

UNIVERSITY of HOUSTON SYSTEM

ANNUAL FINANCIAL REPORT 2010-2011



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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 intuitional quest of providing student access and success.

RENU KHATOR
CHANCELLOR, UH SYSTEM
PRESIDENT, UNIVERSITY OF HOUSTON


 A portrait of Carl Carlucci, Executive Vice Chancellor for Administration and Finance, wearing a dark suit, white shirt, and red patterned tie. The background of the portrait is a warm, orange-toned gradient.

leadership

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

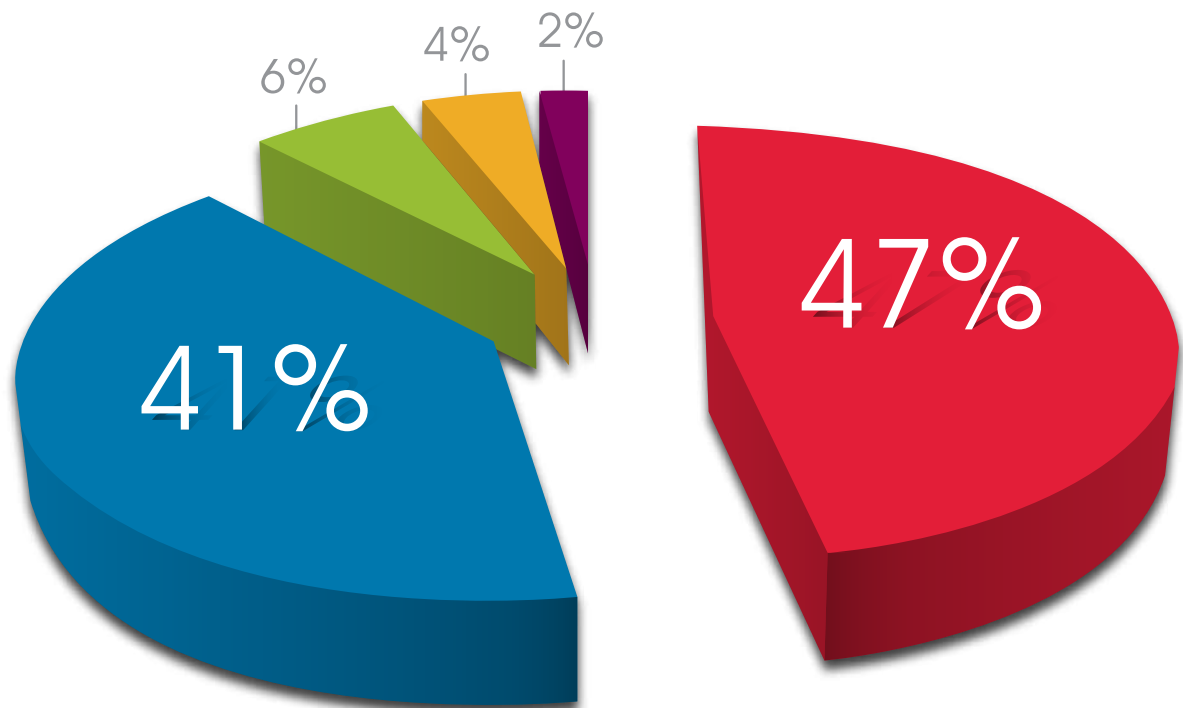


FINANCIAL HIGHLIGHTS

UNIVERSITY OF HOUSTON SYSTEM - ASSETS

As of August 31, 2011

	2011	%	
Cash & Investments	\$ 1,084,387,775	47	●
Capital Assets	964,013,755	41	●
Receivables	147,564,022	6	●
Appropriations	89,218,141	4	●
Inventories & Other Assets	48,550,041	2	●
TOTAL ASSETS	\$ 2,333,733,734	100	

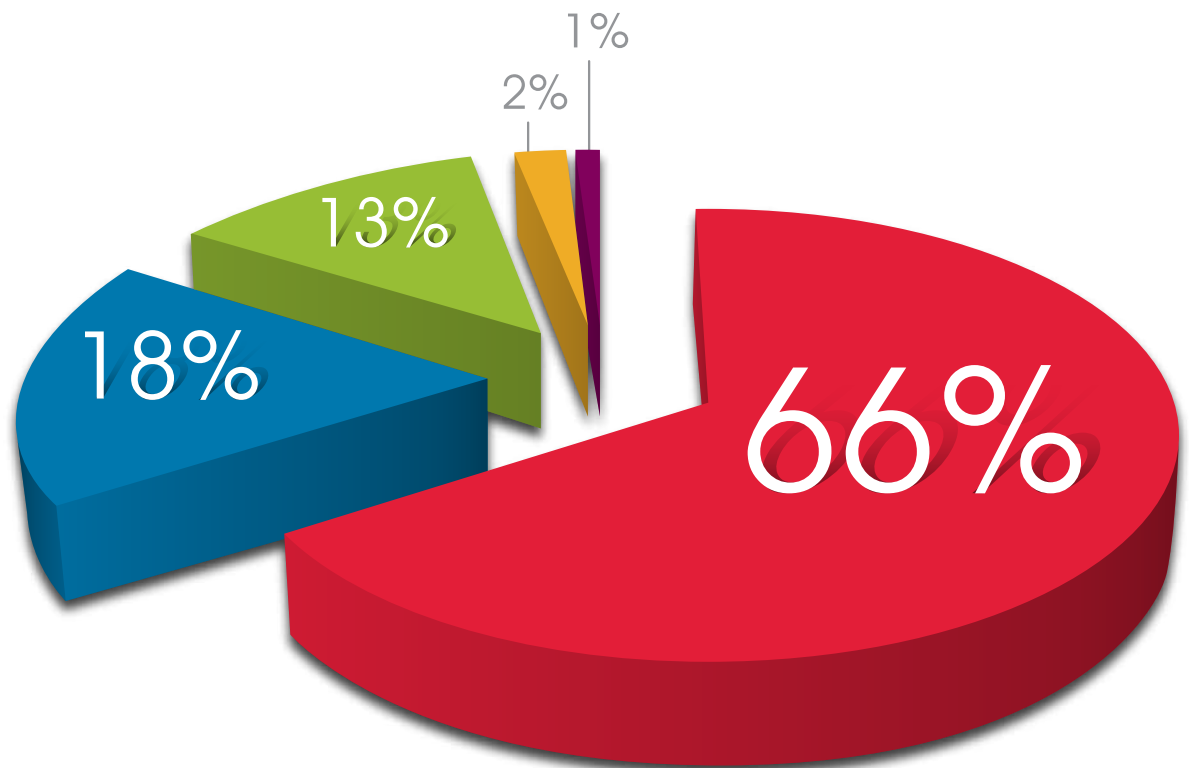




FINANCIAL HIGHLIGHTS

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	

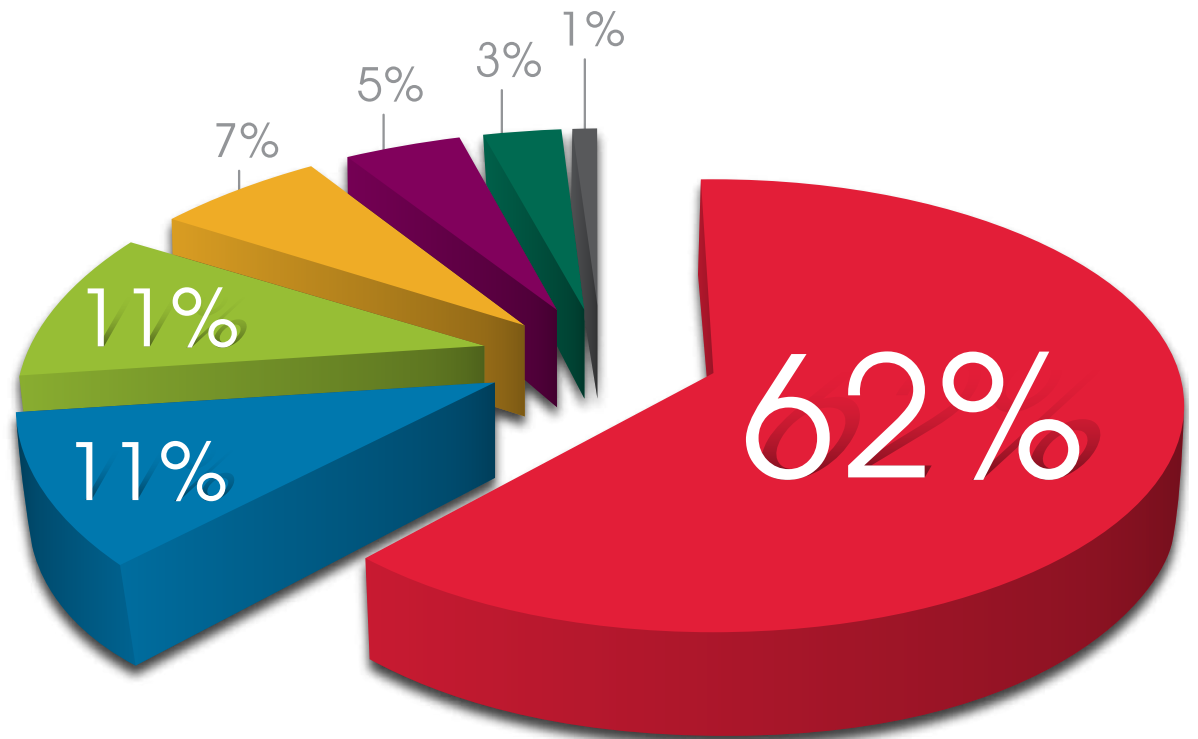




FINANCIAL HIGHLIGHTS

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

	2011	%	
Tuition & Fees, Net of Discounts	\$ 388,544,719	62	●
Auxiliary Enterprise-Pledged	67,442,598	11	●
Federal Grant Revenues	65,793,464	11	●
State Grant Revenue	47,785,217	7	●
Sales of Other Goods & Services-Pledged	31,271,755	5	●
Local & Private Awards	18,876,209	3	●
Other Operating Revenues	397,990	1	●
TOTAL OPERATING REVENUES	\$ 620,111,952	100	

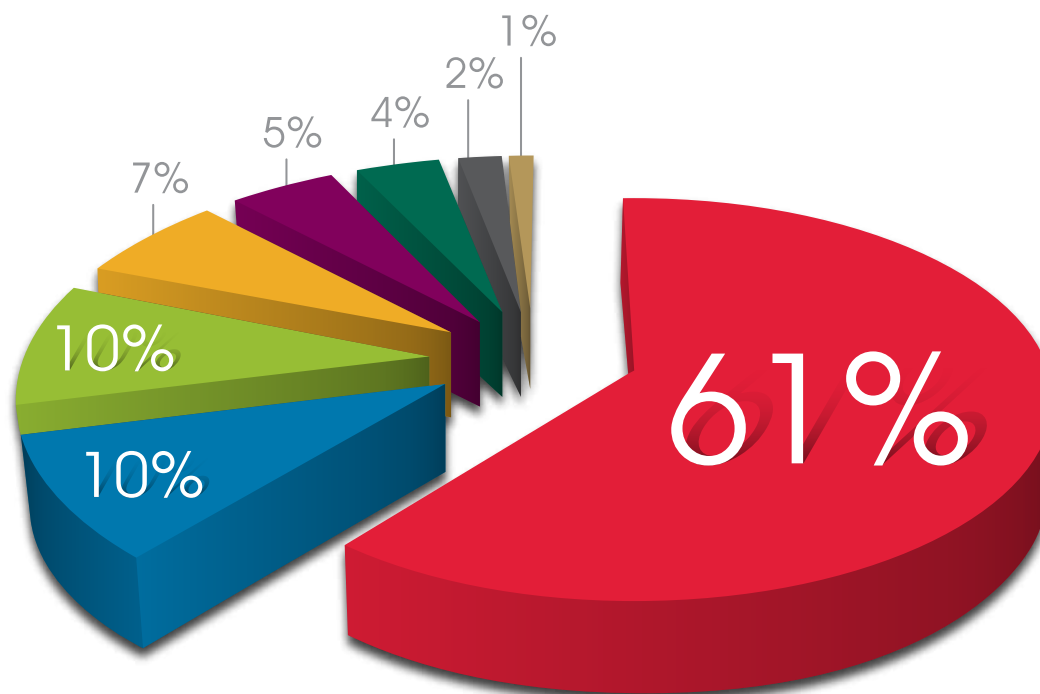




FINANCIAL HIGHLIGHTS

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	

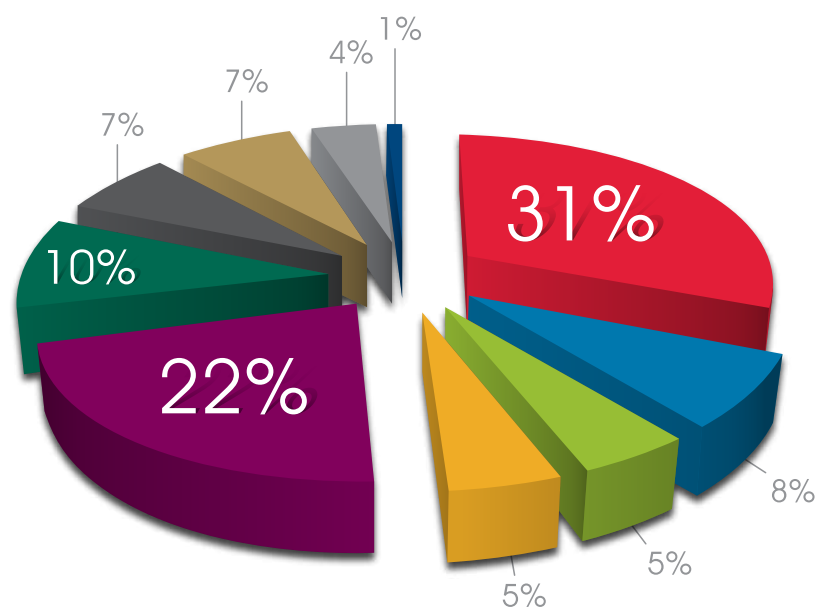




FINANCIAL HIGHLIGHTS

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	



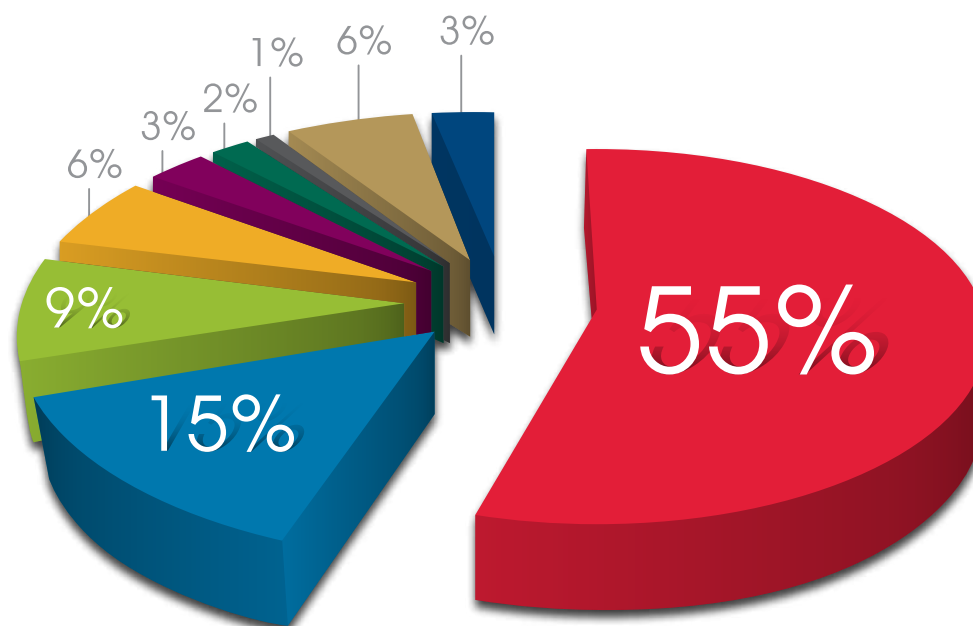


success

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
OPERATING EXPENSES					Other Non-Operating Revenues (Expenses)		(35,845,584)		34,991,425
Instruction	\$	286,300,388	\$	278,812,621	TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	476,728,182	\$	508,126,889
Research		98,159,064		99,682,859	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	71,964,500	\$	88,078,722
Public Service		43,985,006		42,901,388	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Academic Support		159,673,768		155,661,094	Capital Appropriation (Higher Education Assistance Funds)	\$	50,929,094	\$	53,332,099
Student Services		36,224,776		36,581,748	Additions to Permanent & Term Endowments		15,855,061		5,418,936
Institutional Support		96,146,853		87,585,998	Transfers-Out		(5,277,326)		(4,237,468)
Operation & Maintenance of Plant		53,055,146		47,493,338	Legislative Appropriations Lapsed		(20,280)		1,087,464
Scholarships & Fellowships		92,975,555		63,260,383	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	61,486,549	\$	55,601,031
Auxiliary Enterprises		90,188,636		81,739,725	CHANGE IN NET ASSETS	\$	133,451,049	\$	143,679,753
Depreciation & Amortization		68,166,442		57,342,724	Net Assets Beginning		1,182,742,948		1,038,988,675
TOTAL OPERATING EXPENSES	\$	1,024,875,634	\$	951,061,878	Restatements		(198,516)		74,520
OPERATING INCOME (LOSS)	\$	(404,763,682)	\$	(420,048,167)	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)
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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
Cost of Goods Sold	\$ 2,523,773	\$ 3,175,555
Salaries & Wages	508,937,364	491,283,365
Payroll Related Costs	114,534,657	107,134,959
Professional Fees & Services	49,179,037	44,605,103
Federal Pass-Through Expenses	2,747,182	3,177,670
State Pass-Through Expenses	192,677	—
Travel	12,466,154	14,033,314
Materials & Supplies	38,500,482	42,357,217
Communication & Utilities	44,989,108	43,845,070
Repairs & Maintenance	14,073,497	13,189,183
Rentals & Leases	20,864,963	16,931,469
Printing & Reproduction	4,370,877	5,023,036
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

EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Instruction	\$ 286,300,388	\$ 278,812,621
Research	98,159,064	99,682,859
Public Service	43,985,006	42,901,388
Academic Support	159,673,768	155,661,094
Student Services	36,224,776	36,581,748
Institutional Support	96,146,853	87,585,998
Operation & Maintenance of Plant	53,055,146	47,493,338
Scholarships & Fellowships	92,975,555	63,260,383
Auxiliary Enterprises	90,188,636	81,739,725
Depreciation & Amortization	68,166,442	57,342,724
TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 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



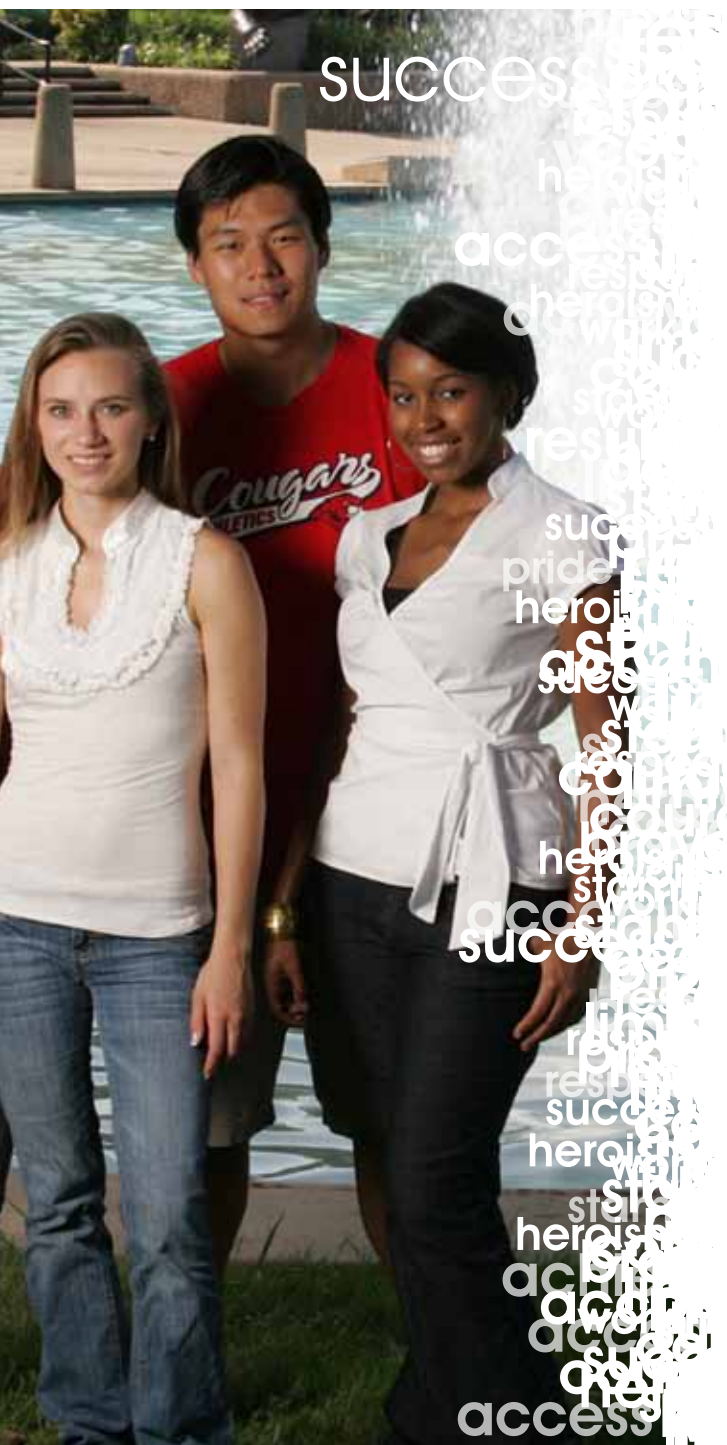
are in the process of developing academic and facilities master plans. Upon completion, these plans will identify the programs, faculty, staff, and infrastructure needed to achieve enrollment and research projections, as well as the resources needed to accomplish them. The UHS universities are also working 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

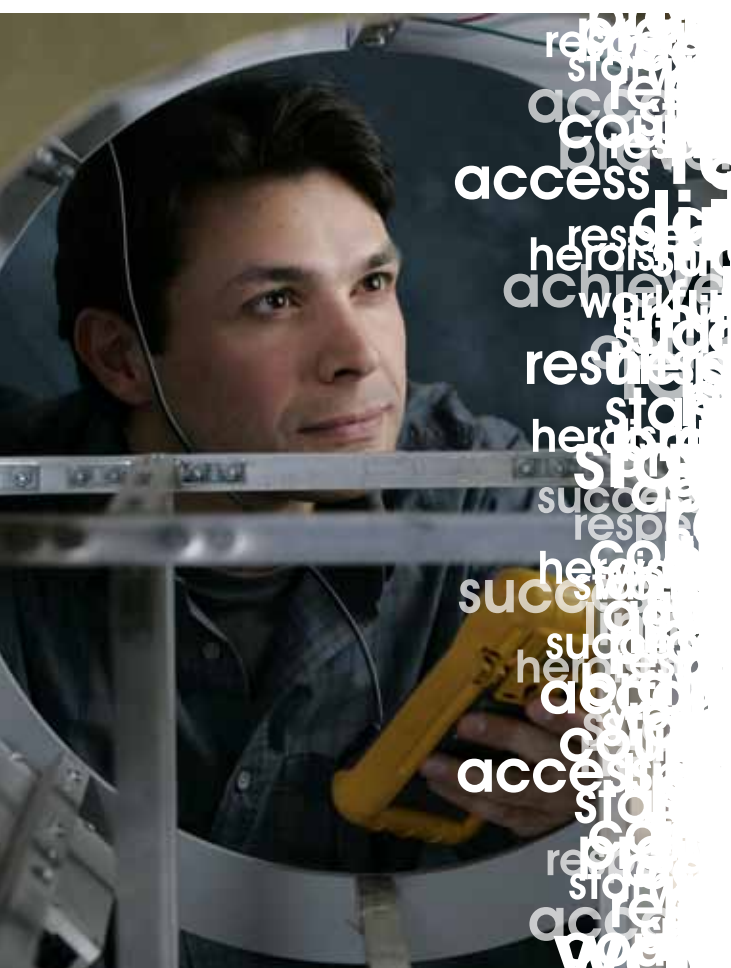


The format of the Texas statewide financial statements presents a comprehensive perspective of the state's financial activities. The state's activities are divided into three types for presentation in the primary financial statements. They are Governmental Activities, Business-type Activities, and Component Units. The financial operations of the University of Houston System are considered a business-type activity because the System's universities charge a fee, in

STATEMENT OF NET ASSETS

The first schedule presented is the Statement of Net Assets. The statement reflects the System's assets and liabilities using the full accrual basis of accounting, and represents financial position as of the conclusion of the fiscal year. This is a point in time financial presentation and presents a snapshot view of the financial status as of August 31, 2011. Comparative data for the previous fiscal year has also been presented as of

SCHEDULE OF UNRESTRICTED NET ASSETS (MILLION)	2011	2010
<i>RESERVED FOR:</i>		
Accounts Receivable	\$ 31	\$ 50
Encumbrances	16	11
Higher Education Fund	58	63
Future Operating Budget	41	42
Student Fees Restricted by Statute	12	10
Other Funds	71	71
<i>UNRESERVED ALLOCATED:</i>		
Service Department Operating	\$ 2	\$ 2
Auxiliary Enterprise Operating	4	4
Endowment & Loan Funds	51	37
Student Fees Limited to Purpose	23	24
Unallocated	56	21
TOTAL UNRESTRICTED NET ASSETS	\$ 365	\$ 335



August 31, 2010. Assets and liabilities are presented as either current or non-current to provide an indication of their anticipated liquidation. Net Assets is equal to Assets minus Liabilities. Unrestricted Net Assets are available to the System for any lawful purpose. Unrestricted Net Assets often have constraints on resources, which are imposed by management or implied by statutes or regulations, but can be removed or modified. On August 31, 2011, the University of Houston System's Assets totaled \$2.334 billion, and Liabilities totaled \$1.018 billion, resulting in a Net Asset valuation of \$1.316 billion. This represents an increase in net assets of \$133 million. Asset increases occurred in investments due in part to a continued improvement of market driven increases in the valuation of the endowment. Capital asset acquisitions and holdings also increased.

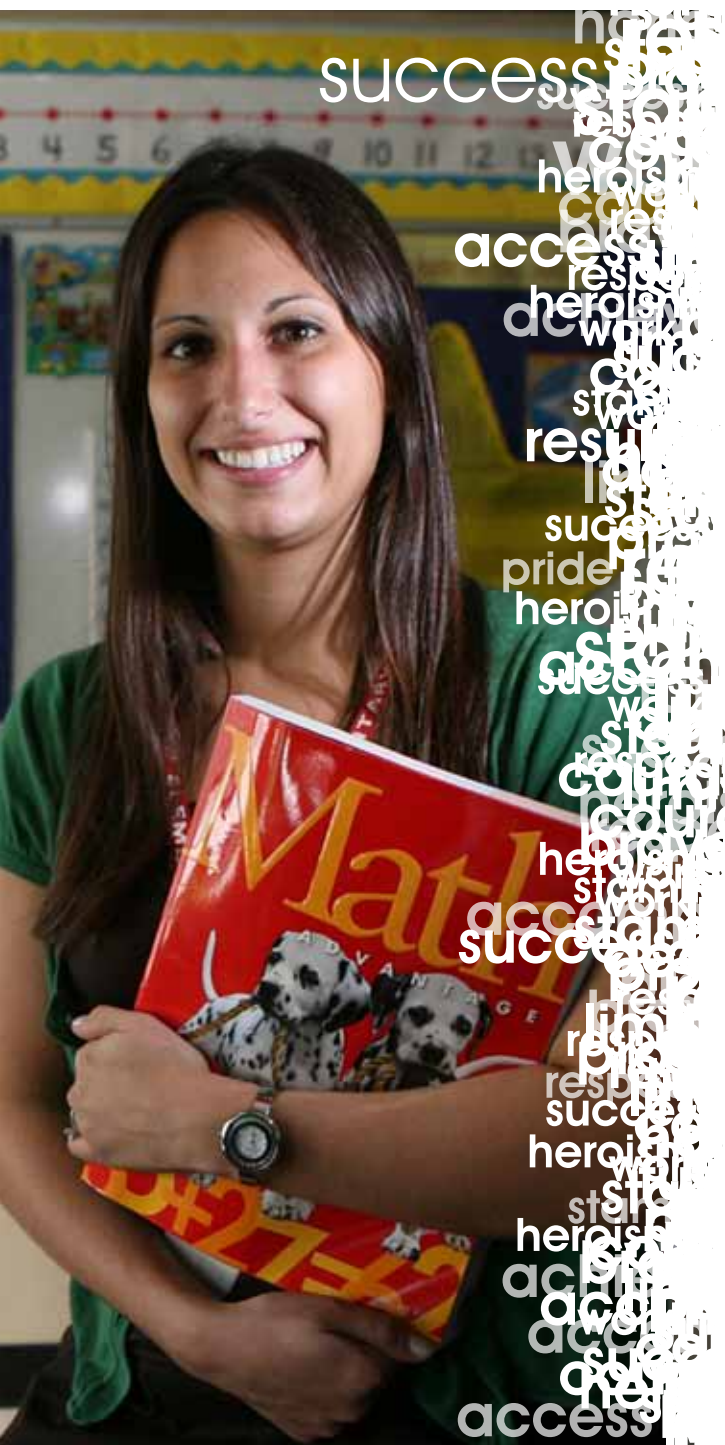
The Statement of Net Assets enables the reader of the financial statements to determine the assets available for use in the continuing operations of the institutions. Also, the reader will be able to determine the amounts owed to vendors, investors, and lending institutions. Net Assets are presented in three major categories: invested in capital assets, net of debt; restricted net assets; and unrestricted net assets. The invested in capital assets category identifies the equity in property, plant, and equipment owned by the System. Restricted net assets are comprised of two sub categories: non-expendable and expendable. Non-expendable restricted

net assets are available only for endowed investment purposes. Expendable net assets are available for expenditure but must be expended for the purposes specified by the external donor or provider of the assets. Unrestricted net assets are available for any lawful purposes of the institutions. Although not subject to the stipulations of external requirements, a significant portion of the System's unrestricted net assets are committed to various future operating budgets related to academic, research, and capital programs and projects. Additional net asset balances are reserved for specific purposes by nature of their origin. These commitments are summarized in the accompanying table.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

During the 2011 fiscal year the System recognized operating revenues of \$620 million and operating expenses of \$1.025 billion. After recognizing non-operating activities and other gains and losses, the System realized a net increase in net assets of \$133 million. This is a result of increases in revenues received in the categories of



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.

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,



further development occurred at the 74 acre UH Energy Research Park that is designed to provide research and classroom space for programs such as petroleum engineering, as well as energy research centers and institutes. At UH – Clear Lake construction progressed on renovations to the Arbor Building, which houses instructional and academic facilities.

DEBT ADMINISTRATION

The System engages in the prudent use of debt to finance capital projects, as a means of maximizing the management of financial and physical resources. A combination of variable and fixed rate debt, consistent with the System's debt management policy, is maintained. The System has sufficient debt capacity to finance planned capital improvements and facilities. Detailed information concerning the System's long-term debt is found in the Notes to the Financial Statements.

The University of Houston System is authorized by statute to issue long term debt in the form of revenue bonds. Each series of revenue bonds issued is backed by a pledged revenue source specified in the bond resolution. Additionally, each issue is designed to be self supporting from the primary revenue source. A portion of debt service is funded by biennial State appropriations. At August 31, 2011, the University of Houston System had \$675 million of long term bonded debt outstanding, \$29 million of which will be retired during the 2012

fiscal year. No additional long-term debt was issued during the 2011 fiscal year.

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 governmental entities, including state agencies and state universities, as Tax Credit BABs or as 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 governmental issuers equal to 35 percent of the interest paid on the bonds. During the 2010 fiscal year the UH System issued \$79.9 million of Consolidated Revenue and Refunding Bonds, Series 2010-B, taxable revenue bonds under the Direct Payment BABs program. A balance of \$79.9 million remained outstanding at August 31, 2011. No Tax Credit BABs were issued.

The System established a commercial paper program during the 2008 fiscal year, which permits the issuance of commercial paper notes which may not exceed, in the aggregate, a principal amount of \$125 million at any one time. The maximum maturity for the commercial paper is 270 days and is issued at tax exempt and taxable interest rates. The commercial paper program provides interim financing for the costs of various capital projects within the System. In fiscal year 2011, the University of Houston System issued \$48.3 million of commercial paper notes. On



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.



GENERAL INTRODUCTION

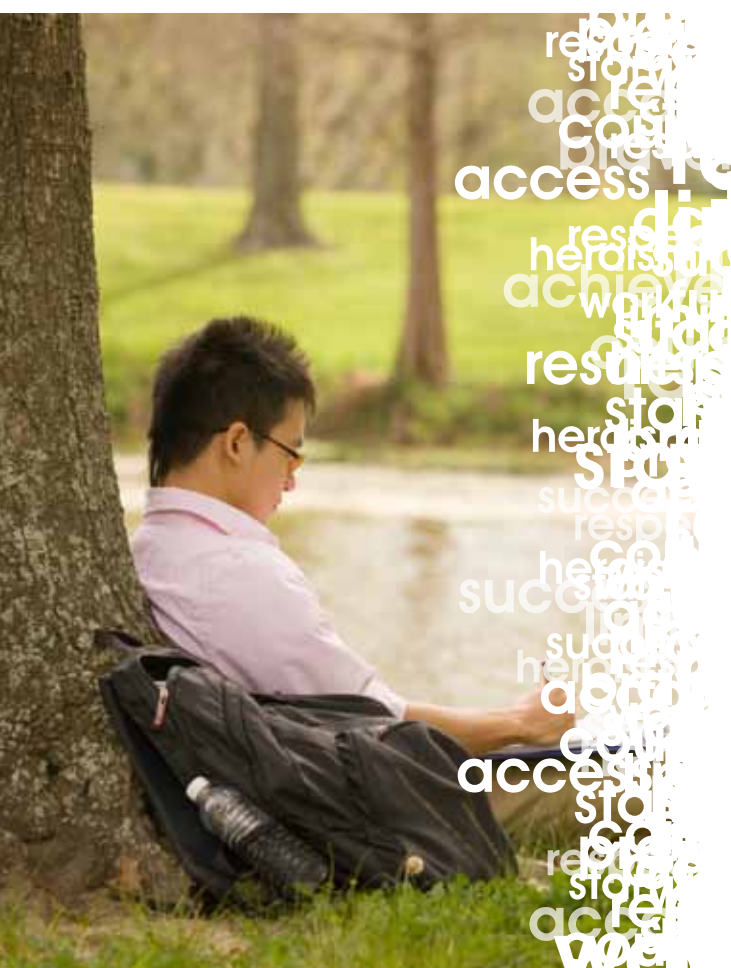
ENTITY

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

During the 2002 fiscal year, the State of Texas adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These accounting pronouncements established new reporting requirements including the presentation of new financial information and a restructuring of the presentation of previous fiscal years. Since the System's annual financial report is not subject to a separate financial audit, certain information, such as a complete set of Government-Wide Financial Statements, is not included in the accompanying report. The financial statements are presented in columnar form, including totals for prior year data. Prior year totals have been restated when necessary to reflect current year changes in reporting procedures and to permit comparability of reported totals.

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



BASIS OF ACCOUNTING

A. FUND STRUCTURE

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

B. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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

C. BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Additionally

the System prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the System's Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

D. ASSETS, LIABILITIES, AND NET ASSETS

ASSETS

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of revenue bonds and revenues set aside for statutory or contractual requirements.

INVENTORIES AND PREPAID ITEMS

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. Prepaid items reflect payments for costs applicable to future accounting periods. The consumption method of accounting is used to account for inventories and prepaid items. The cost of these items is expensed when the items are consumed.

CAPITAL ASSETS

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported



on all exhaustible assets. Inexhaustible assets such as 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

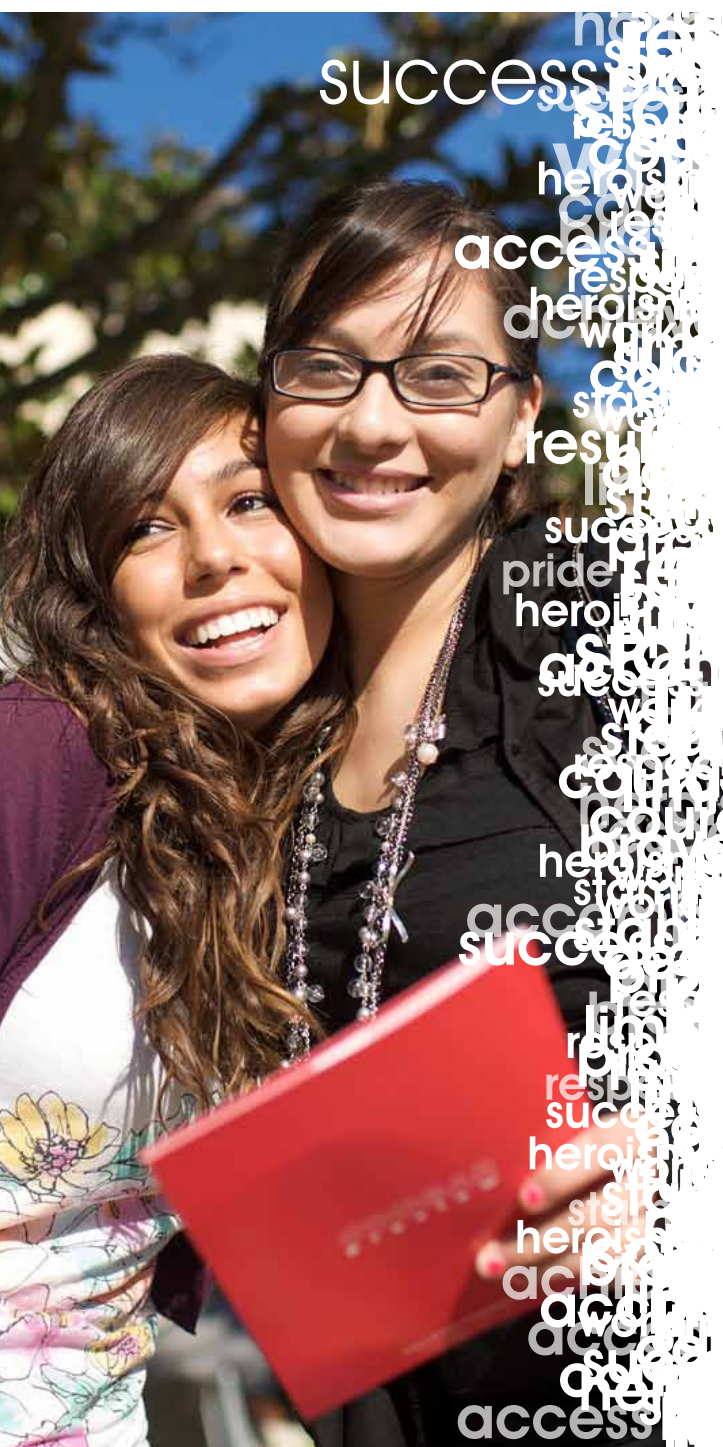
Securities lending is authorized by state statutes. The System does not participate in a security-lending program.

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



- 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.

- 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.

At August 31, 2011, the System had no bonds payable classified as General Obligation 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.



- Refunding of the 1993 and 1993-A series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$3,228,503.
- Economic gain: \$2,733,595; the difference between the net present value of the old and new debt service payment.

Consolidated Revenue Refunding Bonds, Series 2003

- To refund \$15,975,000 of Consolidated Revenue Refunding Bonds, Series 1995 (UH).
- Issued 12-01-2003.
- \$16,490,000; all bonds authorized have been issued.
- Source of revenue for debt service – Tuition and various other revenues and balances that may be legally available for payment of debt obligations (funding for fiscal year 2011 from legislative appropriation - Tuition Revenue Bonds).
- Average rate of bonds refunded: 5.92%.
- Net proceeds from refunding series: \$17,419,961.18 after receipt of bond premium of \$896,716. and payment of \$266,453 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1995 series bonds, when the bonds were called for early redemption on 2-15-2005.
- The 1995 series bonds are considered fully defeased and the liability for those bonds

has been removed from the Investment in Plant fund group.

- Refunding of the 1995 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$1,377,275.
- Economic gain: \$1,292,003; the difference between the net present value of the old and new debt service payment.

Consolidated Revenue Refunding Bonds, Series 2006

- To refund \$3,295,000 of Consolidated Revenue Refunding Bonds, Series 1997 (UHV) and \$44,430,000 of Consolidated Revenue Bonds, Series 2000 (UH).
- Issued 2-1-2006.
- \$48,450,000; all bonds authorized have been issued.
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation - Tuition Revenue Bonds).
- Average rate of bonds refunded: 5.45% (1997) and 5.45% (2000).
- Net proceeds from refunding series: \$49,799,345, after receipt of bond premium of \$1,823,210 and payment of \$473,865 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an



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

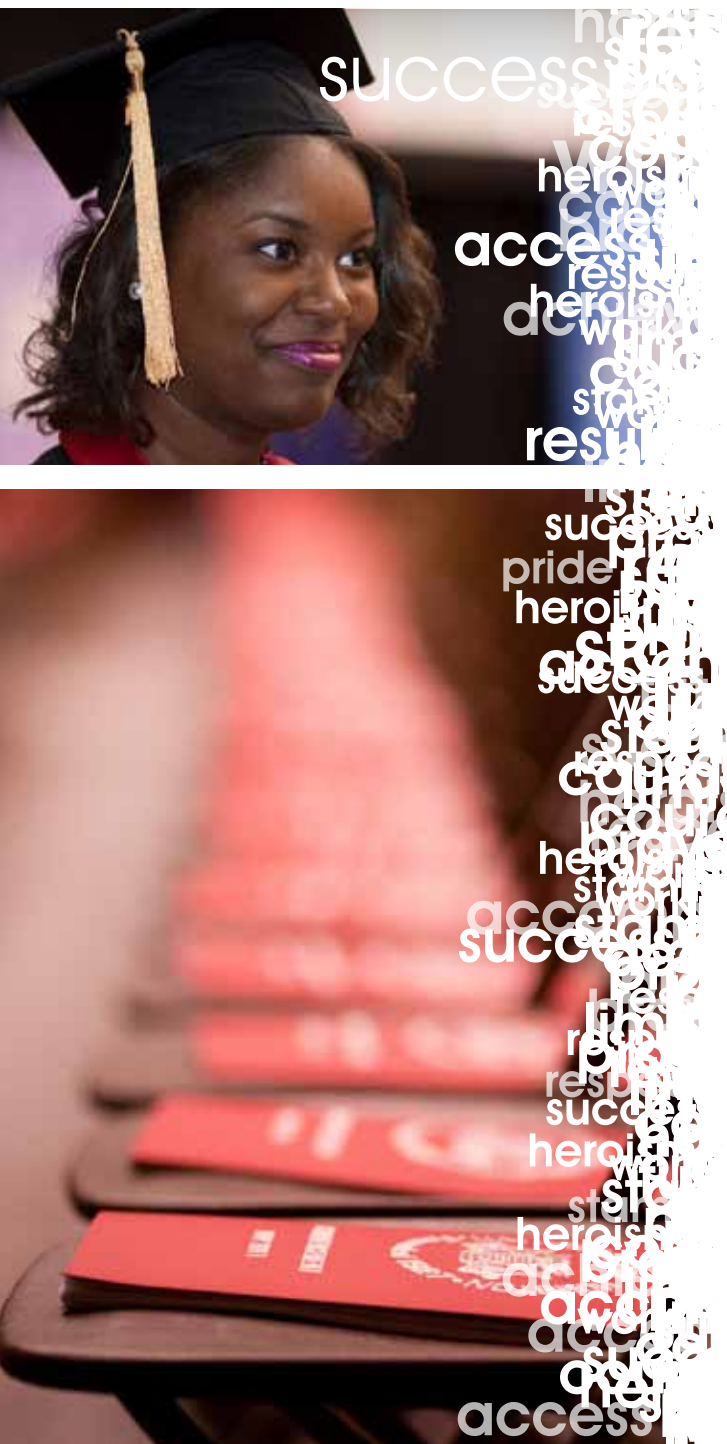
- To (a) refund and defease certain outstanding commercial paper notes of the System. And (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on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

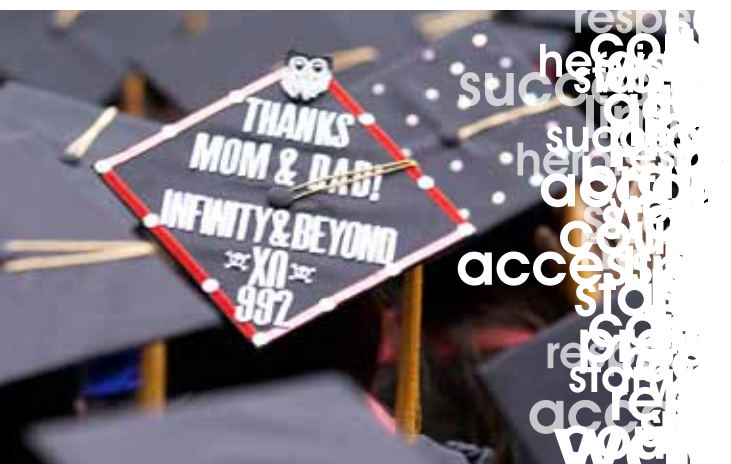
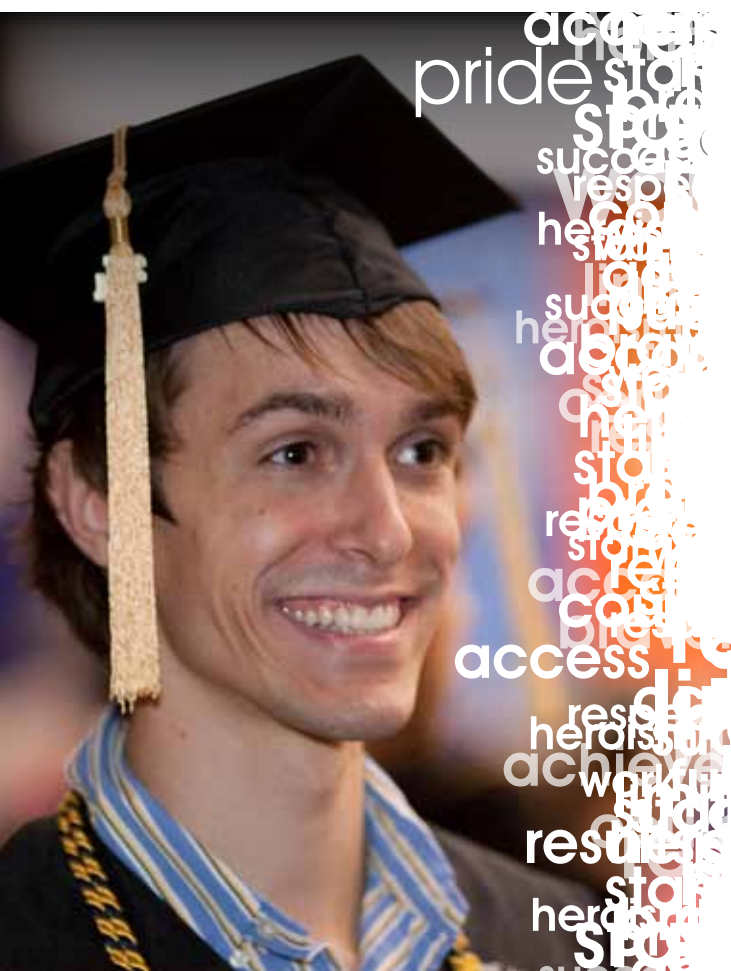
- Issued 4-15-2010.

- \$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



capital leases for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. The original cost of the asset is \$7,372,978. Accumulated depreciation is \$335,517 for a total capitalized lease value of \$7,037,461.

EMPLOYEES RETIREMENT PLANS

The State has joint contributory retirement plans for substantially all its employees. The System participates in the plans administered by the Teachers Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The Retirement System does not account for each state agency separately. Annual financial reports prepared by the Retirement System include audited financial statements and actuarial assumptions and conclusions. The contributions made by plan members for 2011 were \$13,551,597. System contributions were \$13,820,421.

The state has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity or mutual fund contracts.

The contributions made by plan members for 2011 were \$15,978,870. System contributions were \$17,663,004. Since these are individual investment product contracts, the state has no additional or unfunded liability for this program.

DEFERRED COMPENSATION

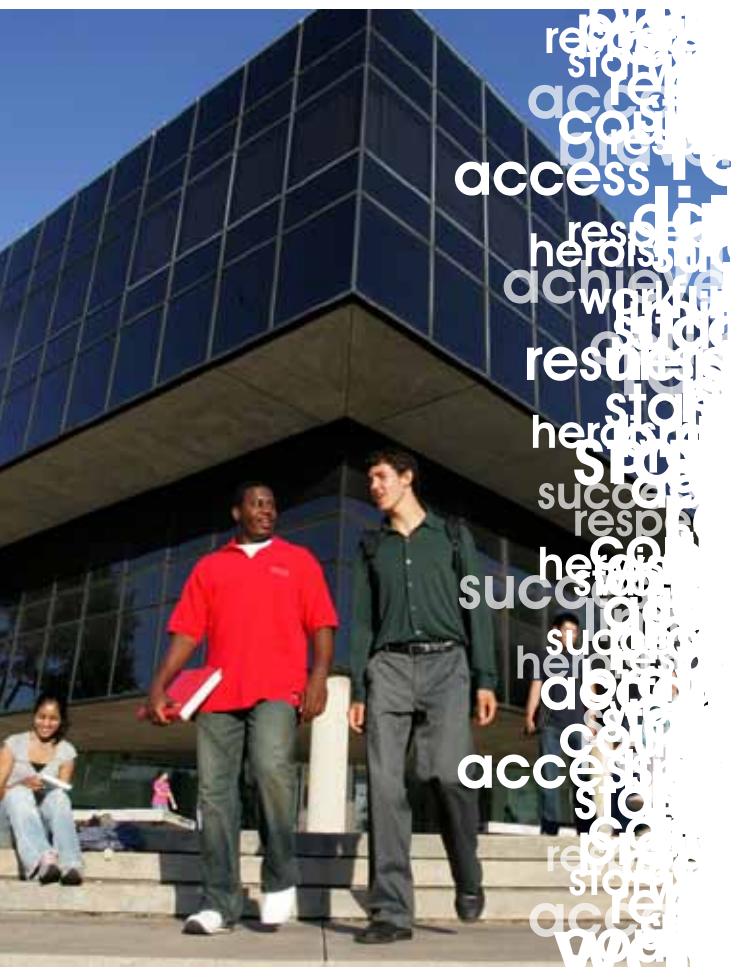
State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Two plans are available for employees' deferred compensation plans. Both plans are administered by the Employees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

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

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

INTERFUND BALANCES

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



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

CONTINGENT LIABILITIES

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

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

CONTINUANCE SUBJECT TO REVIEW

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

RESTATEMENT OF NET ASSETS

During fiscal year 2011 a restatement of the prior year's net assets/fund equity was required. The restatements represent prior period adjustments to beginning net assets related to capital assets and accumulated depreciation changes.

SUBSEQUENT EVENTS

The Board of Regents authorized the System to issue additional Consolidated Revenue and Refunding Bonds during the 2012 fiscal year in a par amount not to exceed \$315,000,000. The Series 2011-A bonds will fund various construction and renovation projects at multiple campuses within the UH System. The series 2011-B bonds will provide refunding for the Series 2002-A and Series 2002-B bonds.

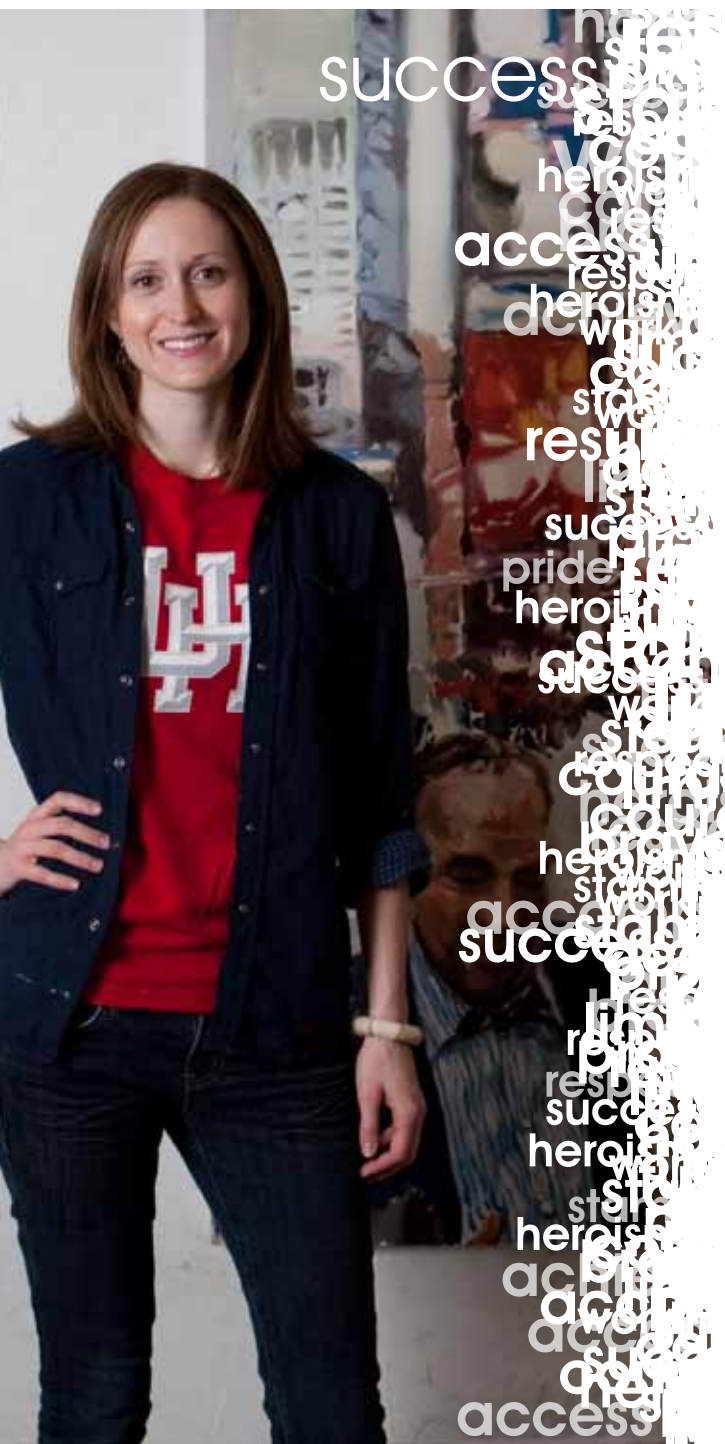
As of the date this report was issued, there have been no additional events since August 31, 2011 that had a significant financial impact and required disclosure.

RISK FINANCING AND RELATED ISSUANCE

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

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

The System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors.



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.

MATRIX OF OPERATING EXPENSES

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FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS		2011	2010	LIABILITIES		2011	2010
CURRENT ASSETS				CURRENT LIABILITIES			
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	NON-CURRENT LIABILITIES			
NON-CURRENT ASSETS				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				
Accumulated Amortization/Depreciation		(661,648,108)	(618,405,221)	NET ASSETS			
TOTAL NON-CURRENT ASSETS	\$	1,272,664,995	\$ 1,206,284,796	Invested in Capital Assets, Net of Related Debt	\$	271,953,185	\$ 215,098,136
TOTAL ASSETS	\$	1,700,620,912	\$ 1,610,955,948	Restricted, Debt Retirement		13,882,409	16,525,774
				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)	\$	304,544,962	\$	321,339,991	
Instruction	\$	194,374,819	\$	191,027,113	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Research		93,756,014		95,929,702		\$	53,279,534	\$	41,335,180
Public Service		39,125,318		38,906,786					
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	\$	47,182,333	\$	41,819,767
OPERATING INCOME (LOSS)	\$	(251,265,428)	\$	(280,004,811)	CHANGE IN NET ASSETS	\$	100,461,867	\$	83,154,947
				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	2011	2010
Cost of Goods Sold	\$ 2,513,645	\$ 3,151,410
Salaries & Wages	371,577,176	360,252,578
Payroll Related Costs	81,891,077	77,219,563
Professional Fees & Services	37,031,070	37,967,232
Federal Pass-Through Expenses	2,805,689	3,262,107
State Pass-Through Expenses	192,677	—
Travel	10,362,566	11,547,201
Materials & Supplies	27,042,155	30,534,091
Communication & Utilities	37,569,432	35,705,825
Repairs & Maintenance	9,504,195	9,121,373
Rentals & Leases	18,216,005	14,828,218
Printing & Reproduction	3,561,064	4,025,186
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

EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Instruction	\$ 194,374,819	\$ 191,027,113
Research	93,756,014	95,929,702
Public Service	39,125,318	38,906,786
Academic Support	121,434,691	119,125,016
Student Services	23,827,047	24,976,384
Institutional Support	57,095,308	51,616,907
Physical Plant	35,586,377	32,067,365
Scholarships & Fellowships	48,516,854	30,623,526
Auxiliary Enterprises	76,811,103	71,114,740
Depreciation & Amortization	46,721,702	37,228,658
TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 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
deliberate
start
hero
courage
prowess
achievement
hero
success
respect
brave
strong
success
start
access
accomplishment
hard 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			
Interest	313,465	372	TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 94,258,001	\$ 90,033,291
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			





UH-Downtown

STATEMENT OF ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

MATRIX OF OPERATING EXPENSES

A woman with dark hair, wearing a red and white checkered shirt and blue jeans, is sitting on the floor and reading a book. She is smiling and looking down at the pages. The background is a solid blue color. Overlaid on the image is a word cloud of various terms related to achievement and success. The words are in different sizes and orientations, creating a dynamic and inspiring visual. The most prominent words are 'success', 'achievement', 'prowess', 'pride', 'respect', 'access', 'courage', 'hero', 'start', 'accomplishment', 'honor', 'perseverance', 'determination', 'ambition', 'dedication', 'hard work', 'effort', 'focus', 'commitment', 'passion', 'drive', 'motivation', 'inspiration', 'confidence', 'self-belief', 'resilience', 'adaptability', 'creativity', 'innovation', 'leadership', 'teamwork', 'collaboration', 'communication', 'problem-solving', 'critical thinking', 'analytical skills', 'emotional intelligence', 'social skills', 'interpersonal skills', 'time management', 'organization', 'planning', 'goal setting', 'decision-making', 'risk-taking', 'innovation', 'creativity', 'imagination', 'curiosity', 'exploration', 'discovery', 'learning', 'growth', 'development', 'progress', 'improvement', 'excellence', 'mastery', 'expertise', 'knowledge', 'wisdom', 'experience', 'expertise', 'mastery', 'excellence', 'mastery', 'excellence'. The word 'success' is the largest and most central, appearing in a bold, white, sans-serif font. Other words like 'achievement' and 'prowess' are also large and prominent. The overall composition is a collage of positive and motivational words, suggesting a path to success through hard work and dedication.

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS	2011	2010
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 37,473,264	\$ 33,277,807
Restricted Cash & Cash Equivalents	(10,314,038)	(8,051,112)
Loans & Contracts	444,631	497,668
Legislative Appropriations	9,174,580	9,905,436
Receivables	28,254,824	24,518,391
Inventories	16,605	17,194
Deferred Charges	6,120,653	6,804,809
TOTAL CURRENT ASSETS	\$ 71,170,519	\$ 66,970,193
NON-CURRENT ASSETS		
Restricted Cash & Cash Equivalents	\$ 353,136	\$ (301,132)
Loans & Other Receivables	24,050,875	21,580,286
Investments	144,670	108,085
Capital Assets, Non-Depreciable/Non-Amortizable	11,529,717	9,886,822
Capital Assets, Amortizable/Depreciable	166,016,598	162,276,426
Accumulated Amortization/Depreciation	(81,604,718)	(75,000,986)
TOTAL NON-CURRENT ASSETS	\$ 120,490,278	\$ 118,549,501
TOTAL ASSETS	\$ 191,660,797	\$ 185,519,694

LIABILITIES	2011	2010
CURRENT LIABILITIES		
Payables	\$ 9,276,847	\$ 8,266,347
Deferred Revenues	21,551,053	19,169,808
Claims & Judgments Payable	107,278	98,748
Employees' Compensable Leave	1,118,097	1,077,103
Revenue Bonds Payable	4,181,480	4,014,613
Funds Held for Others	(472,585)	88,468
TOTAL CURRENT LIABILITIES	\$ 35,762,170	\$ 32,715,087
NON-CURRENT LIABILITIES		
Claims & Judgments Payable	\$ 1,419	\$ 3,311
Employees' Compensable Leave	1,214,673	1,195,266
Revenue Bonds Payable	51,931,854	56,113,334
TOTAL NON-CURRENT LIABILITIES	\$ 53,147,946	\$ 57,311,911
TOTAL LIABILITIES	\$ 88,910,116	\$ 90,026,998
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 42,871,496	\$ 40,725,667
Restricted, Debt Retirement	2,008,789	2,208,600
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	2011	2010
Tuition & Fees, Net of Discounts	\$ 50,064,996	\$ 42,290,963
Sales of Goods & Services	5,025,016	4,736,075
Federal Revenue	3,430,452	3,250,339
State Grant Revenue	7,252,513	5,073,857
Other Grants & Contracts	204,455	171,107
TOTAL OPERATING REVENUES	\$ 65,977,432	\$ 55,522,341

OPERATING EXPENSES		
Instruction	\$ 38,301,509	\$ 36,201,350
Research	1,473,222	1,285,575
Public Service	3,784,092	2,930,191
Academic Support	17,423,558	16,059,333
Student Services	4,011,293	4,091,980
Institutional Support	15,356,050	17,363,901
Operation & Maintenance of Plant	5,831,035	6,007,834
Scholarships & Fellowships	32,677,308	22,279,589
Auxiliary Enterprises	6,713,483	6,072,504
Depreciation & Amortization	6,967,492	6,540,886
TOTAL OPERATING EXPENSES	\$ 132,539,042	\$ 118,833,143
OPERATING INCOME (LOSS)	\$ (66,561,610)	\$ (63,310,802)

NON-OPERATING REVENUES (EXPENSES)	2011	2010
Legislative Revenue	\$ 33,901,987	\$ 33,621,034
Gifts	1,357,988	1,265,032
Federal Revenue Non Operating	31,234,059	27,210,256
Investment Income	1,924,613	54,044
Interest Expense & Fiscal Changes	(2,648,733)	(2,811,760)
Net Increase (Decrease) in Fair Value of Investments	228,165	1,501,049
Other Non-Operating Revenues (Expenses)	(1,030,987)	(1,314,402)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 64,967,092	\$ 59,525,253
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ (1,594,518)	\$ (3,785,549)

OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS		
Capital Appropriation (Higher Education Assistance Funds)	\$ 7,435,238	\$ 9,548,995
Additions to Permanent & Term Endowments	2,152,521	293,184
Intercomponent Transfers	(71,949)	91,331
Transfers-Out	(661,719)	(604,509)
Legislative Appropriations Lapsed	(1,588)	(28,637)
TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ 8,852,503	\$ 9,300,364
CHANGE IN NET ASSETS	\$ 7,257,985	\$ 5,514,815
Net Assets Beginning	95,492,696	89,874,941
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		
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		
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		
OPERATING INCOME (LOSS)	\$ (66,561,610)	\$ (63,310,802)

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

CHANGES IN ASSETS & LIABILITIES		
(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	2011	2010
Cost of Goods Sold	\$ 1,699	\$ 4,810
Salaries & Wages	58,073,311	54,537,445
Payroll Related Costs	13,558,631	12,284,310
Professional Fees & Services	6,209,750	7,265,503
Federal Pass-Through Expenses	10,000	—
Travel	795,419	1,034,323
Materials & Supplies	4,715,793	5,714,656
Communication & Utilities	2,554,284	3,045,848
Repairs & Maintenance	2,219,233	1,962,647
Rentals & Leases	1,062,391	704,171
Printing & Reproduction	261,770	360,664
Depreciation & Amortization	6,967,492	6,540,886
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

EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Instruction	\$ 38,301,509	\$ 36,201,350
Research	1,473,222	1,285,575
Public Service	3,784,092	2,930,191
Academic Support	17,423,558	16,059,333
Student Services	4,011,293	4,091,980
Institutional Support	15,356,050	17,363,901
Physical of Plant	5,831,035	6,007,834
Scholarships & Fellowships	32,677,308	22,279,589
Auxiliary Enterprises	6,713,483	6,072,504
Depreciation & Amortization	6,967,492	6,540,886
TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 132,539,042	\$ 118,833,143





UNIVERSITY OF HOUSTON - VICTORIA

STATEMENT OF ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

MATRIX OF OPERATING EXPENSES

access
respect
achievement
accomplishment
success
story
start
courage
prowess
hero
success

access

accom

FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS			2011	2010	LIABILITIES			2011	2010
CURRENT ASSETS					CURRENT LIABILITIES				
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
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
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					Net Increase (Decrease) in Fair Value of investments		42,103		539,250
					Other Non-Operating Revenues (Expenses)		(2,167,390)		21,566,052
OPERATING EXPENSES					TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	21,619,042	\$	43,952,520
Instruction	\$	18,473,491	\$	16,596,904	INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	(3,759,209)	\$	23,261,654
Research		162,647		121,830	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Public Service		805,108		811,796	Capital Appropriation (Higher Education Assistance Funds)	\$	2,393,921	\$	2,335,692
Academic Support		5,962,053		5,739,913	Additions to Permanent & Term Endowments		195,832		111,958
Student Services		4,463,825		3,919,274	Intercomponent Transfers		28,136		59,548
Institutional Support		4,917,645		4,473,561	Transfers-Out		(147,600)		(103,818)
Operation & Maintenance of Plant		1,988,881		1,819,108	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	2,470,289	\$	2,403,380
Scholarships & Fellowships		3,420,057		2,425,959	CHANGE IN NET ASSETS	\$	(1,288,920)	\$	25,665,034
Auxiliary Enterprises		2,062,152		11,876	Net Assets Beginning		25,730,351		65,317
Depreciation & Amortization		1,653,556		1,212,023	Restatements		(2,522)		—
TOTAL OPERATING EXPENSES	\$	43,909,415	\$	37,132,244	NET ASSETS BEGINNING, AS RESTATED	\$	25,727,829	\$	65,317
OPERATING INCOME (LOSS)	\$	(25,378,251)	\$	(20,690,866)	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
Proceeds Received from Students & Customers	\$ 16,874,800	\$ 14,424,325
Proceeds from Loan Programs	3,704,010	3,066,494
Proceeds from Other Revenues	1,954,251	1,206,728
Payments to Suppliers for Goods & Services	(13,270,065)	(5,455,571)
Payments for Employees	(25,945,409)	(23,305,744)
Payments for Loans Provided	(3,762,705)	(3,294,466)
Payments for Other Expenses	(4,016,850)	(3,317,179)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ **(24,461,968)** \$ **(16,675,413)**

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	2011	2010
Proceeds from State Appropriations	\$ 19,677,813	\$ 18,344,082
Proceeds from Gifts	503,474	355,540
Proceeds from Endowments	195,832	111,958
Proceeds of Transfers from Other Funds	149,393	158,067
Proceeds from Other Revenues	5,985,184	4,831,108
Payments for Other Uses	(1,060,485)	(1,737,052)

NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES \$ **25,451,211** \$ **22,063,703**

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	2011	2010
Proceeds from Capital Financing Activities	\$ 5,494,516	\$ 10,096,348
Payments for Additions to Capital Assets	(3,989,941)	(9,661,924)
Payments of Principal & Interest on Debt Issuance	(6,488,823)	(4,420,969)

NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES \$ **(4,984,248)** \$ **(3,986,545)**

CASH FLOWS FROM INVESTING ACTIVITIES	2011	2010
Proceeds from Interest & Investment Income	\$ 841,738	\$ 2,927,660
Payments to Acquire Investments	(9,514)	(311,746)

NET CASH PROVIDED BY INVESTING ACTIVITIES \$ **832,224** \$ **2,615,914**

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS \$ **(3,162,781)** \$ **4,017,659**

CASH & CASH EQUIVALENTS, SEPTEMBER 1 \$ **11,717,217** \$ **7,699,558**

CASH & CASH EQUIVALENTS, AUGUST 31 \$ **8,554,436** \$ **11,717,217**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS) \$ **(25,378,251)** \$ **(20,690,866)**

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

Amortization & Depreciation \$ 1,653,556 \$ 1,212,023

Classification Differences (58,695) (227,972)

CHANGES IN ASSETS & LIABILITIES

(Increase) Decrease in Receivables & Loans (212,740) (1,926,633)

(Increase) Decrease in Other Assets (55,525) (28,756)

(Increase) Decrease in Prepaid Expenses 737,423 100,607

(Increase) Decrease in Payables (1,714,160) 3,468,757

(Increase) Decrease in Deferred Income 564,738 1,112,232

(Increase) Decrease in Other Liabilities 1,686 305,195

TOTAL ADJUSTMENTS \$ **916,283** \$ **4,015,453**

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
Salaries & Wages	21,239,017	19,679,473
Payroll Related Costs	5,111,488	4,553,786
Professional Fees & Services	5,702,116	3,771,173
Travel	626,259	662,428
Materials & Supplies	1,576,802	1,218,361
Communication & Utilities	1,106,882	933,205
Repairs & Maintenance	586,562	490,447
Rentals & Leases	791,006	583,780
Printing & Reproduction	140,629	145,409
Depreciation & Amortization	1,653,556	1,212,023
Interest	655	474
Scholarships	4,052,280	2,793,642
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

EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Instruction	\$ 18,473,491	\$ 16,596,904
Research	162,647	121,830
Public Service	805,108	811,796
Academic Support	5,962,053	5,739,913
Student Services	4,463,825	3,919,274
Institutional Support	4,917,645	4,473,561
Physical of Plant	1,988,881	1,819,107
Scholarships & Fellowships	3,420,057	2,425,959
Auxiliary Enterprises	2,062,152	11,877
Depreciation & Amortization	1,653,556	1,212,023
TOTAL EXPENSES BY EXPENDITURE FUNCTION	\$ 43,909,415	\$ 37,132,244



MATRIX OF OPERATING EXPENSES

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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					
<i>NET ASSETS</i>									
					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 REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the year ended August 31, 2011

OPERATING REVENUES	2011	2010
Sales of Goods & Services	1,087,485	1,048,359
State Grant Revenue	48,427	63,741
TOTAL OPERATING REVENUES	\$ 1,135,912	\$ 1,112,100

OPERATING EXPENSES	2011	2010
Research	1,079,042	1,086,626
Public Service	76,250	63,497
Academic Support	4,773,128	5,340,053
Student Services	189,991	259,611
Institutional Support	7,540,919	7,152,006
Operation & Maintenance of Plant	2,191,814	1,099,232
Scholarships & Fellowships	65,827	3,100
Depreciation & Amortization	8,183,552	8,130,038
TOTAL OPERATING EXPENSES	\$ 24,100,523	\$ 23,134,163
OPERATING INCOME (LOSS)	\$ (22,964,611)	\$ (22,022,063)

NON-OPERATING REVENUES (EXPENSES)	2011	2010
Legislative Revenue	\$ 4,029,033	\$ 4,302,090
Gifts	1,252,096	329,492
Federal Revenue Non-Operating	1,568,336	461,788
Investment Income	6,907,262	879,043
Net Increase (Decrease) in Fair Value of Investments	26,627,058	18,439,989
Other Non-Operating Revenues (Expenses)	549,835	25,641,054

TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 40,933,620	\$ 50,053,456
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INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ 17,969,009	\$ 28,031,393
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OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	2011	2010
Additions to Permanent & Term Endowments	443,604	7,254
Intercomponent Transfers	(2,708,004)	(3,896,689)
Legislative Appropriations Lapsed	—	1,148,705

TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$ (2,264,400)	\$ (2,740,730)
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CHANGE IN NET ASSETS	\$ 15,704,609	\$ 25,290,663
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Net Assets Beginning	152,844,430	127,553,767
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NET ASSETS, ENDING	\$ 168,549,039	\$ 152,844,430
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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
Proceeds Received from Students & Customers	\$ 882,398	\$ 1,047,107
Proceeds from Other Revenues	48,605	183,661
Payments to Suppliers for Goods & Services	(2,704,707)	(3,154,463)
Payments for Employees	(9,320,805)	(14,667,945)
Payments for Other Expenses	(3,221,440)	(2,766,833)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (14,315,949)	\$ (19,358,473)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	\$ 11,573,369	\$ 4,132,857
Proceeds from Gifts	1,521,636	1,363,083
Proceeds from Endowments	443,604	7,254
Proceeds of Transfers from Other Funds	48,273,831	40,623,155
Proceeds from Other Revenues	1,568,335	461,788
Payments for Other Uses	(22,954,784)	(9,458,456)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 40,425,991	\$ 37,129,681

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds from Other Financing Activities	\$ 35,801,132	\$ 70,336,630
Payments for Additions to Capital Assets	(2,765,911)	(42,566,121)
Payments of Other Costs of Debt Issuance	(76,872,984)	(4,185,336)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$ (43,837,763)	\$ 23,585,173

CASH FLOWS FROM INVESTING ACTIVITIES	2011	2010
Proceeds from Sales of Investments	\$ 497,425,887	\$ 288,150,166
Proceeds from Interest & Investment Income	12,702,674	11,691,295
Payments to Acquire Investments	(492,481,254)	(334,208,534)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 17,647,307	\$ (34,367,073)
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ (80,414)	\$ 6,989,308
CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$ 58,103,417	\$ 51,114,109
CASH & CASH EQUIVALENTS, AUGUST 31	\$ 58,023,003	\$ 58,103,417

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (22,964,611)	\$ (22,022,063)

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Amortization & Depreciation	\$ 8,183,552	\$ 8,130,038

CHANGES IN ASSETS & LIABILITIES		
(Increase) Decrease in Receivables & Loans	(1,308,150)	(5,456,407)
(Increase) Decrease in Other Assets	178	38
(Increase) Decrease in Prepaid Expenses	(42,984)	—
(Increase) Decrease in Payables	1,388,625	24,045
(Increase) Decrease in Deferred Income	(21,282)	20,594
(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	2011	2010	EXPENSES BY FUNCTIONAL CLASSIFICATION	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.

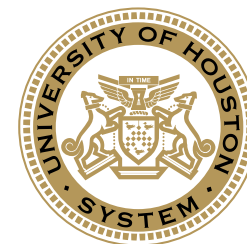
- UHV continues to develop recruitment activities, academic advising, on-campus student employment, and student development activities. In addition to adding a wider variety of lower division undergraduate courses, UHV continues to develop new academic programs and expand off-campus and online programs 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.



pride
respect
achievement
access
work
success
accomplishment
access
work
courage
work
achievement
respect
heroism
stamina
leadership
work
success
access
accomplishment
work



UNIVERSITY of HOUSTON SYSTEM

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