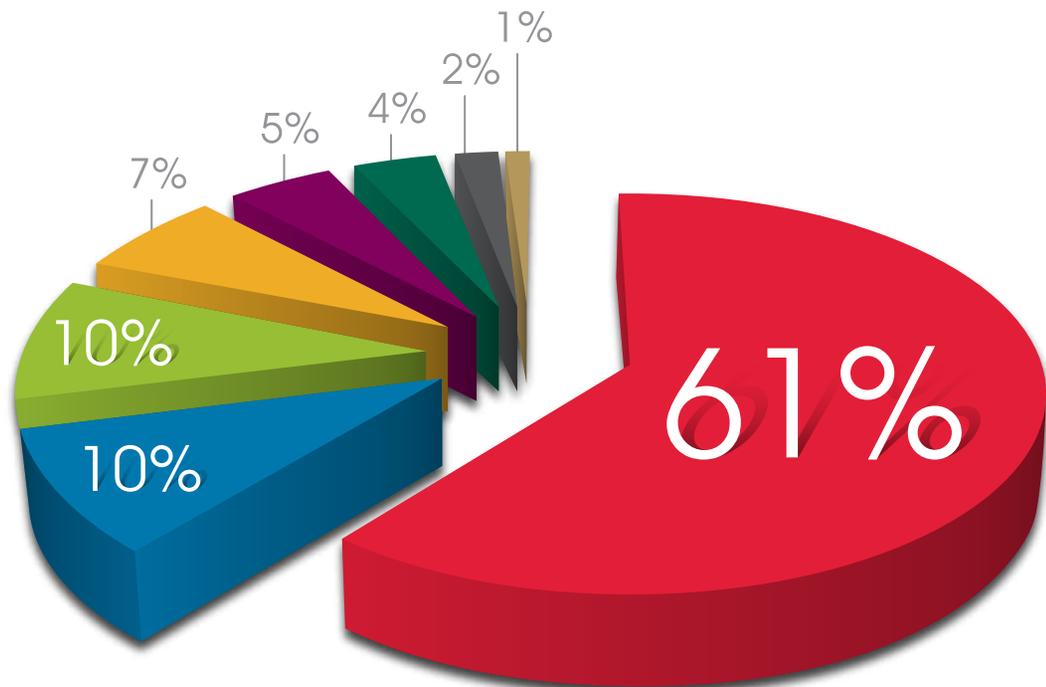




FINANCIAL HIGHLIGHTS

UNIVERSITY OF HOUSTON SYSTEM - OPERATING EXPENSES NATURAL CLASSIFICATION
For the Year Ended August 31, 2011

	2011	%	
Salaries & Benefits	\$ 623,472,021	61	●
Supplies, Office Operations, Travel	107,040,323	10	●
Scholarships	102,013,345	10	●
Depreciation	68,166,442	7	●
Communication & Utilities	44,989,108	5	●
Other Operating Expenses	40,726,280	4	●
Financing & Legal	24,394,618	2	●
Repairs & Maintenance	14,073,497	1	●
TOTAL OPERATING EXPENSES (NATURAL)	\$ 1,024,875,634	100	

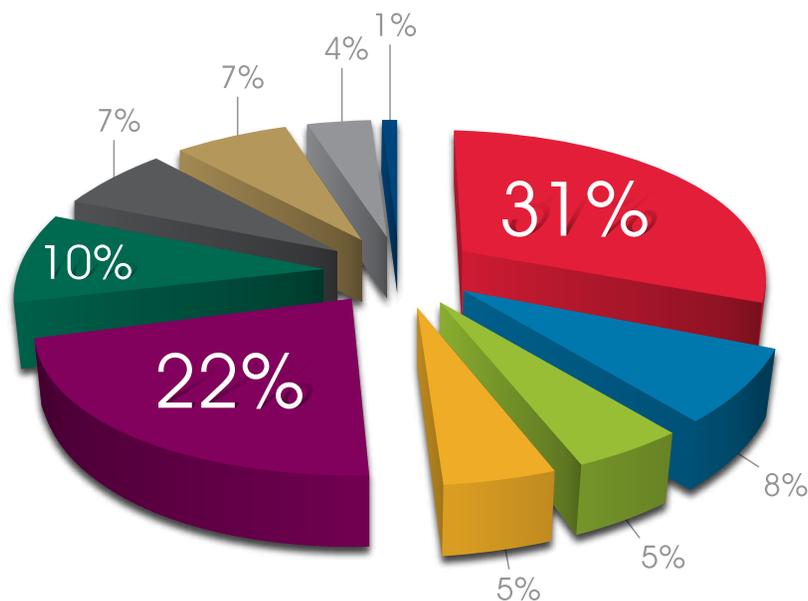


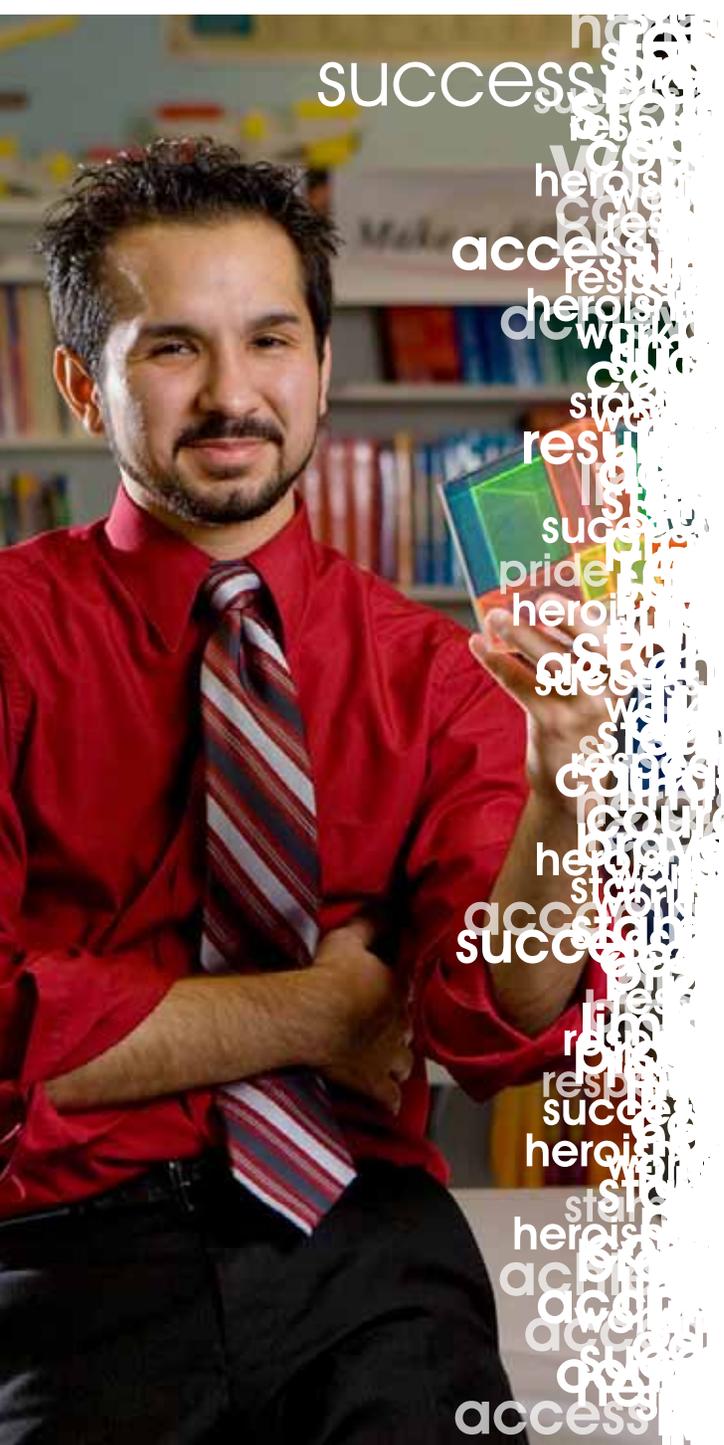


FINANCIAL HIGHLIGHTS

UNIVERSITY OF HOUSTON SYSTEM - TOTAL REVENUE
For the Year Ended August 31, 2011

	2011	%
OPERATING REVENUES		
Tuition & Fees, Net of Discounts	\$ 388,544,719	31
Sales of Goods & Services	99,112,343	8
Federal Contracts & Grants	65,793,464	5
All Other Contracts & Grants	66,661,426	5
NON-OPERATING REVENUES		
Legislative Sources	273,572,801	22
Federal Revenue	123,028,160	10
Other Revenue	93,814,085	7
Gifts	83,887,077	7
Other Appropriations	50,929,094	4
Endowment Additions	15,855,061	1
TOTAL REVENUES	\$ 1,261,198,230	100

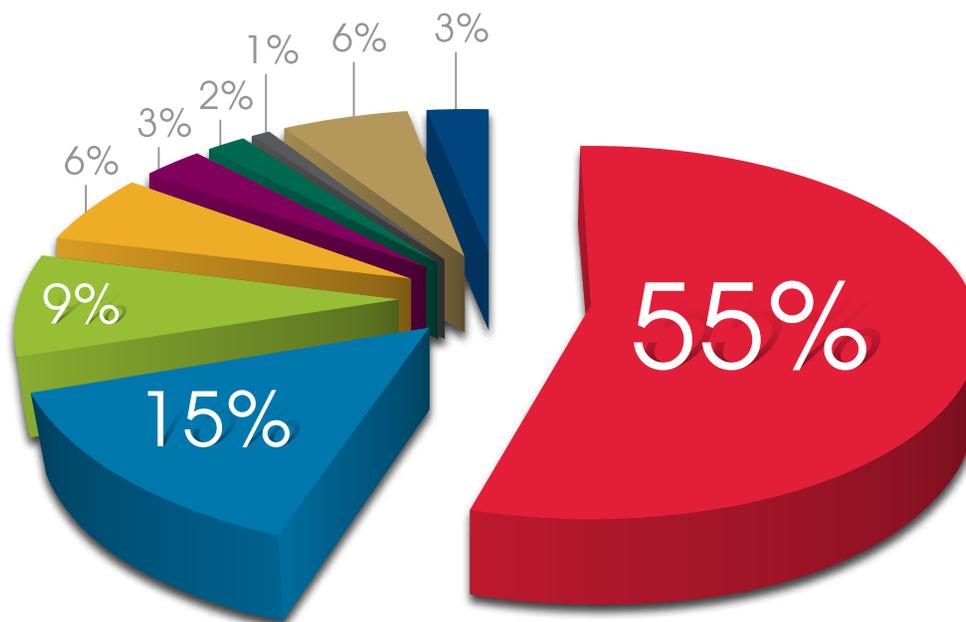




FINANCIAL HIGHLIGHTS

UNIVERSITY OF HOUSTON SYSTEM - TOTAL EXPENSES
For the Year Ended August 31, 2011

	2011	%
OPERATING EXPENSES		
Salaries & Benefits	\$ 623,472,021	55
Office Operations & Supplies	166,102,929	15
Scholarships	102,013,345	9
Depreciation & Amortization	68,166,442	6
Other Operating Expenses	37,786,420	3
Financing & Legal	24,394,618	2
Pass Through Expenses	2,939,859	1
NON-OPERATING EXPENSES		
Non-Operating Expenses	71,037,988	6
Interest Expense	31,833,559	3
TOTAL EXPENSES	\$ 1,127,747,181	100



FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS		2011	2010	LIABILITIES		2011	2010		
<i>CURRENT ASSETS</i>				<i>CURRENT LIABILITIES</i>					
Cash & Cash Equivalents	\$	218,706,890	\$	170,601,429	Payables	\$	77,662,089	\$	74,197,131
Short-term Investments		149,170,220		195,383,126	Deferred Revenues		181,832,741		172,822,420
Restricted Cash & Cash Equivalents		(11,615,602)		16,329,448	Notes & Loans Payable		42,141,000		10,000,000
Loans & Contracts		7,502,187		15,503,818	Employees' Compensable Leave		11,470,640		10,963,773
Legislative Appropriations		89,218,141		108,068,914	Revenue Bonds Payable		28,523,915		27,383,915
Receivables		121,424,935		93,350,241	Claims & Judgments Payable		307,667		387,792
Inventories		2,079,897		2,208,028	Capital Lease Obligations		366,160		—
Deferred Charges		46,470,144		49,309,449	Funds Held for Others		9,506,475		12,843,326
TOTAL CURRENT ASSETS	\$	622,956,812	\$	650,754,453	TOTAL CURRENT LIABILITIES	\$	351,810,687	\$	308,598,357
<i>NON-CURRENT ASSETS</i>				<i>NON-CURRENT LIABILITIES</i>					
Restricted Cash & Cash Equivalents	\$	116,564,993	\$	90,186,098	Claims & Judgments Payable	\$	12,742	\$	14,443
Loans & Other Receivables		18,636,900		24,516,231	Employees' Compensable Leave		12,461,428		12,166,550
Investments		611,561,274		553,197,848	Revenue Bonds Payable		646,446,578		674,970,492
Capital Assets, Non-Depreciable/Non-Amortizable		285,959,162		199,721,462	Capital Lease Obligations		7,006,818	\$	—
Capital Assets, Amortizable/Depreciable		1,553,293,163		1,471,695,695	TOTAL NON-CURRENT LIABILITIES	\$	665,927,566	\$	687,151,485
Accumulated Amortization/Depreciation		(875,238,570)		(811,578,997)	TOTAL LIABILITIES	\$	1,017,738,253	\$	995,749,842
TOTAL NON-CURRENT ASSETS	\$	1,710,776,922	\$	1,527,738,337	NET ASSETS				
TOTAL ASSETS	\$	2,333,733,734	\$	2,178,492,790	Invested in Capital Assets, Net of Related Debt	\$	406,009,374	\$	348,346,604
					Restricted, Debt Retirement		17,363,063		20,455,746
					Restricted, Capital Projects		5,732,691		4,984,732
					Restricted, Endowment Funds		400,780,862		353,068,486
					Restricted, Other		121,091,734		121,233,332
					Unrestricted		365,017,757		334,654,048
					TOTAL NET ASSETS	\$	1,315,995,481	\$	1,182,742,948

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM - STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
For the year ended August 31, 2011

OPERATING REVENUES		2011	2010	NON-OPERATING REVENUES (EXPENSES)		2011	2010		
Tuition & Fees, Net of Discounts	\$	388,544,719	\$	335,644,516	Legislative Revenue	\$	273,572,801	\$	281,926,449
Sales of Goods & Services		98,714,353		81,407,095	Gifts		83,887,077		56,567,581
Federal Revenue		65,793,464		50,562,211	Federal Revenue Non-Operating		123,028,160		123,399,498
State Grant Revenue		47,785,217		40,509,952	Investment Income		34,793,389		1,402,484
Other Grants & Contracts		19,274,199		22,889,937	Interest Expense & Fiscal Changes		(31,833,559)		(28,998,530)
TOTAL OPERATING REVENUES	\$	620,111,952	\$	531,013,711	Net Increase (Decrease) in Fair Value of Investments		29,125,898		38,837,982
					Other Non-Operating Revenues (Expenses)		(35,845,584)		34,991,425
OPERATING EXPENSES				TOTAL NON-OPERATING REVENUES (EXPENSES)					
Instruction	\$	286,300,388	\$	278,812,621		\$	476,728,182	\$	508,126,889
Research		98,159,064		99,682,859	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Public Service		43,985,006		42,901,388		\$	71,964,500	\$	88,078,722
Academic Support		159,673,768		155,661,094	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Student Services		36,224,776		36,581,748	Capital Appropriation (Higher Education Assistance Funds)	\$	50,929,094	\$	53,332,099
Institutional Support		96,146,853		87,585,998	Additions to Permanent & Term Endowments		15,855,061		5,418,936
Operation & Maintenance of Plant		53,055,146		47,493,338	Transfers-Out		(5,277,326)		(4,237,468)
Scholarships & Fellowships		92,975,555		63,260,383	Legislative Appropriations Lapsed		(20,280)		1,087,464
Auxiliary Enterprises		90,188,636		81,739,725	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Depreciation & Amortization		68,166,442		57,342,724		\$	61,486,549	\$	55,601,031
TOTAL OPERATING EXPENSES	\$	1,024,875,634	\$	951,061,878	CHANGE IN NET ASSETS				
OPERATING INCOME (LOSS)	\$	(404,763,682)	\$	(420,048,167)	Net Assets Beginning		1,182,742,948		1,038,988,675
					Restatements		(198,516)		74,520
					NET ASSETS BEGINNING, AS RESTATED				
						\$	1,182,544,432	\$	1,039,063,195
					NET ASSETS, ENDING				
						\$	1,315,995,481	\$	1,182,742,948

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM - STATEMENT OF CASH FLOWS
For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES			2011		2010	
Proceeds Received from Students & Customers	\$	435,601,704	\$	358,055,399		
Proceeds from Loan Programs		180,019,620		105,660,221		
Proceeds from Other Revenues		171,954,391		142,304,305		
Payments to Suppliers for Goods & Services		(210,490,915)		(219,293,211)		
Payments for Employees		(619,780,802)		(597,192,395)		
Payments for Loans Provided		(170,641,189)		(106,330,183)		
Payments for Other Expenses		(121,716,964)		(84,543,847)		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(335,054,155)	\$	(401,339,711)		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from State Appropriations	\$	292,380,206	\$	261,627,471		
Proceeds from Gifts		84,947,599		53,923,835		
Proceeds from Endowments		13,338,938		5,125,852		
Proceeds of Transfers from Other Funds		54,502,124		50,616,497		
Proceeds from Other Revenues		132,128,249		124,338,274		
Payments for Other Uses		(37,887,194)		(22,393,857)		
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$	539,409,922	\$	473,238,072		
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Proceeds from Capital Financing Activities	\$	155,676,085	\$	256,363,029		
Payments for Additions to Capital Assets		(167,798,058)		(150,535,382)		
Payments for Capital Lease		(396,892)		—		
Payments of Principal & Interest on Debt Issuance		(169,987,869)		(122,117,309)		
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(182,506,734)	\$	(16,289,662)		
CASH FLOWS FROM INVESTING ACTIVITIES			2011		2010	
Proceeds from Interest & Investment Income	\$	540,471,115	\$	313,528,337		
Payments to Acquire Investments		(515,780,843)		(346,364,154)		
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	24,690,272	\$	(32,835,817)		
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$	46,539,305	\$	22,772,882		
CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	277,116,975	\$	254,344,093		
CASH & CASH EQUIVALENTS, AUGUST 31	\$	323,656,280	\$	277,116,975		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
OPERATING INCOME (LOSS)	\$	(404,763,682)	\$	(420,048,167)		
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Amortization & Depreciation	\$	68,166,442	\$	57,342,724		
Bad Debt Expense		—		12,771		
Classification Differences		9,462,703		(715,856)		
CHANGES IN ASSETS & LIABILITIES						
(Increase) Decrease in Receivables & Loans		(22,660,017)		(40,535,130)		
(Increase) Decrease in Inventories		128,131		330,119		
(Increase) Decrease in Other Assets		(1,682,767)		1,484,934		
(Increase) Decrease in Prepaid Expenses		3,672,372		6,508,914		
(Increase) Decrease in Payables		552,530		(11,197,275)		
(Increase) Decrease in Deferred Income		9,010,321		4,351,503		
(Increase) Decrease in Other Liabilities		3,059,812		1,125,752		
TOTAL ADJUSTMENTS	\$	69,709,527	\$	18,708,456		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(335,054,155)	\$	(401,339,711)		

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM - MATRIX OF OPERATING EXPENSES

As of August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION	2011	2010	EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Cost of Goods Sold	\$ 2,523,773	\$ 3,175,555	Instruction	\$ 286,300,388	\$ 278,812,621
Salaries & Wages	508,937,364	491,283,365	Research	98,159,064	99,682,859
Payroll Related Costs	114,534,657	107,134,959	Public Service	43,985,006	42,901,388
Professional Fees & Services	49,179,037	44,605,103	Academic Support	159,673,768	155,661,094
Federal Pass-Through Expenses	2,747,182	3,177,670	Student Services	36,224,776	36,581,748
State Pass-Through Expenses	192,677	—	Institutional Support	96,146,853	87,585,998
Travel	12,466,154	14,033,314	Operation & Maintenance of Plant	53,055,146	47,493,338
Materials & Supplies	38,500,482	42,357,217	Scholarships & Fellowships	92,975,555	63,260,383
Communication & Utilities	44,989,108	43,845,070	Auxiliary Enterprises	90,188,636	81,739,725
Repairs & Maintenance	14,073,497	13,189,183	Depreciation & Amortization	68,166,442	57,342,724
Rentals & Leases	20,864,963	16,931,469	TOTAL EXPENSES BY		
Printing & Reproduction	4,370,877	5,023,036	EXPENDITURE FUNCTION	\$ 1,024,875,634	\$ 951,061,878
Depreciation & Amortization	68,166,442	57,342,724			
Interest	1,954,078	541,098			
Scholarships	102,013,345	67,666,890			
Claims & Losses	1,575,577	1,487,240			
Other Operating Expenses	37,786,421	39,267,985			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 1,024,875,634	\$ 951,061,878			





MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) section of the University of Houston System's Annual Financial Report has been prepared to provide an overview of the activities and the financial performance of the University of Houston System (the System) for the fiscal year ended August 31, 2011. 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), serving the nation's fourth largest city and its metropolitan area, as well as the upper Texas Gulf Coast region, is part of the state-supported system of higher education in Texas. UHS is the region's largest provider of comprehensive (baccalaureate to doctorate) higher education services. 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, the flagship institution of the System, is its principal doctoral degree-granting

institution, and is a comprehensive research university. The University of Houston – Clear Lake is an upper-level/master's university located in southeast Houston with close ties to NASA's Johnson Space Center and regional community colleges. University of Houston – Downtown, Houston's second largest university after UH and the most ethnically diverse university in the state, is a predominantly undergraduate institution with a limited but growing number of master's programs. University of Houston – Victoria is an undergraduate and master's-level institution that, for the first time in fall 2010, began enrolling freshmen and sophomores as it seeks to become a destination university in the Coastal Bend region of Texas. UHV and UHS also have a large presence in southwest and west Houston, reaching many students in Houston and beyond through extensive online programs. The UH System Administration is responsible for coordinating the operations of the universities, as well as providing select centralized services. Among universities nationwide, the UH System remains a model of diversity and a reflection of the city and region it serves.

During the three recent fiscal years, the System's Chancellor and Board of Regents have led a comprehensive strategic planning process through which new mission statements, goals, principles, and accountability measures have been developed for the System and its universities. In addition, the universities have developed enrollment and research projections for the current decade and



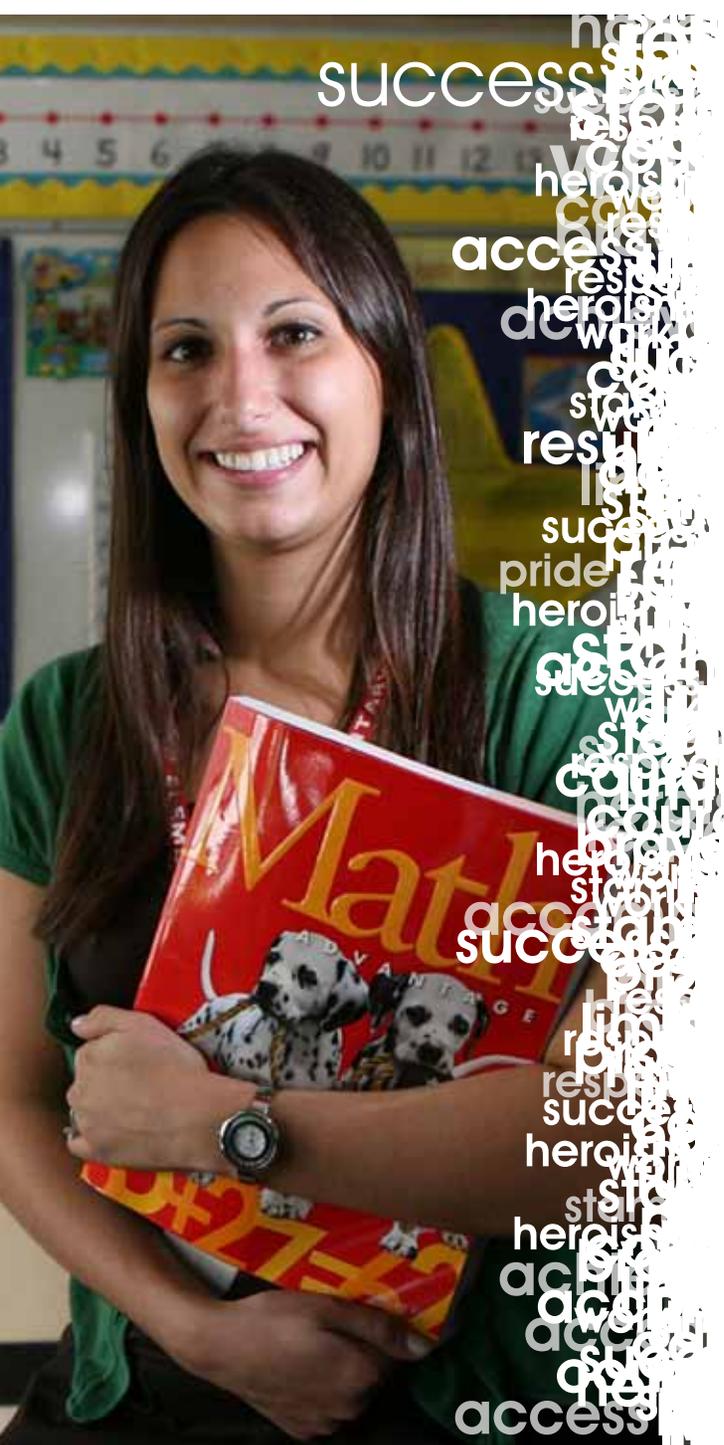
are in the process of developing academic and facilities master plans. Upon completion, these plans will identify the programs, faculty, staff, and infrastructure needed to achieve enrollment and research projections, as well as the resources needed to accomplish them. The UHS universities are also working collaboratively on four system-wide initiatives – international education; health sciences research and education; pathways for faculty collaboration among institutions; and pathways for student transfer among institutions. Central to all of these planning activities are the UH System’s primary goals – student access and success, national competitiveness, and community advancement – all of which further Texas’s goals for higher education, as well as the social and economic well-being and development of the Houston metropolitan area. UH System performance with respect to measures on its progress and goals objectives has been strong. The System has improved performance on most of its key progress measures this fiscal year and is positioned for continued success in the future. Examples of UHS accomplishments include: total enrollment increased to 63,846; total degrees awarded increased to 12,664; total research expenditures increased to \$122 million; and total annual giving increased to \$107 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for fiscal year 2011 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 2011 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, 2011, with financial data for



federal and state grants, gifts and contributions, investment income, and revenues for services provided. During the prior fiscal year, the System experienced an increase in net assets of \$144 million as a result of increases in revenues received in the categories of federal awards, gifts and contributions, and revenues for services provided.

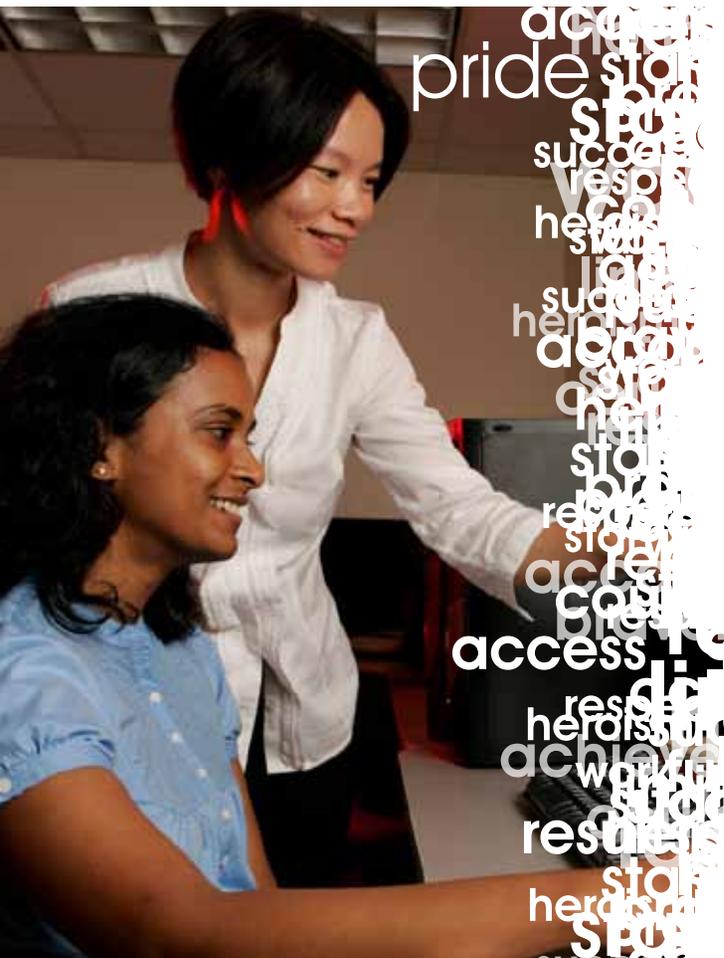
Revenues and expenses are classified as either operating or non-operating in the financial statements. Operating revenues are received and recognized as a result of providing services to the component universities' customers. Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by 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 and equal to amounts owed by the students to the System.

Operating expenses are the costs necessary to provide services to customers 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. Significant portions of the System's recurring resources are classified as non-operating. Net resources from other than operating revenues totaled \$606 million for fiscal year 2011, compared to \$557 million for the prior fiscal year.

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 2011 fiscal year totaled \$324 million, which reflected a net increase in cash of \$47 million.

CAPITAL ASSETS

Rum As fundamental as instruction and research are to the universities within UHS, these endeavors cannot take place without the land, buildings, facilities, equipment, and information technology infrastructure needed to support them. Sustaining these assets requires a significant investment in renovations, improvements, expansion, and maintenance. The goal of expending resources for these investments is achieving a safe, modern, and efficient campus environment that is conducive to learning, teaching, research, and community service. UHS institutions continue to implement their long-range capital plans.

At the end of the 2011 fiscal year, the System had \$964 million of capital assets, net of accumulated depreciation and amortization. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, computer systems software, 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. Net capital assets at August 31, 2010 totaled \$860 million. As required by GASB reporting standards, the System reports accumulated depreciation and amortization on its capital assets. Additionally, the System recognizes a current year charge for depreciation and amortization expense.

Building on a strategic planning process initiated under the leadership of the Chancellor and the Board of Regents, the UHS universities have developed a campus master planning process designed to identify facilities needs congruent with enrollment and research projections that are consistent with their missions and academic master plans. During fiscal year 2011 the System continued its efforts to implement the capital projects construction element of its master plan. At UH, construction progressed on the build out of additional lab and research space in the Science and Engineering Research Complex, new labs and an addition to the Fleming Science Building, a new health and biomedical sciences center, a new business classroom building, and an expansion and modernization of the Central Power Plant. Additionally,



August 31, 2011, commercial paper notes payable totaled \$42.1 million, compared to \$10 million at the end of the previous fiscal year.

ECONOMIC OUTLOOK

As the global economy becomes increasingly driven by the creation of new knowledge and technological innovation, success for the Houston metropolitan area depends increasingly on the existence of a highly-skilled, professional workforce and cutting-edge research and development. 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 these needs. In doing so the UHS universities must succeed in providing access to a regional population that is growing increasingly diverse at a very rapid rate. Currently, the Houston metropolitan area is 17% African-American, 35% Hispanic, and 40% white. The student population at the UH System is 16% African-American, 26% Hispanic, and 34% white. Clearly, UHS is doing a good job of providing access to a diverse student population, although there is room for improvement with respect to the burgeoning Hispanic population. UH System performance with respect to the rankings on its progress and goals measures has also been strong.

With the UH System improving performance on most of its key progress and goals measures this year, the System is poised

for continued success in the coming years. To harness this potential, the UH System universities have been engaged in regular strategic planning activities over the past three years. Last year, the universities established five- and ten-year targets for enrollment and research that correspond to their new mission statements. This year, the universities have developed campus master plans designed to facilitate the accomplishment of their enrollment and research targets. Over the past year, the UHS universities have also been working on the four collaborative, system-wide initiatives identified by Chancellor Khator in 2009, specifically, international education, health sciences research and education, pathways for faculty collaboration among institutions, and pathways for student transfer among institutions.

Several major accomplishments have been posted this year. First, a plan for a system-wide nursing program has been developed. Once implemented, students in this high-demand field will be able to enroll in the program at multiple UHS institutions. Second, capitalizing on University of Houston – Downtown’s status as a Hispanic Serving Institution (HSI), UH and UHD have partnered to increase the number of joint grant proposals and awards received from federal research programs in which only HSIs and their partners can participate. UHCL, which also has HSI status, will begin participating with UH and UHD next year. And finally, a pathway is now in place whereby UHS students can earn up



to six hours of course credit from any UHS university without going through separate admissions processes. Doing so will enable students to expand their options in terms of course availability and progress more quickly toward their degree.

As is the case for the UHS universities, the UH – System Administration is reducing its budgets to account for the reduction in state appropriations. To accomplish these reductions, staff were reduced in the central administration, and both staff and operations support were reduced at the UH System centers, as well as at the university campuses.

Following is a brief discussion of the primary initiatives on which UHS will focus during the 2012 fiscal year. (1) UH System campus master plans and collaborative initiatives; in fiscal year 2012, UH – System Administration, in collaboration with campus leadership, will continue work on the campus master plans and developing key initiatives. Master planning projects to be pursued next year include analyses of research space utilization in the UH colleges and planning for UHV and UHCL downward expansion. With respect to the collaborative initiatives, the UH System will begin the process of securing accreditation for its system-wide nursing program in fiscal year 2013. (2) UH System off-campus program expansion; in fiscal year 2012, the UH System will continue to conduct master planning activities and expanded program delivery at the off-campus teaching centers, including Sugar Land, Cinco Ranch, Pearland, and Northwest Houston. Doing so is essential

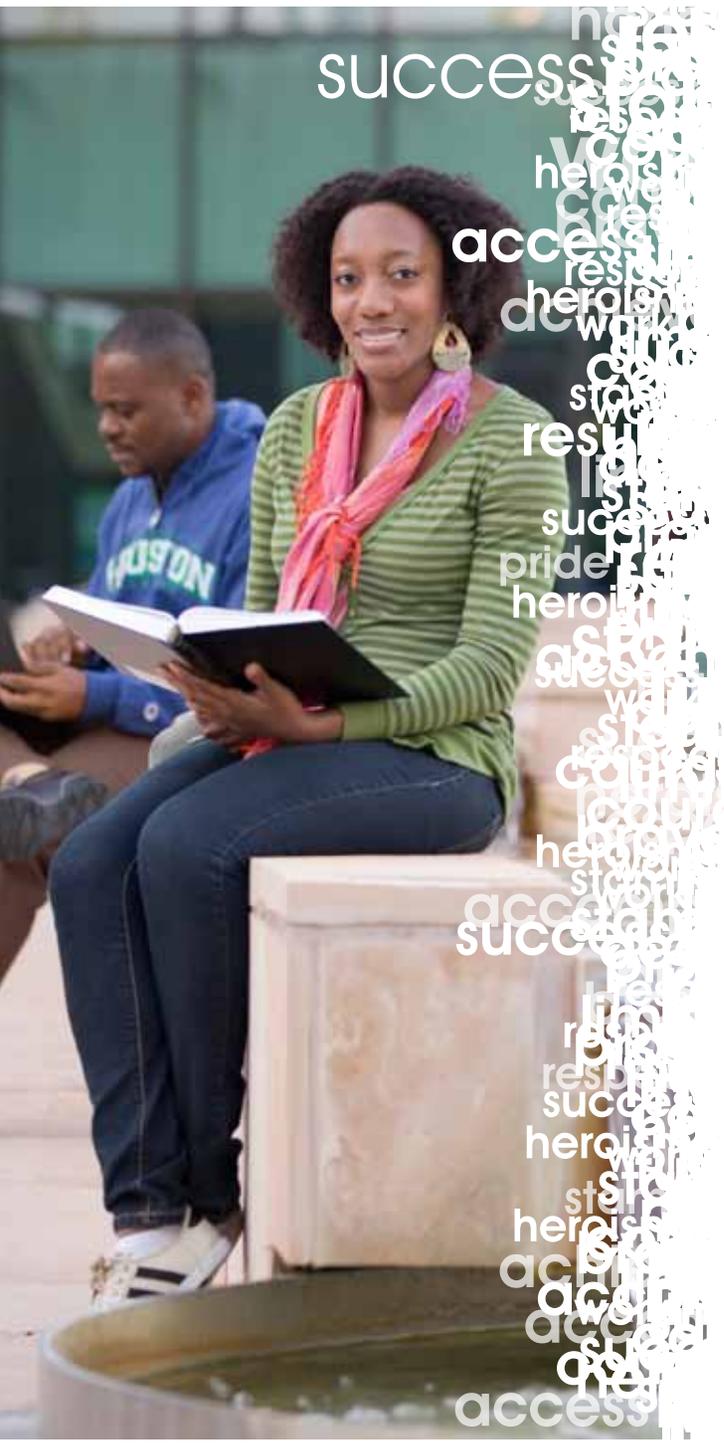
to expanding access to high-growth parts of the metropolitan area. (3) Shared services initiative; currently, the UH System has shared services among its universities valued at \$27.7 million. At the request of the Board of Regents, the UHS universities have identified additional operations that could be shared in order to reduce costs (including payroll, training, benefits, and affirmative action among many others). In fiscal year 2012, the universities will continue identifying potential shared services and begin implementing those upon which there is consensus to move forward. (4) Federal and state legislative agendas; during fiscal year 2012 the UH System will develop and pursue its federal agenda for the 2013 fiscal year, which will advocate on behalf of federal research programs important to UHS faculty and policy issues related to higher education such as Pell Grants. In anticipation of the 2013 state legislative session, the UH System will work with state legislators, other policy makers and other state universities to build an environment supportive of higher education and the UH System. In the process, it will be especially important to demonstrate that transparency and accountability are strong components of university operations.

The United States and the world experienced a significant downturn in their financial environments and economies beginning in mid calendar year 2008. The recessionary situation was characterized by a contraction of credit, high unemployment, falling



prices in housing, rising foreclosures, and deflated valuations for equities and other investment instruments. While the most recent recession has technically ended, uncertainty remains as to when the economy will begin to experience greater expansion than currently exists and when the unemployment rate and housing market will improve. Uncertainty also persists as to future tax and interest rate policy in the United States. Although valuations for equities and other investment instruments have rebounded from their depressed levels of mid calendar year 2008 to March 2009, there continues to be increased volatility in valuations for equities and other investment instruments.

The duration of the economic issues facing the state and the U.S. cannot be predicted, however UHS administration believes that its financial management continues to demonstrate strength and a capacity to respond and adjust to ongoing economic uncertainties. Although it is not possible to predict ultimate results, management believes the University of Houston System will continue to maintain a sound financial position, and will be administratively structured and governed in a manner that will equip the System to withstand the current global financial situation. The System continues to stand committed to the principles of prudent and sound stewardship. UHS will not compromise on its long-term goals. Its commitment to student success, research development, and responsibility to the community will remain at the forefront of the financial decision making process.



NOTES TO THE FINANCIAL STATEMENTS

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 and their

dates of recognition as state public entities: 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.



on all exhaustible assets. Inexhaustible assets such as land, 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.

LIABILITIES

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 PAYABLES

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.

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 amortization on its intangible assets. Depreciation and amortization expenses are recognized as current year charges.



At August 31, 2011, non-depreciable capital assets, consisting primarily of land and construction in progress, totaled \$285,959,162. Depreciable capital assets, net of accumulated depreciation, and consisting of buildings, infrastructure, facilities, equipment, library books, and works of art totaled \$627,340,203. Intangible assets, net of accumulated amortization and consisting of computer software and other intangible assets total \$50,714,390.

DEPOSITS AND INVESTMENTS

A. DEPOSITS OF CASH IN BANK

At August 31, 2011, the carrying amount of the System's cash deposits was \$37,524,573 and the bank balance was \$44,612,936. 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 \$1,025,216,687.

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, 2011, 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, 2011, 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

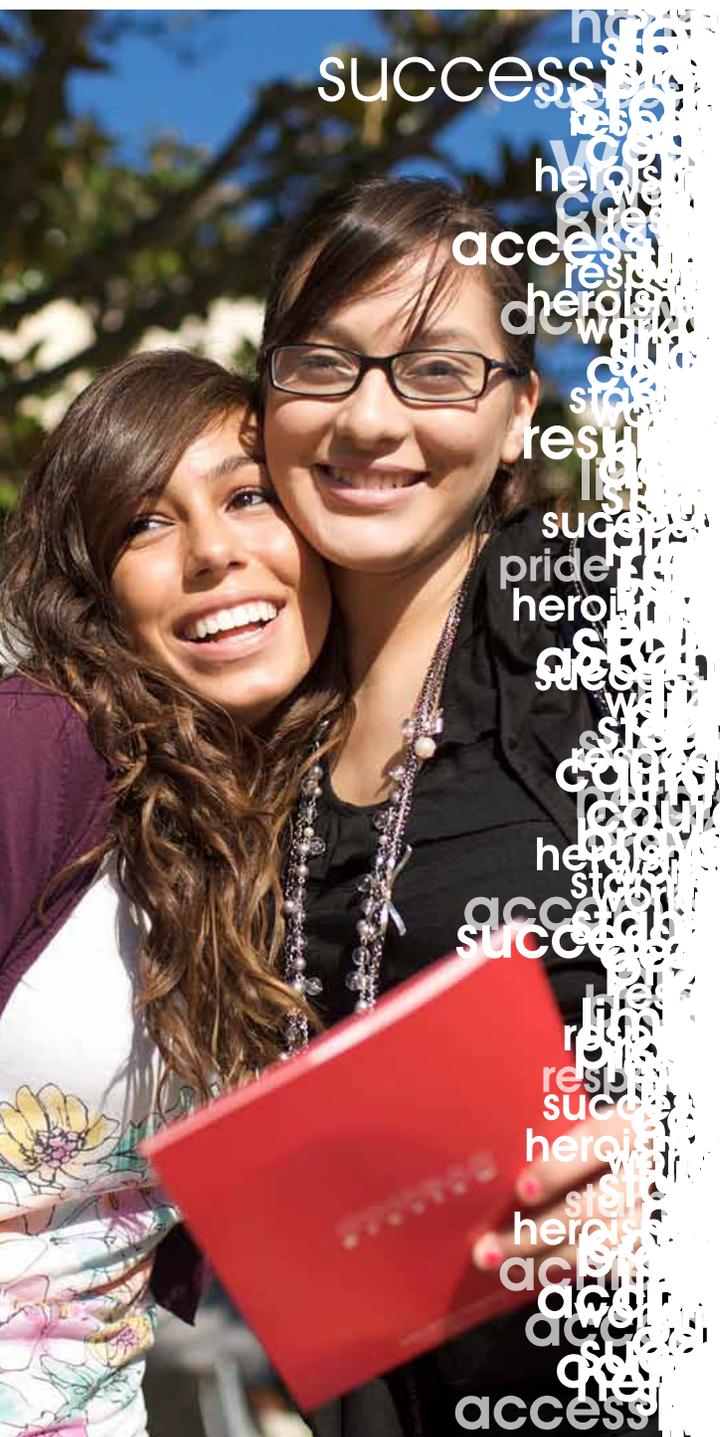
Securities lending is authorized by state statutes. The System does not participate in a security-lending program.

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.

DISCOUNTS AND 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 2011 discounts and allowances that related to tuition and fee revenues totaled \$107,367,840.



SHORT TERM LIABILITIES

In the prior fiscal year The System issued commercial paper (Consolidated Revenue Commercial Paper Notes, Series A) to facilitate renovation and construction projects at the University of Houston and UH-Victoria. The balance was redeemed during fiscal year 2011. Additional commercial paper was issued during fiscal 2011, the proceeds of which were used to provide interim financing for renovation and construction projects at UH.

LONG TERM LIABILITIES

A. NOTES AND LOANS PAYABLE

The System reported a balance of \$42,150,133 including interest as of August 31, 2011.

B. CLAIMS AND JUDGMENTS

At August 31, 2011, 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 2011. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Lump sum payments made to employees, who separated from state service during the 2011 fiscal year, for accrued vacation and compensatory leave, totaled \$2,315,083.

BONDED INDEBTEDNESS

A. OUTSTANDING REVENUE BONDS

Consolidated Revenue Bonds, Series 2002-A

- 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.
- Proceeds were used to finance the renovation of M.D. Anderson Library and to build the Science and Engineering



Research Building (UH), to build the Student Services and Classroom Building (UHCL), to build the Commerce Street Building (UHD) and renovation of the University West building (UHV).

- Issued 9-1-2002.
- \$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 2011 from Legislative appropriation - Tuition Revenue Bonds).

Consolidated Revenue Variable Rate Demand Bonds, Series 2004

- 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.
- Proceeds were used for renovations following Tropical Storm Allison (UH).
- Issued 6-16-2004.
- \$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 2011 from Legislative appropriation - Tuition Revenue Bonds).

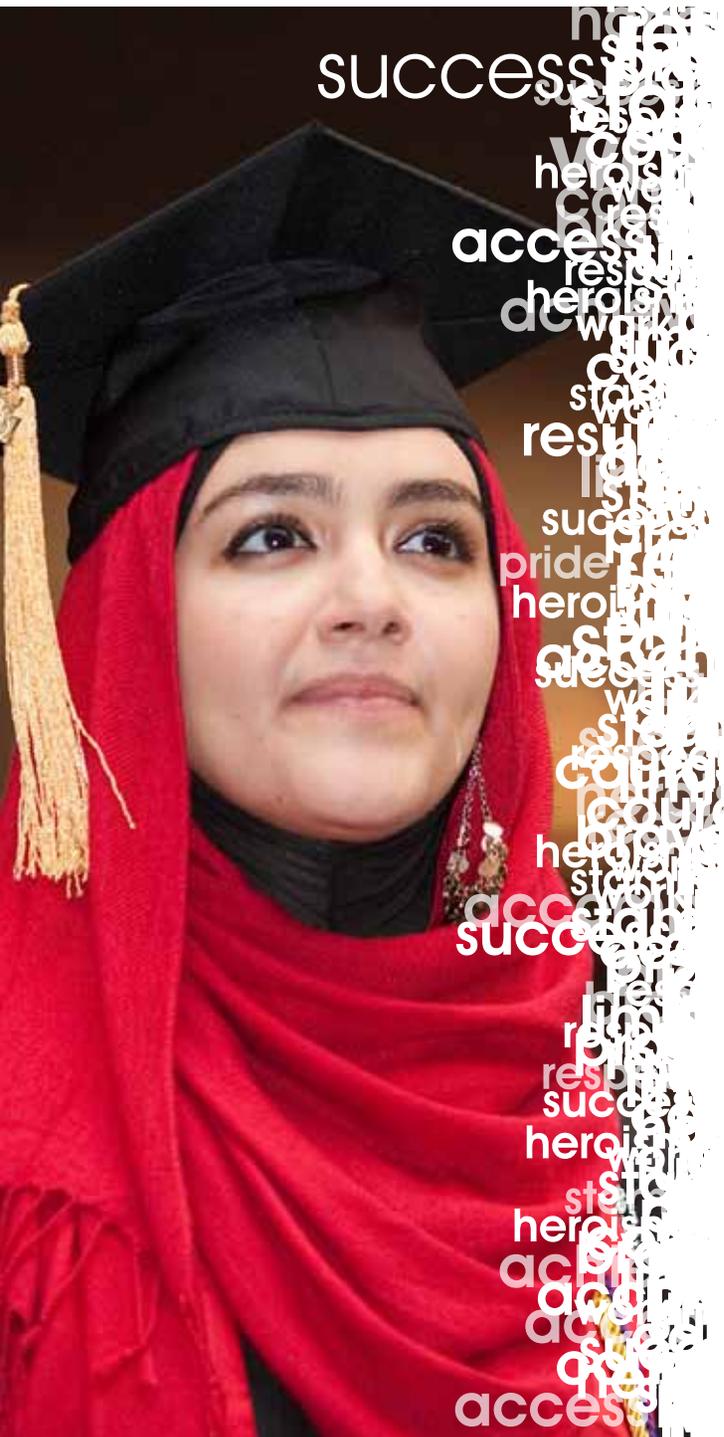
- The bonds bear interest at a variable rate, which is determined on a weekly basis each Wednesday. The rate is effective for a seven day period commencing on the immediately following Thursday. The variable rate in effect on August 31, 2011 was 0.19%.

- 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 2-15-2011, totaling \$860,000 were extinguished early by using existing assets.

Consolidated Revenue Bonds, Series 2005

- 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.

- Proceeds were used to construct the Welcome Center Garage (UH).
- Issued 4-1-2005.
- \$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.
- Proceeds were used to construct the Shea Street Academic Building and Parking Facility (UHD).
- Issued 2-1-2006.
- \$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, 2011, 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 11-1-2002.
- \$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 2-15-2003.
- The 1993 and 1993-A series bonds are considered fully defeased and the liability for those bonds has been removed.



escrow agent to provide for all future debt payments on the 1997 and 2000 series bonds. The 2000 series bonds was 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 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

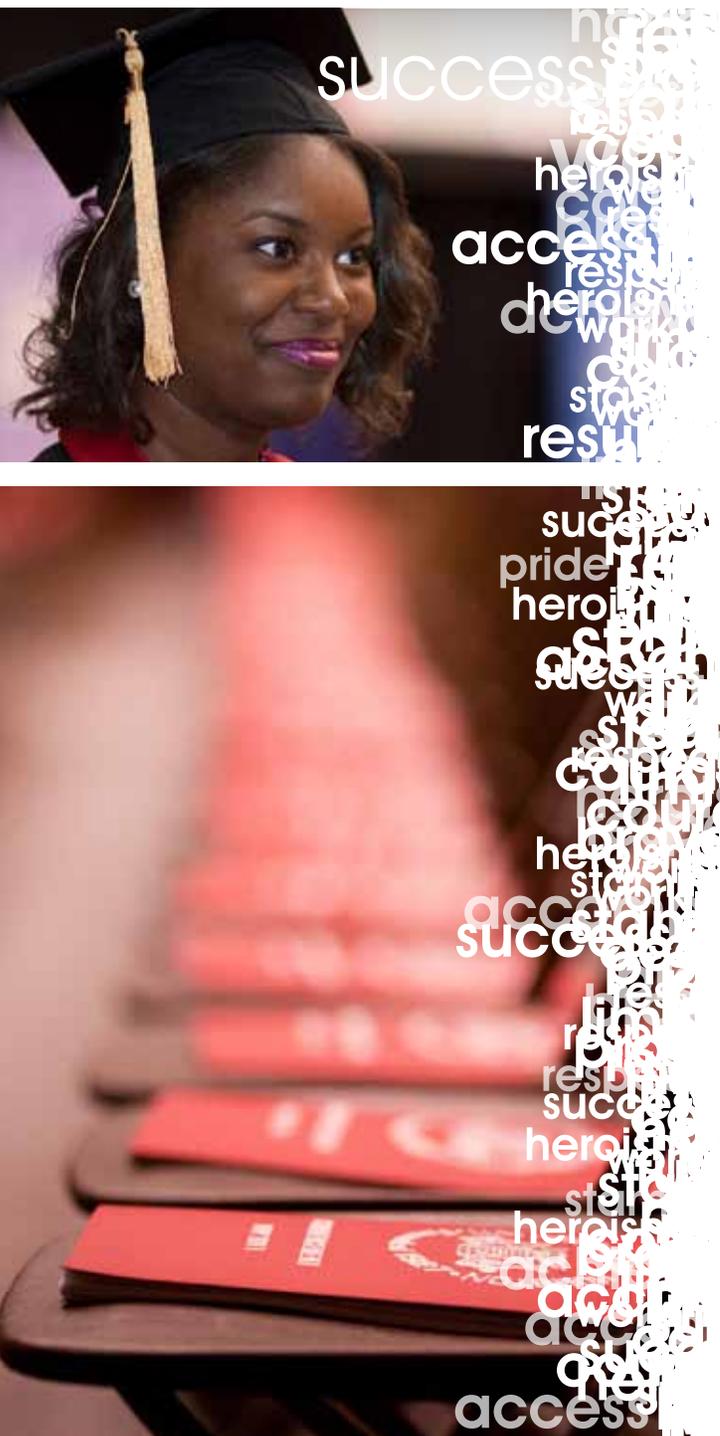
- To (a) refund and defeasement of certain outstanding commercial paper notes of the System. And (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of certain commercial paper noted above, the proceeds were used to finance the construction of Calhoun Lofts, East Parking Garage part 1, MacGregor land purchase (all UH), the Allied Health Facility, The regional Center for Economic

Development, and Building 2, Sugarland (all UHV).

- Issued 7-1-2008.
- \$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 obligations (funding for fiscal 2011 partially from legislative appropriation - Tuition Revenue Bonds).

Consolidated Revenue and Refunding Bonds, Series 2009

- To (a) defeasement of 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.
- In addition to the defeasement of certain commercial paper noted above, the proceeds were used to finance the Science Lab renovations, the purchase of Bayou Oaks, the construction of the Stadium Parking Garage Part 1, the East Garage Part 2 (all UH) and the renovation of the Arbor Building (UHCL).
- Issued 2-4-2009.
- \$108,395,000; all bonds authorized



have been issued: \$98,230,000 (UH) and \$10,165,000 (UHCL).

- 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 2011 partially from Legislative appropriation - Tuition Revenue Bonds).

Consolidated Revenue and Refunding Bonds, Series 2009-A

- 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.
- In addition to the defeasement of the bonds noted above, the proceeds were used to finance the construction of Cougar Village Part 1 (UH).
- Issued 7-2-2009
- \$71,175,000; all bonds authorized have been issued: \$52,200,00 Revenue Bonds (UH); and Refunding Bonds \$6,829,103 (UH), \$4,267,477 (UHD), \$7,878,420 (UHV).

- 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 2011 partially from Legislative appropriation - Tuition Revenue Bonds).

- Average interest rate of bonds refunded: 4.89%

- Net proceeds from refunding series: \$20,892,800, after receipt of \$1,719,639 and additional available funds of \$377,641 and payment of \$179,479 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.

- Economic gain: \$1,174,552; the difference between the net present value of the old and new debt service payment.

Consolidated Revenue and Refunding Bonds, Series 2010-A

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.



- In addition to the defeasement of certain commercial paper noted above proceeds were used to finance construction costs related to the UH Moody Towers Dining Hall and facilities at the UH Energy Research Park.

- Issued 4-15-2010.

- \$23,305,000; all bonds authorized have been issued: \$23,305,000 (UH).

- 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.

Consolidated Revenue and Refunding Bonds, Series 2010-B

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.

- In addition to the defeasement of certain commercial paper noted above proceeds were used to finance construction costs related to the Moody Towers Dining Hall, the Health and Medical Sciences Building, a classroom/business building, Stadium Parking Garage 1, and facilities at the UH Energy Research Park (all UH) and Jaguar Residence Hall (UHV).

- This bond issue is a qualified Build America

Bond (BAB) as defined within Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended.

- Issued 4-15-2010.

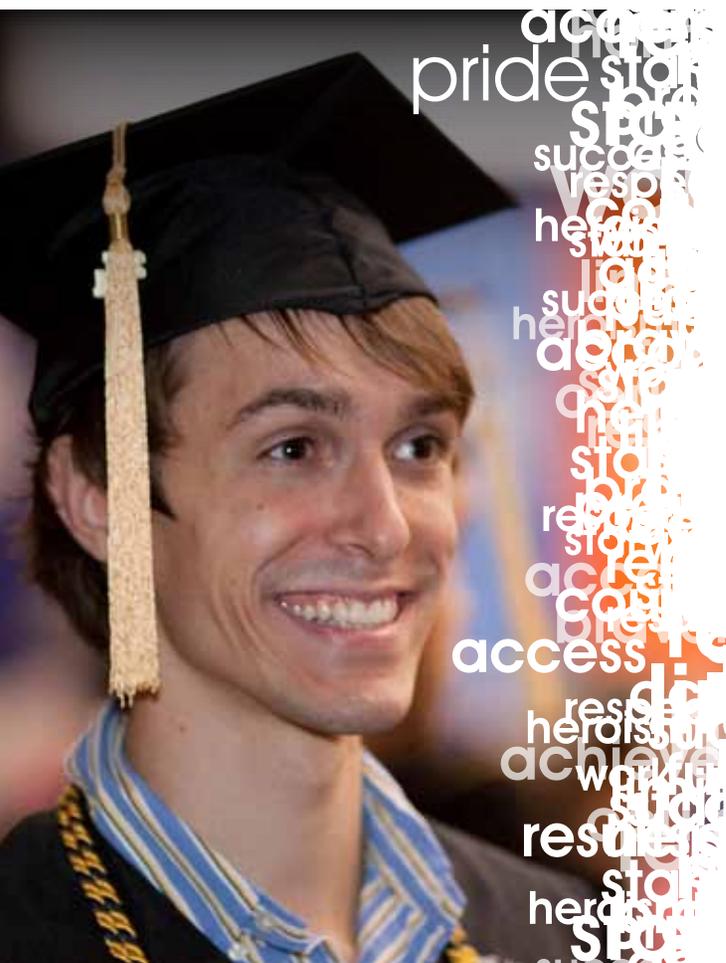
- \$79,975,000; all bonds authorized have been issued: \$74,626,469 (UH) and \$5,288,531 (UHV).

- 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. The System will receive interest subsidy payments from the U.S. Treasury equal to 35 percent of the interest payable on related qualified Build America Bonds contemporaneously with the interest payment dates of the qualified Build America Bonds.

Consolidated Revenue Refunding Bonds, Series 2010-C

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.

- In addition to the defeasement of certain commercial paper noted above proceeds were used to finance construction costs related to the Moody Towers Dining Hall, various science buildings, a classroom/business building, Stadium Parking Garage 2, facilities at the UH Energy Research Park



(all UH) and for construction costs related to Jaguar Residence Hall (UHV).

- Issued 4-15-2010.
- \$18,255,000; all bonds authorized have been issued \$16,698,745 (UH) and \$1,556,255 (UHV).
- 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.

Pledged Future Revenues

GASB Statement No. 48, *Sales and Pledges of Future Revenues*, and Intra-Entity Transfers of Assets and Future Revenues, makes a basic distinction between sales of receivables and future revenues on the one hand and the pledging of future revenues to repay borrowing (collateralized borrowing) on the other. In the fiscal year ended August 31, 2011, the pledged revenue from business type activities required for future principal and interest on existing bonds was \$1,011,359,279. Term of commitment is August 31, 2038. The percentage of revenue pledged is 71.2%. Current year pledged revenue is \$624,084,154. Current year principal and interest paid is \$57,978,571.

Build America Bonds

Build America Bonds (BABs) were created as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). Taxable bonds may be issued by government entities, including state agencies and state universities, as Tax Credit BABs or Direct Payment BABs. Tax Credit BABs provide a

federal tax credit to investors equal to 35 percent of the interest received from the bond issuer. Direct Payment BABs provide a direct federal reimbursement to state and local issuers equal to 35 percent of the interest paid on the bonds.

During the 2010 fiscal year the University of Houston issued \$79,975,000 of Consolidated Revenue and Refunding Bonds, Series 2010-B taxable revenue bonds under the Direct Payment BABs program. A balance of \$79,975,000 remained outstanding at August 31, 2011. No Tax Credit BABs were issued.

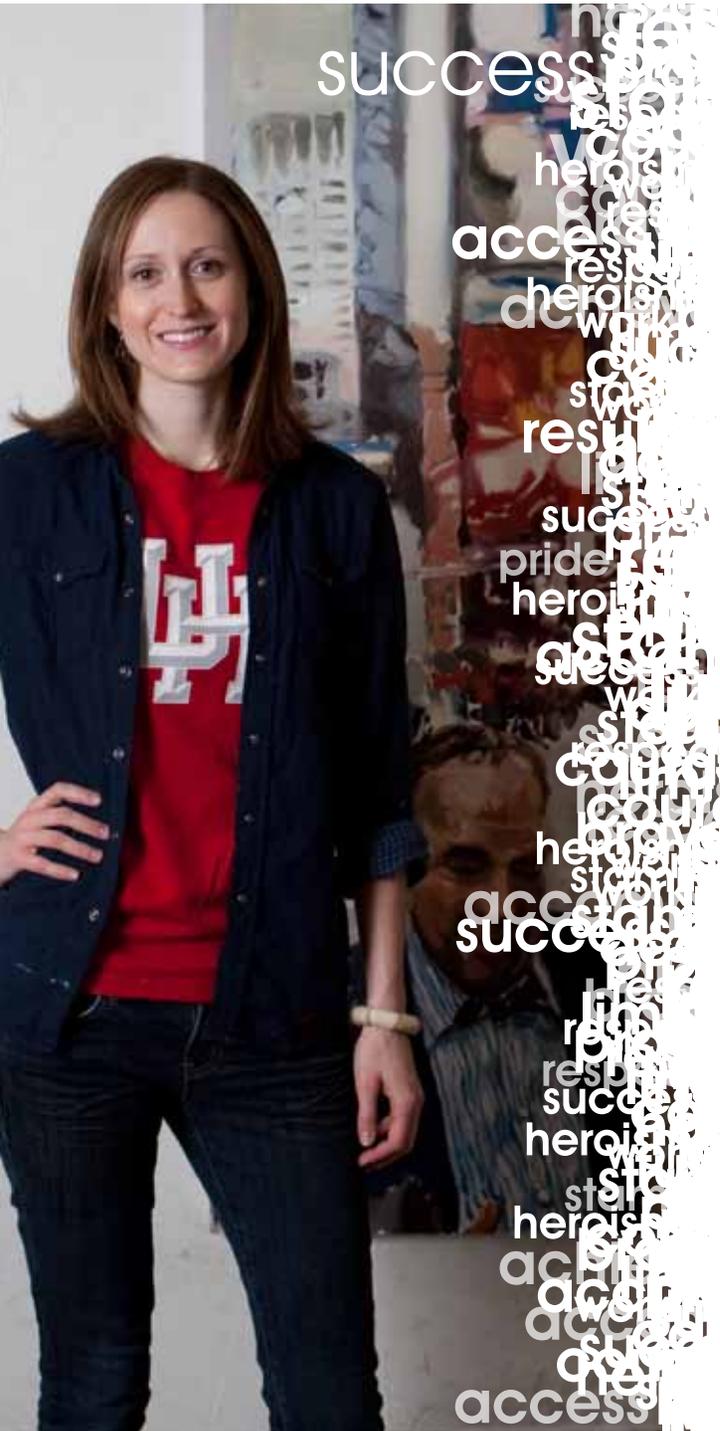
B. CHANGES IN BONDED INDEBTEDNESS Bonds payable are due in annual installments varying from \$7,277,500 to \$59,950,518 with interest rates from 2.00% to 7.00%, and the final installment due 2-15-2041.

C. FUTURE DEBT SERVICE REQUIREMENTS Principal and interest requirements on the obligations for the next five years are \$298,088,489; and \$713,270,790 for all years beyond.

LEASE OBLIGATIONS

Included in expenditures reported in the financial statements for rent paid or due under operating leases is \$6,679,883. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year, totaled \$12,452,687 as of August 31, 2011.

The System has entered into a long term capital lease for the purchase of certain capital assets. Such leases are classified as



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 ground 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 System. If cash revenues do not attain certain contractually defined thresholds, the system is liable to the external management for the deficiency. During the 2010 and 2011 fiscal years net cash flows were sufficiently adequate so as not to generate a liability payment. System 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. American Campus

Communities operates the Cullen Oaks facility at the University of Houston. Century Development operates the Cambridge Oaks facility at the University of Houston and the University Forest facility at the University of Houston-Clear Lake.

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.

EXTRAORDINARY AND SPECIAL ITEMS

No items have been identified which should have been presented in the financial statements.

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON - STATEMENT OF NET ASSETS
As of August 31, 2011

ASSETS		2011	2010	LIABILITIES		2011	2010				
<i>CURRENT ASSETS</i>				<i>CURRENT LIABILITIES</i>							
Cash & Cash Equivalents	\$	95,106,147	\$	52,910,036	Payables	\$	68,180,214	\$	63,178,821		
Short-term Investments		1,664,863		5,239,536	Deferred Revenues		128,873,750		123,667,579		
Restricted Cash & Cash Equivalents		(3,216,383)		20,496,258	Employees' Compensable Leave		8,568,738		8,114,776		
Loans & Contracts		2,690,516		10,745,356	Revenue Bonds Payable		19,565,529		18,773,536		
Legislative Appropriations		70,732,652		80,639,364	Claims & Judgments Payable		174,446		279,414		
Receivables		222,847,396		194,028,332	Funds Held for Others		8,956,747		11,642,957		
Inventories		2,047,838		2,177,925	TOTAL CURRENT LIABILITIES	\$	234,319,424	\$	225,657,083		
Deferred Charges		36,082,888		38,434,345							
TOTAL CURRENT ASSETS	\$	427,955,917	\$	404,671,152	<i>NON-CURRENT LIABILITIES</i>						
<i>NON-CURRENT ASSETS</i>				Employees' Compensable Leave				\$	9,308,872	\$	9,005,004
Restricted Cash & Cash Equivalents	\$	112,170,554	\$	90,933,259	Revenue Bonds Payable		523,918,717	\$	543,484,246		
Loans & Other Receivables		452,433,450		501,482,210	Claims & Judgments Payable		9,344	\$	10,933		
Investments		327,739		768,130	TOTAL NON-CURRENT LIABILITIES	\$	533,236,933	\$	552,500,183		
Capital Assets, Non-Depreciable/Non-Amortizable		243,079,411		160,392,784	TOTAL LIABILITIES	\$	767,556,357	\$	778,157,266		
Capital Assets, Amortizable/Depreciable		1,126,301,949		1,071,113,634	NET ASSETS						
Accumulated Amortization/Depreciation		(661,648,108)		(618,405,221)	Invested in Capital Assets, Net of Related Debt	\$	271,953,185	\$	215,098,136		
TOTAL NON-CURRENT ASSETS	\$	1,272,664,995	\$	1,206,284,796	Restricted, Debt Retirement		13,882,409		16,525,774		
TOTAL ASSETS	\$	1,700,620,912	\$	1,610,955,948	Restricted, Capital Projects		5,642,200		4,874,828		
					Restricted, Endowment Funds		287,206,810		265,880,808		
					Restricted, Other		106,573,484		106,818,832		
					Unrestricted		247,806,467		223,600,304		
					TOTAL NET ASSETS	\$	933,064,555	\$	832,798,682		

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON - STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the year ended August 31, 2011

OPERATING REVENUES		2011	2010	NON-OPERATING REVENUES (EXPENSES)		2011	2010				
Tuition & Fees, Net of Discounts	\$	282,533,753	\$	241,782,418	Legislative Revenue	\$	181,506,873	\$	189,416,091		
Sales of Goods & Services		88,111,828		72,454,231	Gifts		79,797,057		54,231,326		
Federal Revenue		59,306,883		44,965,192	Federal Revenue Non-Operating		73,835,722		83,008,295		
State Grant Revenue		37,761,519		31,878,822	Investment Income		23,549,060		375,021		
Other Grants & Contracts		18,269,822		21,530,723	Interest Expense & Fiscal Changes		(25,617,831)		(22,587,114)		
TOTAL OPERATING REVENUES	\$	485,983,805	\$	412,611,386	Net Increase (Decrease) in Fair Value of Investments		1,927,312		16,969,606		
					Other Non-Operating Revenues (Expenses)		(30,453,231)		(73,234)		
OPERATING EXPENSES				TOTAL NON-OPERATING REVENUES (EXPENSES)							
Instruction	\$	194,374,819	\$	191,027,113		\$	304,544,962	\$	321,339,991		
Research		93,756,014		95,929,702	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS						
Public Service		39,125,318		38,906,786		\$	53,279,534	\$	41,335,180		
Academic Support		121,434,691		119,125,016	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS						
Student Services		23,827,047		24,976,384	Capital Appropriation (Higher Education Assistance Funds)	\$	35,885,768	\$	36,091,538		
Institutional Support		57,095,308		51,616,907	Additions to Permanent & Term Endowments		12,824,750		4,824,694		
Operation & Maintenance of Plant		35,586,377		32,067,365	Intercomponent Transfers		2,750,257		4,048,625		
Scholarships & Fellowships		48,516,854		30,623,526	Transfers-Out		(4,295,716)		(3,253,755)		
Auxiliary Enterprises		76,811,103		71,114,740	Legislative Transfers		28,883		130,817		
Depreciation & Amortization		46,721,702		37,228,658	Legislative Appropriations Lapsed		(11,609)		(22,152)		
TOTAL OPERATING EXPENSES	\$	737,249,233	\$	692,616,197	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS						
OPERATING INCOME (LOSS)	\$	(251,265,428)	\$	(280,004,811)		\$	47,182,333	\$	41,819,767		
				CHANGE IN NET ASSETS							
				Net Assets Beginning					832,798,682		749,672,154
				Restatements					(195,994)		(28,419)
				NET ASSETS BEGINNING, AS RESTATED				\$	832,602,688	\$	749,643,735
				NET ASSETS, ENDING				\$	933,064,555	\$	832,798,682

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON - STATEMENT OF CASH FLOWS
For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Proceeds Received from Students & Customers	\$ 320,455,884	\$ 256,281,417
Proceeds from Loan Programs	170,760,244	97,163,907
Proceeds from Other Revenues	150,293,781	126,684,010
Payments to Suppliers for Goods & Services	(166,659,331)	(183,213,167)
Payments for Employees	(450,970,243)	(435,566,690)
Payments for Loans Provided	(161,238,845)	(97,651,792)
Payments for Other Expenses	(69,242,519)	(44,191,838)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (206,601,029)	\$ (280,494,153)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	\$ 191,400,688	\$ 171,743,482
Proceeds from Gifts	80,516,585	50,264,323
Proceeds from Endowments	12,824,750	4,824,694
Proceeds of Transfers from Other Funds	12,884,481	20,105,793
Proceeds from Other Revenues	73,835,722	83,008,296
Payments for Other Uses	(11,249,875)	(6,653,712)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 360,212,351	\$ 323,292,876

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds from Capital Financing Activities	\$ 101,731,032	\$ 161,025,183
Payments for Additions to Capital Assets	(141,549,751)	(89,484,418)
Payments of Principal & Interest on Debt Issuance	(76,698,528)	(103,595,739)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$ (116,517,247)	\$ (32,054,974)

CASH FLOWS FROM INVESTING ACTIVITIES	2011	2010
Proceeds from Interest & Investment Income	\$ 25,916,764	\$ 8,432,512
Payments to Acquire Investments	(23,290,075)	(11,843,873)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 2,626,689	\$ (3,411,361)
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 39,720,764	\$ 7,332,388
CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$ 164,339,553	\$ 157,007,165
CASH & CASH EQUIVALENTS, AUGUST 31	\$ 204,060,317	\$ 164,339,553

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	\$ (251,265,428)	\$ (280,004,811)
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ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

Amortization & Depreciation	\$ 46,721,702	\$ 37,228,658
Classification Differences	9,521,398	(487,884)

CHANGES IN ASSETS & LIABILITIES

(Increase) Decrease in Receivables & Loans	(18,462,692)	(32,024,845)
(Increase) Decrease in Inventories	130,086	317,306
(Increase) Decrease in Other Assets	(2,008,552)	2,145,769
(Increase) Decrease in Payables	(1,336,452)	(16,317,033)
(Increase) Decrease in Prepaid Expenses	2,351,457	7,049,169
(Increase) Decrease in Deferred Income	5,206,171	816,723
(Increase) Decrease in Other Liabilities	2,541,281	782,795
TOTAL ADJUSTMENTS	\$ 44,664,399	\$ (489,342)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (206,601,029)	\$ (280,494,153)

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON - MATRIX OF OPERATING EXPENSES

For year ended August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION			EXPENSES BY FUNCTIONAL CLASSIFICATION		
	2011	2010		2011	2010
Cost of Goods Sold	\$ 2,513,645	\$ 3,151,410	Instruction	\$ 194,374,819	\$ 191,027,113
Salaries & Wages	371,577,176	360,252,578	Research	93,756,014	95,929,702
Payroll Related Costs	81,891,077	77,219,563	Public Service	39,125,318	38,906,786
Professional Fees & Services	37,031,070	37,967,232	Academic Support	121,434,691	119,125,016
Federal Pass-Through Expenses	2,805,689	3,262,107	Student Services	23,827,047	24,976,384
State Pass-Through Expenses	192,677	—	Institutional Support	57,095,308	51,616,907
Travel	10,362,566	11,547,201	Physical Plant	35,586,377	32,067,365
Materials & Supplies	27,042,155	30,534,091	Scholarships & Fellowships	48,516,854	30,623,526
Communication & Utilities	37,569,432	35,705,825	Auxiliary Enterprises	76,811,103	71,114,740
Repairs & Maintenance	9,504,195	9,121,373	Depreciation & Amortization	46,721,702	37,228,658
Rentals & Leases	18,216,005	14,828,218	TOTAL EXPENSES BY		
Printing & Reproduction	3,561,064	4,025,186	EXPENDITURE FUNCTION	\$ 737,249,233	\$ 692,616,197
Depreciation & Amortization	46,721,702	37,228,658			
Interest	41,911	35,570			
Scholarships	55,769,138	33,398,690			
Claims & Losses	1,156,754	1,139,699			
Other Operating Expenses	31,292,977	33,198,796			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 737,249,233	\$ 692,616,197			



University of Houston Clear Lake

STATEMENT OF ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

MATRIX OF OPERATING EXPENSES



access
 respect
 achievement
 accomplishment
 pride
 heroes
 star
 courage
 prowess
 achievement
 hero
 success
 respect
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 success
 star
 access
 accomplishment
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 work

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CLEAR LAKE - STATEMENT OF NET ASSETS
As of August 31, 2011

ASSETS	2011	2010	LIABILITIES	2011	2010
<i>CURRENT ASSETS</i>			<i>CURRENT LIABILITIES</i>		
Cash & Cash Equivalents	\$ 27,311,252	\$ 20,109,572	Payables	\$ 5,566,248	\$ 4,943,199
Restricted Cash & Cash Equivalents	(2,655,213)	(2,536,445)	Deferred Revenues	22,247,438	21,367,990
Loans & Contracts	2,384,151	2,336,600	Capital Lease Obligations	366,160	—
Legislative Appropriations	5,757,418	5,670,929	Employees' Compensable Leave	1,000,192	920,322
Receivables	24,557,980	23,563,135	Revenue Bonds Payable	2,059,858	1,984,858
Inventories	15,454	12,909	Claims & Judgments Payable	20,331	—
Deferred Charges	2,508,931	2,651,024	Funds Held for Others	365,866	404,204
TOTAL CURRENT ASSETS	\$ 59,879,973	\$ 51,807,724	TOTAL CURRENT LIABILITIES	\$ 31,626,093	\$ 29,620,573
<i>NON-CURRENT ASSETS</i>			<i>NON-CURRENT LIABILITIES</i>		
Restricted Cash & Cash Equivalents	\$ 850,123	\$ 458,098	Claims & Judgments Payable	\$ 1,604	\$ —
Loans & Other Receivables	24,308,769	31,141,357	Employees' Compensable Leave	1,086,584	1,021,286
Capital Assets, Non-Depreciable/Non-Amortizable	23,230,236	12,504,633	Revenue Bonds Payable	30,356,901	32,416,759
Capital Assets, Amortizable/Depreciable	134,885,217	124,722,720	Capital Lease Obligations	7,006,818	—
Accumulated Amortization/Depreciation	(85,884,020)	(81,699,124)	TOTAL NON-CURRENT LIABILITIES	\$ 38,451,907	\$ 33,438,045
TOTAL NON-CURRENT ASSETS	\$ 97,390,325	\$ 87,127,684	TOTAL LIABILITIES	\$ 70,078,000	\$ 63,058,618
TOTAL ASSETS	\$ 157,270,298	\$ 138,935,408	NET ASSETS		
			Invested in Capital Assets, Net of Related Debt	\$ 34,927,094	\$ 32,533,881
			Restricted, Debt Retirement	526,759	561,630
			Restricted, Endowment Funds	11,732,239	11,199,237
			Restricted, Other	2,544,321	1,672,398
			Unrestricted	37,461,885	29,909,644
			TOTAL NET ASSETS	\$ 87,192,298	\$ 75,876,790

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CLEAR LAKE - STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the year ended August 31, 2011

OPERATING REVENUES			2011		2010		NON-OPERATING REVENUES (EXPENSES)			2011		2010	
Tuition & Fees, Net of Discounts	\$	40,958,965	\$	37,914,718	Legislative Revenue	\$	35,212,454	\$	35,743,895				
Sales of Goods & Services		2,740,279		2,734,748	Gifts		1,169,644		550,415				
Federal Revenue		2,641,762		2,063,460	Federal Revenue Non-Operating		10,404,859		7,888,051				
State Grant Revenue		1,923,960		2,414,561	Investment Income		1,707,498		73,264				
Other Grants & Contracts		287,181		283,455	Interest Expense & Fiscal Changes		(1,388,439)		(1,559,998)				
TOTAL OPERATING REVENUES	\$	48,552,147	\$	45,410,942	Net Increase (Decrease) in Fair Value of Investments		301,258		1,388,088				
OPERATING EXPENSES					Other Non-Operating Revenues (Expenses)		4,368,263		(225,321)				
Instruction	\$	36,686,822	\$	35,935,021	TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	51,775,537	\$	43,858,394				
Research		1,746,646		1,279,461	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	6,069,683	\$	(763,955)				
Public Service		194,238		189,118	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS								
Academic Support		11,442,015		11,572,561	Capital Appropriation (Higher Education Assistance Funds)	\$	5,214,167	\$	5,355,874				
Student Services		3,853,655		3,494,592	Additions to Permanent & Term Endowments		238,355		181,846				
Institutional Support		15,122,620		14,145,385	Intercomponent Transfers		1,560		(302,815)				
Operation & Maintenance of Plant		7,457,039		6,499,800	Transfers-Out		(172,292)		(275,387)				
Scholarships & Fellowships		8,295,509		7,928,209	Legislative Transfers		(28,883)		(130,817)				
Auxiliary Enterprises		4,819,317		4,758,025	Legislative Appropriations Lapsed		(7,082)		(10,452)				
Depreciation & Amortization		4,640,140		4,231,119	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	5,245,825	\$	4,818,249				
TOTAL OPERATING EXPENSES	\$	94,258,001	\$	90,033,291	CHANGE IN NET ASSETS	\$	11,315,508	\$	4,054,294				
OPERATING INCOME (LOSS)	\$	(45,705,854)	\$	(44,622,349)	Net Assets Beginning		75,876,790		71,822,496				
					NET ASSETS, ENDING	\$	87,192,298	\$	75,876,790				

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CLEAR LAKE - STATEMENT OF CASH FLOWS
For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Proceeds Received from Students & Customers	\$ 42,405,229	\$ 41,593,384
Proceeds from Loan Programs	3,639,110	3,399,210
Proceeds from Other Revenues	6,496,116	4,150,829
Payments to Suppliers for Goods & Services	(15,534,843)	(15,379,870)
Payments for Employees	(62,213,487)	(59,742,894)
Payments for Loans Provided	(3,776,420)	(3,478,521)
Payments for Other Expenses	(10,472,834)	(11,724,265)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (39,457,129)	\$ (41,182,127)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	\$ 35,097,082	\$ 34,362,008
Proceeds from Gifts	1,047,917	550,315
Proceeds from Endowments	238,355	181,946
Proceeds from Other Revenues	21,278,027	8,283,209
Payments for Other Uses	(523,992)	(158,213)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 57,137,389	\$ 43,219,265

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds from Capital Financing Activities	\$ 5,214,167	\$ 5,355,874
Payments for Additions to Capital Assets	(13,573,474)	(3,716,999)
Payments for Capital Lease	(396,892)	—
Payments of Principal & Interest on Debt Issuance	(3,457,881)	(3,445,364)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$ (12,214,080)	\$ (1,806,489)

CASH FLOWS FROM INVESTING ACTIVITIES	2011	2010
Proceeds from Interest & Investment Income	\$ 2,008,757	\$ 1,461,352
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 2,008,757	\$ 1,461,352
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 7,474,937	\$ 1,692,001
CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$ 18,031,225	\$ 16,339,224
CASH & CASH EQUIVALENTS, AUGUST 31	\$ 25,506,162	\$ 18,031,225

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (45,705,854)	\$ (44,622,349)

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Amortization & Depreciation	\$ 4,640,140	\$ 4,231,119
Bad Debt Expense	—	12,771

CHANGES IN ASSETS & LIABILITIES		
(Increase) Decrease in Receivables & Loans	(1,016,214)	(1,434,534)
(Increase) Decrease in Inventories	(2,545)	4,286
(Increase) Decrease in Other Assets	406,822	(631,344)
(Increase) Decrease in Prepaid Expenses	142,093	(563,369)
(Increase) Decrease in Payables	1,191,260	(512,966)
(Increase) Decrease in Deferred Income	879,448	2,241,436
(Increase) Decrease in Other Liabilities	7,721	92,823
TOTAL ADJUSTMENTS	\$ 6,248,725	\$ 3,440,222
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (39,457,129)	\$ (41,182,127)

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CLEAR LAKE - MATRIX OF OPERATING EXPENSES

For the year ended August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION	2011	2010	EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Cost of Goods Sold	\$ 8,429	\$ 19,335	Instruction	\$ 36,686,822	\$ 35,935,021
Salaries & Wages	50,134,796	48,535,599	Research	1,746,646	1,279,461
Payroll Related Costs	12,397,313	11,341,081	Public Service	194,238	189,118
Professional Fees & Services	5,350,966	4,737,880	Academic Support	11,442,014	11,572,562
Travel	610,834	663,214	Student Services	3,853,655	3,494,591
Materials & Supplies	4,628,078	4,439,833	Institutional Support	15,122,621	14,145,385
Communication & Utilities	3,090,617	3,395,442	Physical Plant	7,457,039	6,499,800
Repairs & Maintenance	1,371,479	1,248,328	Scholarships & Fellowships	8,295,509	7,928,209
Rentals & Leases	548,904	546,341	Auxiliary Enterprises	4,819,317	4,758,025
Printing & Reproduction	362,453	433,255	Depreciation & Amortization	4,640,140	4,231,119
Depreciation & Amortization	4,640,140	4,231,119	TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 94,258,001	\$ 90,033,291
Interest	313,465	372			
Scholarships	8,610,207	8,537,033			
Claims & Losses	158,714	153,385			
Other Operating Expenses	2,031,606	1,751,074			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 94,258,001	\$ 90,033,291			



UHD

UH-Downtown

STATEMENT OF ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

MATRIX OF OPERATING EXPENSES



access
respect
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FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - STATEMENT OF NET ASSETS
As of August 31, 2011

ASSETS	2011	2010	LIABILITIES	2011	2010
CURRENT ASSETS			CURRENT LIABILITIES		
Cash & Cash Equivalents	\$ 37,473,264	\$ 33,277,807	Payables	\$ 9,276,847	\$ 8,266,347
Restricted Cash & Cash Equivalents	(10,314,038)	(8,051,112)	Deferred Revenues	21,551,053	19,169,808
Loans & Contracts	444,631	497,668	Claims & Judgments Payable	107,278	98,748
Legislative Appropriations	9,174,580	9,905,436	Employees' Compensable Leave	1,118,097	1,077,103
Receivables	28,254,824	24,518,391	Revenue Bonds Payable	4,181,480	4,014,613
Inventories	16,605	17,194	Funds Held for Others	(472,585)	88,468
Deferred Charges	6,120,653	6,804,809	TOTAL CURRENT LIABILITIES	\$ 35,762,170	\$ 32,715,087
TOTAL CURRENT ASSETS	\$ 71,170,519	\$ 66,970,193	NON-CURRENT LIABILITIES		
NON-CURRENT ASSETS			Claims & Judgments Payable	\$ 1,419	\$ 3,311
Restricted Cash & Cash Equivalents	\$ 353,136	\$ (301,132)	Employees' Compensable Leave	1,214,673	1,195,266
Loans & Other Receivables	24,050,875	21,580,286	Revenue Bonds Payable	51,931,854	56,113,334
Investments	144,670	108,085	TOTAL NON-CURRENT LIABILITIES	\$ 53,147,946	\$ 57,311,911
Capital Assets, Non-Depreciable/Non-Amortizable	11,529,717	9,886,822	TOTAL LIABILITIES	\$ 88,910,116	\$ 90,026,998
Capital Assets, Amortizable/Depreciable	166,016,598	162,276,426	NET ASSETS		
Accumulated Amortization/Depreciation	(81,604,718)	(75,000,986)	Invested in Capital Assets, Net of Related Debt	\$ 42,871,496	\$ 40,725,667
TOTAL NON-CURRENT ASSETS	\$ 120,490,278	\$ 118,549,501	Restricted, Debt Retirement	2,008,789	2,208,600
TOTAL ASSETS	\$ 191,660,797	\$ 185,519,694	Restricted, Capital Projects	81,527	94,574
			Restricted, Endowment Funds	16,514,319	13,966,321
			Restricted, Other	4,143,286	4,127,161
			Unrestricted	37,131,264	34,370,373
			TOTAL NET ASSETS	\$ 102,750,681	\$ 95,492,696

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the year ended August 31, 2011

OPERATING REVENUES			NON-OPERATING REVENUES (EXPENSES)		
	2011	2010		2011	2010
Tuition & Fees, Net of Discounts	\$ 50,064,996	\$ 42,290,963	Legislative Revenue	\$ 33,901,987	\$ 33,621,034
Sales of Goods & Services	5,025,016	4,736,075	Gifts	1,357,988	1,265,032
Federal Revenue	3,430,452	3,250,339	Federal Revenue Non Operating	31,234,059	27,210,256
State Grant Revenue	7,252,513	5,073,857	Investment Income	1,924,613	54,044
Other Grants & Contracts	204,455	171,107	Interest Expense & Fiscal Changes	(2,648,733)	(2,811,760)
TOTAL OPERATING REVENUES	\$ 65,977,432	\$ 55,522,341	Net Increase (Decrease) in Fair Value of Investments	228,165	1,501,049
			Other Non-Operating Revenues (Expenses)	(1,030,987)	(1,314,402)
OPERATING EXPENSES			TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 64,967,092	\$ 59,525,253
Instruction	\$ 38,301,509	\$ 36,201,350	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ (1,594,518)	\$ (3,785,549)
Research	1,473,222	1,285,575			
Public Service	3,784,092	2,930,191	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS		
Academic Support	17,423,558	16,059,333	Capital Appropriation (Higher Education Assistance Funds)	\$ 7,435,238	\$ 9,548,995
Student Services	4,011,293	4,091,980	Additions to Permanent & Term Endowments	2,152,521	293,184
Institutional Support	15,356,050	17,363,901	Intercomponent Transfers	(71,949)	91,331
Operation & Maintenance of Plant	5,831,035	6,007,834	Transfers-Out	(661,719)	(604,509)
Scholarships & Fellowships	32,677,308	22,279,589	Legislative Appropriations Lapsed	(1,588)	(28,637)
Auxiliary Enterprises	6,713,483	6,072,504	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ 8,852,503	\$ 9,300,364
Depreciation & Amortization	6,967,492	6,540,886	CHANGE IN NET ASSETS	\$ 7,257,985	\$ 5,514,815
TOTAL OPERATING EXPENSES	\$ 132,539,042	\$ 118,833,143	Net Assets Beginning	95,492,696	89,874,941
OPERATING INCOME (LOSS)	\$ (66,561,610)	\$ (63,310,802)	Restatements	—	102,940
			NET ASSETS BEGINNING, AS RESTATED	\$ 95,492,696	\$ 89,977,881
			NET ASSETS, ENDING	\$ 102,750,681	\$ 95,492,696

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - STATEMENT OF CASH FLOWS
For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Proceeds Received from Students & Customers	\$ 54,983,394	\$ 44,709,166
Proceeds from Loan Programs	1,916,256	2,030,610
Proceeds from Other Revenues	13,230,143	10,163,515
Payments to Suppliers for Goods & Services	(19,434,042)	(22,692,863)
Payments for Employees	(71,330,858)	(63,909,122)
Payments for Loans Provided	(1,863,219)	(1,905,404)
Payments for Other Expenses	(34,831,828)	(22,628,170)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (57,330,154)	\$ (54,232,268)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	2011	2010
Proceeds from State Appropriations	\$ 34,631,255	\$ 33,045,041
Proceeds from Gifts	1,357,988	1,390,573
Proceeds from Endowments	(363,602)	—
Proceeds of Transfers from Other Funds	306,492	332,204
Proceeds from Other Revenues	29,460,980	27,753,873
Payments for Other Uses	(2,098,059)	(4,386,422)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 63,295,054	\$ 58,135,269

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	2011	2010
Proceeds from Capital Financing Activities	\$ 7,435,238	\$ 9,548,995
Payments for Additions to Capital Assets	(5,918,980)	(5,105,920)
Payments of Principal & Interest on Debt Issuance	(6,469,655)	(6,469,902)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$ (4,953,397)	\$ (2,026,827)

CASH FLOWS FROM INVESTING ACTIVITIES	2011	2010
Proceeds from Interest & Investment Income	\$ 1,575,296	\$ 865,351
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 1,575,296	\$ 865,351
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 2,586,799	\$ 2,741,525
CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$ 24,925,563	\$ 22,184,038
CASH & CASH EQUIVALENTS, AUGUST 31	\$ 27,512,362	\$ 24,925,563

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2011	2010
OPERATING INCOME (LOSS)	\$ (66,561,610)	\$ (63,310,802)

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2011	2010
Amortization & Depreciation	\$ 6,967,492	\$ 6,540,886

CHANGES IN ASSETS & LIABILITIES	2011	2010
(Increase) Decrease in Receivables & Loans	(1,660,221)	307,290
(Increase) Decrease in Inventories	589	8,528
(Increase) Decrease in Other Assets	(25,689)	(774)
(Increase) Decrease in Prepaid Expenses	484,383	(77,492)
(Increase) Decrease in Payables	1,023,257	2,139,921
(Increase) Decrease in Deferred Income	2,381,245	160,515
(Increase) Decrease in Other Liabilities	60,400	(340)
TOTAL ADJUSTMENTS	\$ 9,231,456	\$ 9,078,534
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (57,330,154)	\$ (54,232,268)

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - MATRIX OF OPERATING EXPENSES

For the year ended August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION			EXPENSES BY FUNCTIONAL CLASSIFICATION		
	2011	2010		2011	2010
Cost of Goods Sold	\$ 1,699	\$ 4,810	Instruction	\$ 38,301,509	\$ 36,201,350
Salaries & Wages	58,073,311	54,537,445	Research	1,473,222	1,285,575
Payroll Related Costs	13,558,631	12,284,310	Public Service	3,784,092	2,930,191
Professional Fees & Services	6,209,750	7,265,503	Academic Support	17,423,558	16,059,333
Federal Pass-Through Expenses	10,000	—	Student Services	4,011,293	4,091,980
Travel	795,419	1,034,323	Institutional Support	15,356,050	17,363,901
Materials & Supplies	4,715,793	5,714,656	Physical of Plant	5,831,035	6,007,834
Communication & Utilities	2,554,284	3,045,848	Scholarships & Fellowships	32,677,308	22,279,589
Repairs & Maintenance	2,219,233	1,962,647	Auxiliary Enterprises	6,713,483	6,072,504
Rentals & Leases	1,062,391	704,171	Depreciation & Amortization	6,967,492	6,540,886
Printing & Reproduction	261,770	360,664	TOTAL EXPENSES BY		
Depreciation & Amortization	6,967,492	6,540,886	EXPENDITURE FUNCTION	\$ 132,539,042	\$ 118,833,143
Interest	18,835	22,957			
Scholarships	32,897,581	22,266,939			
Claims & Losses	197,933	129,475			
Other Operating Expenses	2,994,920	2,958,509			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 132,539,042	\$ 118,833,143			



FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS		2011	2010	LIABILITIES		2011	2010		
<i>CURRENT ASSETS</i>				<i>CURRENT LIABILITIES</i>					
Cash & Cash Equivalents	\$	9,112,242	\$	10,831,522	Payables	\$	3,903,612	\$	5,423,686
Restricted Cash & Cash Equivalents		(998,130)		970,558	Deferred Revenues		9,156,333		8,591,595
Loans & Contracts		1,982,889		1,924,194	Claims & Judgments Payable		4,640		8,738
Legislative Appropriations		2,746,507		3,501,865	Employees' Compensable Leave		399,312		405,775
Receivables		6,104,431		5,963,531	Revenue Bonds Payable		2,717,048		2,610,908
Deferred Charges		21,542,820		22,280,242	Funds Held for Others		630,842		687,100
TOTAL CURRENT ASSETS	\$	40,490,759	\$	45,471,912	TOTAL CURRENT LIABILITIES	\$	16,811,787	\$	17,727,802
<i>NON-CURRENT ASSETS</i>				<i>NON-CURRENT LIABILITIES</i>					
Restricted Cash & Cash Equivalents	\$	440,324	\$	(84,863)	Employees' Compensable Leave	\$	433,803	\$	450,290
Loans & Other Receivables		17,810,304		20,628,996	Revenue Bonds Payable		40,239,106		42,956,154
Investments		5,609		5,609	Claims & Judgments Payable		372		175
Capital Assets, Non-Depreciable/Non-Amortizable		1,591,043		6,197,417	TOTAL NON-CURRENT LIABILITIES	\$	40,673,281	\$	43,406,619
Capital Assets, Amortizable/Depreciable		34,606,390		26,207,852	TOTAL LIABILITIES	\$	57,485,068	\$	61,134,421
Accumulated Amortization/Depreciation		(13,020,452)		(11,562,151)	NET ASSETS				
TOTAL NON-CURRENT ASSETS	\$	41,433,218	\$	41,392,860	Invested in Capital Assets, Net of Related Debt	\$	9,183,922	\$	6,964,644
TOTAL ASSETS	\$	81,923,977	\$	86,864,772	Restricted, Debt Retirement		723,714		921,429
					Restricted, Capital Projects		8,964		—
					Restricted, Endowment Funds		7,208,463		6,875,563
					Restricted, Other		1,718,231		2,410,010
					Unrestricted		5,595,615		8,558,705
					TOTAL NET ASSETS	\$	24,438,909	\$	25,730,351

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
For the year ended August 31, 2011

OPERATING REVENUES		2011	2010	NON-OPERATING REVENUES (EXPENSES)		2011	2010		
Tuition & Fees, Net of Discounts	\$	14,987,005	\$	13,656,416	Legislative Revenue	\$	18,922,454	\$	18,843,340
Sales of Goods & Services		1,749,745		433,682	Gifts		310,292		191,316
Federal Revenue		482,875		367,658	Federal Revenue Non-Operating		5,985,184		4,831,108
State Grant Revenue		798,798		1,078,971	Investment Income		704,955		21,112
Other Grants & Contracts		512,741		904,651	Interest Expense & Fiscal Changes		(2,178,556)		(2,039,658)
TOTAL OPERATING REVENUES	\$	18,531,164	\$	16,441,378	Net Increase (Decrease) in Fair Value of investments		42,103		539,250
OPERATING EXPENSES				TOTAL NON-OPERATING REVENUES (EXPENSES)					
Instruction	\$	18,473,491	\$	16,596,904	Other Non-Operating Revenues (Expenses)		(2,167,390)		21,566,052
Research		162,647		121,830	TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	21,619,042	\$	43,952,520
Public Service		805,108		811,796	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	(3,759,209)	\$	23,261,654
Academic Support		5,962,053		5,739,913	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Student Services		4,463,825		3,919,274	Capital Appropriation (Higher Education Assistance Funds)	\$	2,393,921	\$	2,335,692
Institutional Support		4,917,645		4,473,561	Additions to Permanent & Term Endowments		195,832		111,958
Operation & Maintenance of Plant		1,988,881		1,819,108	Intercomponent Transfers		28,136		59,548
Scholarships & Fellowships		3,420,057		2,425,959	Transfers-Out		(147,600)		(103,818)
Auxiliary Enterprises		2,062,152		11,876	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	2,470,289	\$	2,403,380
Depreciation & Amortization		1,653,556		1,212,023	CHANGE IN NET ASSETS	\$	(1,288,920)	\$	25,665,034
TOTAL OPERATING EXPENSES	\$	43,909,415	\$	37,132,244	Net Assets Beginning		25,730,351		65,317
OPERATING INCOME (LOSS)	\$	(25,378,251)	\$	(20,690,866)	Restatements		(2,522)		—
				NET ASSETS BEGINNING, AS RESTATED		\$	25,727,829	\$	65,317
				NET ASSETS, ENDING		\$	24,438,909	\$	25,730,351

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF CASH FLOWS

For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES			2011	2010	CASH FLOWS FROM INVESTING ACTIVITIES			2011	2010
Proceeds Received from Students & Customers	\$	16,874,800	\$	14,424,325	Proceeds from Interest & Investment Income	\$	841,738	\$	2,927,660
Proceeds from Loan Programs		3,704,010		3,066,494	Payments to Acquire Investments		(9,514)		(311,746)
Proceeds from Other Revenues		1,954,251		1,206,728	NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	832,224	\$	2,615,914
Payments to Suppliers for Goods & Services		(13,270,065)		(5,455,571)	INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$	(3,162,781)	\$	4,017,659
Payments for Employees		(25,945,409)		(23,305,744)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	11,717,217	\$	7,699,558
Payments for Loans Provided		(3,762,705)		(3,294,466)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	8,554,436	\$	11,717,217
Payments for Other Expenses		(4,016,850)		(3,317,179)					
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(24,461,968)	\$	(16,675,413)	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					OPERATING INCOME (LOSS)	\$	(25,378,251)	\$	(20,690,866)
Proceeds from State Appropriations	\$	19,677,813	\$	18,344,082	ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds from Gifts		503,474		355,540	Amortization & Depreciation	\$	1,653,556	\$	1,212,023
Proceeds from Endowments		195,832		111,958	Classification Differences		(58,695)		(227,972)
Proceeds of Transfers from Other Funds		149,393		158,067	CHANGES IN ASSETS & LIABILITIES				
Proceeds from Other Revenues		5,985,184		4,831,108	(Increase) Decrease in Receivables & Loans		(212,740)		(1,926,633)
Payments for Other Uses		(1,060,485)		(1,737,052)	(Increase) Decrease in Other Assets		(55,525)		(28,756)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$	25,451,211	\$	22,063,703	(Increase) Decrease in Prepaid Expenses		737,423		100,607
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					(Increase) Decrease in Payables		(1,714,160)		3,468,757
Proceeds from Capital Financing Activities	\$	5,494,516	\$	10,096,348	(Increase) Decrease in Deferred Income		564,738		1,112,232
Payments for Additions to Capital Assets		(3,989,941)		(9,661,924)	(Increase) Decrease in Other Liabilities		1,686		305,195
Payments of Principal & Interest on Debt Issuance		(6,488,823)		(4,420,969)	TOTAL ADJUSTMENTS	\$	916,283	\$	4,015,453
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(4,984,248)	\$	(3,986,545)	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(24,461,968)	\$	(16,675,413)

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - MATRIX OF OPERATING EXPENSES
For the year ended August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION	2011	2010	EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Salaries & Wages	21,239,017	19,679,473	Instruction	\$ 18,473,491	\$ 16,596,904
Payroll Related Costs	5,111,488	4,553,786	Research	162,647	121,830
Professional Fees & Services	5,702,116	3,771,173	Public Service	805,108	811,796
Travel	626,259	662,428	Academic Support	5,962,053	5,739,913
Materials & Supplies	1,576,802	1,218,361	Student Services	4,463,825	3,919,274
Communication & Utilities	1,106,882	933,205	Institutional Support	4,917,645	4,473,561
Repairs & Maintenance	586,562	490,447	Physical of Plant	1,988,881	1,819,107
Rentals & Leases	791,006	583,780	Scholarships & Fellowships	3,420,057	2,425,959
Printing & Reproduction	140,629	145,409	Auxiliary Enterprises	2,062,152	11,877
Depreciation & Amortization	1,653,556	1,212,023	Depreciation & Amortization	1,653,556	1,212,023
Interest	655	474			
Scholarships	4,052,280	2,793,642	TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 43,909,415	\$ 37,132,244
Claims & Losses	40,284	41,383			
Other Operating Expenses	1,281,879	1,046,660			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 43,909,415	\$ 37,132,244			



UNIVERSITY of HOUSTON SYSTEM ADMINISTRATION

STATEMENT OF ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

MATRIX OF OPERATING EXPENSES



access
respect
achievement
accomplishment
pride
start
hero
courage
prowess
achievement
hero
success
access
success
respect
accomplishment
monor
work

success

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS		2011	2010	LIABILITIES		2011	2010				
<i>CURRENT ASSETS</i>				<i>CURRENT LIABILITIES</i>							
Cash & Cash Equivalents	\$	49,703,984	\$	53,472,493	Payables	\$	691,894,188	\$	735,659,547		
Short-term Investments		147,505,357		190,143,590	Deferred Revenues		4,166		25,448		
Restricted Cash & Cash Equivalents		5,568,162		5,450,188	Notes & Loans Payable		42,141,000		10,000,000		
Legislative Appropriations		806,984		8,351,319	Claims and Judgments Payable		971		892		
Receivables		8,164,789		7,368,343	Employees' Compensable Leave		384,301		445,797		
Deferred Charges		43,008		24	Funds Held for Others		25,606		20,597		
TOTAL CURRENT ASSETS	\$	211,792,284	\$	264,785,957	TOTAL CURRENT LIABILITIES	\$	734,450,232	\$	746,152,281		
<i>NON-CURRENT ASSETS</i>				<i>NON-CURRENT LIABILITIES</i>							
Restricted Cash & Cash Equivalents	\$	2,750,857	\$	(819,264)	Employees' Compensable Leave	\$	417,495	\$	494,703		
Loans & Other Receivables		12,859,881		10,005,368	Claims & Judgments Payable		4		24		
Investments		611,083,257		552,316,024	TOTAL NON-CURRENT LIABILITIES	\$	417,499	\$	494,727		
Capital Assets, Non-Depreciable/Non-Amortizable		6,528,754		10,739,805	TOTAL LIABILITIES	\$	734,867,731	\$	746,647,008		
Capital Assets, Amortizable/Depreciable		91,483,008		87,375,063							
Accumulated Amortization/Depreciation		(33,081,271)		(24,911,515)							
TOTAL NON-CURRENT ASSETS	\$	691,624,486	\$	634,705,481							
TOTAL ASSETS	\$	903,416,770	\$	899,491,438							
				NET ASSETS							
				Invested in Capital Assets, Net of Related Debt							
				\$				47,073,677	\$	53,024,276	
				Restricted, Debt Retirement				221,393		238,313	
				Restricted, Capital Projects				—		15,330	
				Restricted, Endowment Funds				78,119,031		55,146,559	
				Restricted, Other				6,112,412		6,204,930	
				Unrestricted				37,022,526		38,215,022	
				TOTAL NET ASSETS				\$	168,549,039	\$	152,844,430

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - STATEMENT OF CASH FLOWS

For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		2011	2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011	2010		
Proceeds Received from Students & Customers	\$	882,398	\$	1,047,107	Proceeds from Sales of Investments	\$	497,425,887	\$	288,150,166
Proceeds from Other Revenues		48,605		183,661	Proceeds from Interest & Investment Income		12,702,674		11,691,295
Payments to Suppliers for Goods & Services		(2,704,707)		(3,154,463)	Payments to Acquire Investments		(492,481,254)		(334,208,534)
Payments for Employees		(9,320,805)		(14,667,945)	NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	17,647,307	\$	(34,367,073)
Payments for Other Expenses		(3,221,440)		(2,766,833)	INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$	(80,414)	\$	6,989,308
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(14,315,949)	\$	(19,358,473)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	58,103,417	\$	51,114,109
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				CASH & CASH EQUIVALENTS, AUGUST 31					
Proceeds from State Appropriations	\$	11,573,369	\$	4,132,857	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds from Gifts		1,521,636		1,363,083	OPERATING INCOME (LOSS)	\$	(22,964,611)	\$	(22,022,063)
Proceeds from Endowments		443,604		7,254	ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds of Transfers from Other Funds		48,273,831		40,623,155	Amortization & Depreciation	\$	8,183,552	\$	8,130,038
Proceeds from Other Revenues		1,568,335		461,788	CHANGES IN ASSETS & LIABILITIES				
Payments for Other Uses		(22,954,784)		(9,458,456)	(Increase) Decrease in Receivables & Loans		(1,308,150)		(5,456,407)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$	40,425,991	\$	37,129,681	(Increase) Decrease in Other Assets		178		38
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES									
Proceeds from Other Financing Activities	\$	35,801,132	\$	70,336,630	(Increase) Decrease in Prepaid Expenses		(42,984)		—
Payments for Additions to Capital Assets		(2,765,911)		(42,566,121)	(Increase) Decrease in Payables		1,388,625		24,045
Payments of Other Costs of Debt Issuance		(76,872,984)		(4,185,336)	(Increase) Decrease in Deferred Income		(21,282)		20,594
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(43,837,763)	\$	23,585,173	(Increase) Decrease in Other Liabilities		448,723		(54,718)
				TOTAL ADJUSTMENTS					
				\$ 8,648,662					
				\$ 2,663,590					
				NET CASH PROVIDED BY OPERATING ACTIVITIES					
				\$ (14,315,949)					
				\$ (19,358,473)					

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - MATRIX OF OPERATING EXPENSES

For the year ended August 31, 2011

EXPENSES BY NATURAL CLASSIFICATION			EXPENSES BY FUNCTIONAL CLASSIFICATION		
	2011	2010		2011	2010
Salaries & Wages	7,913,065	8,278,271	Research	1,079,042	1,086,626
Payroll Related Costs	1,576,148	1,736,219	Public Service	76,250	63,497
Professional Fees & Services	1,997,208	1,466,039	Academic Support	4,773,128	5,340,053
Travel	71,076	126,147	Student Services	189,991	259,611
Materials & Supplies	537,654	450,276	Institutional Support	7,540,919	7,152,006
Communication & Utilities	667,892	764,749	Operation & Maintenance of Plant	2,191,814	1,099,232
Repairs & Maintenance	392,029	366,389	Scholarships & Fellowships	65,827	3,100
Rentals & Leases	246,657	268,959	Depreciation & Amortization	8,183,552	8,130,038
Printing & Reproduction	44,962	58,521	TOTAL EXPENSES BY		
Depreciation & Amortization	8,183,552	8,130,038	EXPENDITURE FUNCTION	\$ 24,100,523	\$ 23,134,163
Interest	1,579,211	481,726			
Scholarships	684,139	670,586			
Claims & Losses	21,892	23,297			
Other Operating Expenses	185,038	312,946			
TOTAL OPERATING EXPENSES (NATURAL)	\$ 24,100,523	\$ 23,134,163			





STUDENT SUCCESS: A UH SYSTEM COMMITMENT

The Board of Regents of the University of Houston System has adopted a set of strategic goals that complement the mission statements of the System and its component universities. Prominent among these goals is the principle of Student Access and Success. As stated in the Executive Summary of the Fiscal Year Plan and Budget, "The UH System will commit to providing access to the people of the Greater Houston Region and the state. Each university within the system will make student success its top priority and will hold itself publicly accountable for achieving this goal." In this year's Annual Financial Report we have taken the opportunity to share with you a variety of photographs of students at each of the universities throughout our system. We hope these glimpses of student life will help you gain some insight into the many ways our students engage and participate in an abundance of educational opportunities as they progress through their academic experience. Additionally we offer the following descriptions of our pathways to progress toward our commitment to enable and encourage success for our students.

UNIVERSITY OF HOUSTON

Goal: UH will have a student profile consistent with a nationally competitive public research university by creating an environment in which student success can be ensured.

- Increasing the enrollment, retention and graduation of a diverse student body with exceptional academic qualifications is key to achieving the University of Houston's goal of becoming a tier-one university.

- Improvements in student success at UH have been facilitated by the university's annual commitment to investing in new initiatives that support student enrollment, persistence and graduation. These include increasing scholarships, expanding course offerings, enhancing student support staff (e.g., recruiters, advisers), and improving the curriculum. Another important factor influencing student success is the academic preparation of incoming students. As a next step in building a highly qualified student body, the university has developed more competitive admissions standards for incoming freshmen that will be implemented in fall 2012. In the coming years these new standards will translate into lower freshman acceptance rates, higher average SAT scores, and improved performance and persistence among UH undergraduates.
- In addition to student success at the undergraduate level, UH continues to make progress at the graduate level, which is also a factor in the university's tier-one aspirations. Over the past year, master's enrollment has increased six percent and doctoral enrollment has increased nine percent. Consistent long-term growth in graduate enrollment will enable UH to achieve its goal of a student body that is 25 percent graduate, which is consistent with a tier-one university profile.

UNIVERSITY OF HOUSTON – CLEAR LAKE

Goal: UHCL will provide a supportive student-centered campus environment focused on student access and success.



– UHCL’s fall 2010 enrollment was at the highest level in the university’s history. As an upper-level and graduate institution, UHCL serves two very different student groups. The undergraduate student body consists primarily of community college transfer students. Over 70% of UHCL undergraduates have attended one or more community colleges prior to enrollment. The graduate student body is represented primarily by individuals who are working full-time and pursuing graduate study on a part-time basis in the evening. In fall 2010, Hispanic students were 27.6% of UHCL’s undergraduate enrollment which qualified UHCL as a Hispanic Serving Institution. Hispanic students now comprise 21.8% of UHCL’s total enrollment. For fall 2010, international students were 9.7% of UHCL’s total enrollment. UHCL has in excess of 50,000 alumni.

– The university is increasingly responsive to

– the employers in our community. The Clear Lake area is marked by a heavy concentration of aerospace firms due to the location of NASA’s Johnson Space Center. Other major local employers of UHCL graduates include the petrochemical businesses, public school districts, healthcare institutions, and a variety of business and professional service firms.

– To address student needs, UH-Clear Lake is committed to the recruitment, retention, and professional development of faculty as well as the proper balance between full-time and part-time faculty. UHCL is expanding program and course offerings off-campus and online. UHCL continues to offer bachelor’s and master’s degrees at various off-campus locations including the UH System centers at Sugar Land and Cinco Ranch, community

colleges, school districts, and the Texas Medical Center. A major initiative for UHCL during fiscal year 2011 was the start-up of the UHCL Pearland campus. From this newly constructed facility, which is a partnership with the City of Pearland, UHCL offers six bachelor’s and five master’s degrees from the schools of business, education, and human sciences and humanities.

UNIVERSITY OF HOUSTON – DOWNTOWN

Goal: UHD will recruit, advise, retain, and educate increasing numbers of students who will graduate from our programs, assume leadership roles in society, and meet the workforce needs of the region and state.

– Expanding access to quality higher education has been a central component of the university’s mission since its founding in 1974. Through flexible scheduling of courses, innovative use of technology and distance learning opportunities, the University provides educational opportunities for many who might not otherwise be able to pursue a college degree. Minority graduates at UHD have increased about 121% from FY2000 to FY2010.

– A team of UHD faculty has developed a High-impact Practices Implementation Action Plan which will serve as a guide for building on current best practices at UHD and for identifying new high-impact opportunities, all with a focus of improving student success. High-impact education involves activities such as learning communities, supplemental instruction, undergraduate research, international education, capstone courses, and civic engagement. Collectively these activities will be part of a coherent strategy for improving retention and graduation rates.



- Whether arriving as a first-time-in-college freshman or as a transfer student, every UHD student benefits from UHD's commitment to keep higher education within the financial reach of those on the lower rungs of the socio-economic ladder. UHD prides itself on being among the best values in Texas public higher education. During FY2011 UHD had the second lowest tuition and fees of the state's 36 senior-level institutions.
- The University's strategic plan identifies helping students succeed as its first priority, commits the institution to providing the kind of environment that encourages the development of students as scholars and leaders within their communities, and supports students in achieving their full potential through excellent academic programs.

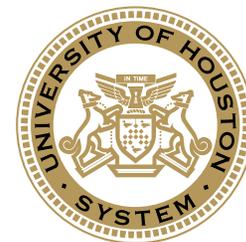
UNIVERSITY OF HOUSTON – VICTORIA

Goal: UHV will optimally shape the size and characteristics of the student body to ensure diversity and reflect the needs of the global leaders of tomorrow, with an emphasis on student access and success, and student participation through athletics, student organizations and academic success initiatives.

- UHV continues to develop recruitment activities, academic advising, on-campus student employment, and student development activities. In addition to adding a wider variety of lower division undergraduate courses, UHV continues to develop new academic programs and expand off-campus and online programs to meet the educational needs of both traditional and nontraditional students.
- The university strives for high levels of student success and satisfaction, as it enters a

new era as a destination university. While implementing its new, additional mission as a destination university, UHV will continue its historical mission of serving non-traditional students on campus, at the UH System centers, and online.

- The university also considers international education to be vital to its mission. In fall 2010 UHV enrolled 143 international students from 31 different countries. The university also recognizes the importance of providing opportunities for U.S. students to study abroad. UHV works with the UH System and other universities to establish collaborative initiatives abroad. The addition of freshmen and sophomores at the UHV campus in fall 2010 raised Hispanic student enrollment, and those students now represent 25.5% of all undergraduates at UHV.
- For several years UHV has been aggressive in expanding distance education opportunities for students. Semester credit hours generated by online courses have increased approximately 72% from fall 2006 to fall 2010. Off-campus instruction semester credit hours (face-to-face and via interactive television) increased 83% during the same time period. UHV assists in supporting, developing, and expanding the UH System presence in Fort Bend County through UH System centers at Sugar Land and Cinco Ranch. UHV remains committed to providing high-quality programs and support services to students and faculty in Fort Bend County.



UNIVERSITY of HOUSTON SYSTEM

ANNUAL FINANCIAL REPORT 2010-2011