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$\text{organizational} \ DATA$

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

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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 leadersh accom acc

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MESSAGE FROM THE EXECUTIVE VICE CHANCELLOR

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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

UHD

	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	

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FINANCIAL HIGHLIGHTS UNIVERSITY OF HOUSTON SYSTEM - LIABILITIES

For the Year Ended August 31, 2011

2011	%	
\$ 674,970,493	66	•
181,832,741	18	•
127,496,476	13	•
23,932,068	2	•
9,506,475	1	•
\$ 1,017,738,253	100	
\$ \$	\$ 674,970,493 181,832,741 127,496,476 23,932,068 9,506,475	\$ 674,970,493 66 181,832,741 18 127,496,476 13 23,932,068 2 9,506,475 1





FINANCIAL HIGHLIGHTS UNIVERSITY OF HOUSTON SYSTEM - OPERATING REVENUES

UHD

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	

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

23,472,021	61	
07 040 202		•
07,040,323	10	•
02,013,345	10	•
68,166,442	7	•
44,989,108	5	•
40,726,280	4	•
24,394,618	2	
14,073,497	1	
24,875,634	100	
	68,166,442 44,989,108 40,726,280 24,394,618 14,073,497	68,166,442 7 44,989,108 5 40,726,280 4 24,394,618 2 14,073,497 1

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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	



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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	

TOTAL EXPENSES	\$ 1,127,747,181	100	
Interest Expense	31,833,559	3	
Non-Operating Expenses	71,037,988	6	
NON-OPERATING EXPENSES			



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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON SYSTEM - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS	2011	2010	LIABILITIES	2011	2010
CURRENT ASSETS			CURRENT LIABILITIES		
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

TOTAL ASSETS	\$ 2,333,733,734	\$ 2,178,492,790
TOTAL NON-CURRENT ASSETS	\$ 1,710,776,922	\$ 1,527,738,337
Accumulated Amortization/Depreciation	 (875,238,570)	(811,578,997)
Capital Assets, Amortizable/Depreciable	1,553,293,163	1,471,695,695
Capital Assets, Non-Depreciable/Non-Amortizable	285,959,162	199,721,462
Investments	611,561,274	553,197,848
Loans & Other Receivables	18,636,900	24,516,231
Restricted Cash & Cash Equivalents	\$ 116,564,993	\$ 90,186,098
NON CONNENT NOOL TO		

NON-CURRENT LIABILITIES

TOTAL LIABILITIES	\$ 1,017,738,253	\$ 995,749,842
TOTAL NON-CURRENT LIABILITIES	\$ 665,927,566	\$ 687,151,485
Capital Lease Obligations	7,006,818	\$
Revenue Bonds Payable	646,446,578	674,970,492
Employees' Compensable Leave	12,461,428	12,166,550
Claims & Judgments Payable	\$ 12,742	\$ 14,443

Invested in Capital Assets, 406,009,374 348,346,604 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
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	Unrestricted	365,017,757	334,654,048
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, Other	121,091,734	121,233,332
Net of Related Debt \$ 406,009,374 \$ 348,346,604 Restricted, Debt Retirement 17,363,063 20,455,746	Restricted, Endowment Funds	400,780,862	353,068,486
Net of Related Debt \$ 406,009,374 \$ 348,346,604	Restricted, Capital Projects	5,732,691	4,984,732
	Restricted, Debt Retirement	17,363,063	20,455,746
NET ASSETS	Invested in Capital Assets,	\$ 406,009,374	\$ 348,346,604

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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					
				of Investments		29,125,898		38,837,982
OPERATING EXPENSES		~	070 010 (01	Other Non-Operating Revenues (Expenses)		(35,845,584)		34,991,425
Instruction	\$ 286,300,388	\$	278,812,621	TOTAL NON-OPERATING REVENUES				
Research	98,159,064		99,682,859	(EXPENSES)	\$	476,728,182	\$	508,126,889
Public Service	43,985,006		42,901,388					
Academic Support	159,673,768		155,661,094	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	Ś	71,964,500	Ś	88,078,722
Student Services	36,224,776		36,581,748		Ŧ	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Ŧ	
Institutional Support	96,146,853		87,585,998	OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				
Operation & Maintenance of Plant	53,055,146		47,493,338	Capital Appropriation (Higher Education Assistance Funds)	Ś	50,929,094	Ś	53,332,099
Scholarships & Fellowships	92,975,555		63,260,383	Additions to Permanent &	Ŷ	30,727,074	Ŷ	00,002,099
Auxiliary Enterprises	90,188,636		81,739,725	Term Endowments		15,855,061		5,418,936
Depreciation & Amortization	68,166,442		57,342,724	Transfers-Out		(5,277,326)		(4,237,468)
TOTAL OPERATING EXPENSES	\$ 1,024,875,634	\$	951,061,878	Legislative Appropriations Lapsed		(20,280)		1,087,464
	\$ (404,763,682)	\$	(420,048,167)	TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	Ś	61,486,549	Ś	55,601,031
				CHANGE IN NET ASSETS	Ś	133,451,049	\$	143,679,753
				Net Assets Beginning		1,182,742,948	•	1,038,988,675
				Restatements		(198,516)		74,520
				NET ASSETS BEGINNING, AS RESTATED	\$	1,182,544,432	\$	1,039,063,195
				NET ASSETS, ENDING	\$	1,315,995,481	\$	1,182,742,948

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON SYSTEM - STATEMENT OF CASH FLOWS

For the year ended August 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		2011		2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011		2010
Proceeds Received from Students & Customers	\$	435,601,704	Ś	358,055,399	Proceeds from Interest & Investment Income	Ś	540,471,115	Ś	313,528,337
Proceeds from Loan Programs	Ş	180,019,620	Ş	105,660,221	Payments to Acquire Investments	Ş	(515,780,843)	Ş	(346,364,154)
0		, ,		, ,	· · · ·		(313,760,643)		(340,304,134)
Proceeds from Other Revenues		171,954,391		142,304,305	NET CASH PROVIDED BY INVESTING ACTIVITIES	Ś	24,690,272	Ś	(32,835,817)
Payments to Suppliers for Goods & Services		(210,490,915)		(219,293,211)	INCREASE (DECREASE)	Ŧ	,	•	(01,000,017)
Payments for Employees		(619,780,802)		(597,192,395)	IN CASH & CASH EQUIVALENTS	\$	46,539,305	\$	22,772,882
Payments for Loans Provided		(170,641,189)		(106,330,183)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	277,116,975	\$	254,344,093
Payments for Other Expenses		(121,716,964)		(84,543,847)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	323,656,280	\$	277,116,975
NET CASH PROVIDED (USED)									
BY OPERATING ACTIVITIES	\$	(335,054,155)	\$	(401,339,711)	RECONCILIATION OF OPERATING INCOME	(LOS	S) TO NET CASH		
CASH FLOWS FROM NON-CAPITAL FINANCI		CTIVITIES			PROVIDED (USED) BY OPERATING ACTIVITIES OPERATING INCOME (LOSS)	Ś	(404,763,682)	Ś	(420,048,167)
Proceeds from State Appropriations	Ş	292,380,206	\$	261,627,471		Ŷ	(404,700,002)	Ŷ	(420,040,107)
Proceeds from Gifts		84,947,599		53,923,835	ADJUSTMENTS TO RECONCILE OPERATING	NCC	ME TO NET CASH		
Proceeds from Endowments		13,338,938		5,125,852	PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds of Transfers from Other Funds		54,502,124		50,616,497	Amortization & Depreciation	\$	68,166,442	\$	57,342,724
Proceeds from Other Revenues		132,128,249		124,338,274	Bad Debt Expense		_		12,771
Payments for Other Uses		(37,887,194)		(22,393,857)	Classification Differences		9,462,703		(715,856)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	Ś	539.409.922	Ś	473,238,072	CHANGES IN ASSETS & LIABILITIES				
	•	,	•		(Increase) Decrease in Receivables & Loar	าร	(22,660,017)		(40,535,130)
CASH FLOWS FROM CAPITAL & RELATED FIN	ING ACTIVITIES		(Increase) Decrease in Inventories	10	128,131		330,119		
Proceeds from Capital Financing Activities	Ś	155,676,085	Ś	256,363,029	(Increase) Decrease in Other Assets		(1,682,767)		1,484,934
Payments for Additions to Capital Assets	Ŷ	(167,798,058)	Ŷ	(150,535,382)	(Increase) Decrease in Prepaid Expenses		3,672,372		6,508,914
Payments for Capital Lease		(396,892)		(100,000,002)	(Increase) Decrease in Payables		552,530		(11,197,275)
Payments of Principal & Interest		(0,0,0,2)			(Increase) Decrease in Deferred Income		9,010,321		4,351,503
on Debt Issuance		(169,987,869)		(122,117,309)	(Increase) Decrease in Other Liabilities		3,059,812		1,125,752
NET CASH PROVIDED (USED) BY CAPITAL	<u>^</u>	(100 50/ 30.0			TOTAL ADJUSTMENTS	\$	69,709,527	\$	18,708,456
& RELATED FINANCING ACTIVITIES	\$	(182,506,734)	\$	(16,289,662)	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(335,054,155)	\$	(401,339,711)

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON SYSTEM - MATRIX OF OPERATING EXPENSES

\$ 1,024,875,634 \$

As of August 31, 2011

TOTAL OPERATING EXPENSES (NATURAL)

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





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 UHD



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 fiscal year ended August 31, 2010, provided for comparative purposes. Prior year totals have been reclassified, when necessary, to reflect current year changes in reporting procedures and to enhance comparability of reported totals.

The format of the 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 the form of tuition, to customers in order to pay for a significant percentage of the cost of the services provided. Under this classification, the System's financial statements conform to the guidelines and presentation formats prescribed for Proprietary Funds.

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) RESERVED FOR:	2011	2010
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
UNRESERVED ALLOCATED:		
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

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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

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

Revenues and expenses are classified as either operating or non-operating in the financial statements. Operating revenues are received and recognized as a result of providing services to the component universities' customers. Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by the System and the amount that is paid by the student or third parties making payments on behalf of the student. Funds received to satisfy student tuition and fee charges are reported as revenue only once. Institutional resources provided to students as financial aid are reported as scholarship allowances in amounts up to and equal to amounts owed by the students to the System.

Operating expenses are the costs necessary to provide services to customers and to fulfill the mission of the System. Operating expenses are displayed in the Statement using the functional method of classification. The functional, or programmatic, classification method presents operating expenses in a manner that reflects the System's commitments in fulfilling its mission of instruction, research, and public service, as well as the requirements of supporting and maintaining its administrative and physical structure. A supplemental Schedule of Operating Expenses displays operating expenses comparing the functional classification and the natural classification methods. The natural method of presentation displays the operating expenses in a manner that categorizes the objects of expenditure within various cost centers. Non-operating revenues are those received for which no services are directly provided. State appropriations are classified as non-operating revenue because they are provided by the Legislature to the System without the Legislature directly receiving goods or services for those revenues. Significant portions of the System's recurring resources are classified as non-operating. Net resources from other than operating revenues totaled \$606 million for fiscal year 2011, compared to \$557 million for the prior fiscal year.

STATEMENT OF CASH FLOWS

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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

the cash flows from operating activities

and payments. The statement is comprised

of five sections. The first section recognizes

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,

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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

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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 cuttingedge 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

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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

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

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



NOTES TO THE FINANCIAL STATEMENTS

GENERAL INTRODUCTION

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

ENTITY

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

The University of Houston System serves the state as the primary provider of educational and cultural opportunities, skilled employers and leaders, technical knowledge, and innovative research to the Houston metropolitan area and the upper Texas Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the state's population and economy.

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

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

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

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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 forwardexchange 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.

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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

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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 selfliauidity. 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

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and other facilities, roads or related infrastructure for or on behalf of the University of Houston System and the individual campuses of the System.

- Proceeds were used to construct the Welcome Center Garage (UH).
- Issued 4-1-2005.
- \$25,800,000; all bonds authorized have been issued.
- Source of revenue for debt service Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations.

Consolidated Revenue Bonds, Series 2006

- To finance the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on behalf of the University of Houston System and the individual campuses of the System.
- Proceeds were used to construct the Shea Street Academic Building and Parking Facility (UHD).
- Issued 2-1-2006.
- \$35,140,000; all bonds authorized have been issued.
- Source of revenue for debt service Tuition and various other fees that may be legally available for payment of debt obligations.

General Obligation Bonds

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

Refunding Bonds Consolidated Revenue Refunding Bonds, Series 2002-B

- To refund \$27,415,000 of Consolidated Revenue Refunding Bonds, Series 1993 and \$19,385,000 of Consolidated Revenue Bonds, Series 1993-A.
- Issued 11-1-2002.
- \$45,425,000; all bonds authorized have been issued.
- Source of revenue for debt service -Designated tuition and various other revenues and balances that may be legally available for payment of debt obligations.
- Average rate of bonds refunded: 5.4% (1993) and 5.5% (1993-A).
- Net proceeds from refunding series: \$47,871,000, after receipt of bond premium of \$2,888,998 and payment of \$442,998 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1993 and 1993-A series bonds, when the bonds were called for early redemption on 2-15-2003.
- The 1993 and 1993-A series bonds are considered fully defeased and the liability for those bonds has been removed.

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- 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.

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- 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).

UHSA

- Issued 7-1-2008.

UHV

- \$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

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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%

UHV

- 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.

UHV



- 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.

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- 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
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(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

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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.

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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.

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STATEMENT OF NET ASSETS

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

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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				
				Employees' Compensable Leave	\$	9,308,872	\$	9,005,004
NON-CURRENT ASSETS				Revenue Bonds Payable		523,918,717	\$	543,484,246
Restricted Cash & Cash Equivalents	\$ 112,170,554	\$	90,933,259	Claims & Judgments Payable		9,344	\$	10,933
Loans & Other Receivables	452,433,450		501,482,210	TOTAL NON-CURRENT LIABILITIES	\$	533,236,933	\$	552,500,183
Investments	327,739		768,130	TOTAL LIABILITIES	\$	767,556,357	\$	778,157,266
Capital Assets, Non-Depreciable/Non-Amortizable	243,079,411		160,392,784	NET ASSETS				
Capital Assets, Amortizable/Depreciable	1,126,301,949		1,071,113,634	Invested in Capital Assets, Net of Related Debt	Ś	271,953,185	ć	215,098,136
Accumulated Amortization/Depreciation	(661,648,108)		(618,405,221)		Ş		Ş	
TOTAL NON-CURRENT ASSETS	\$ 1,272,664,995	\$	1,206,284,796	Restricted, Debt Retirement		13,882,409		16,525,774
TOTAL ASSETS	\$ 1,700,620,912	Ś	1,610,955,948	Restricted, Capital Projects		5,642,200		4,874,828
		-		Restricted, Endowment Funds		287,206,810		265,880,808
				Restricted, Other		106,573,484		106,818,832
				Unrestricted		247,806,467		223,600,304

TOTAL NET ASSETS

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FINANCIAL STATEMENTS

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

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
OPERATING EXPENSES			Other Non-Operating Revenues (Expenses)		(30,453,231)		(73,234)
Instruction	\$ 194,374,819	\$ 191,027,113	TOTAL NON-OPERATING REVENUES		(00,400,201)		(70,204)
Research	93,756,014	95,929,702	(EXPENSES)	\$	304,544,962	\$	321,339,991
Public Service	39,125,318	38,906,786					
Academic Support	121,434,691	119,125,016	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	Ś	53,279,534	Ś	41,335,180
Student Services	23,827,047	24,976,384		•		¥	
Institutional Support	57,095,308	51,616,907	OTHER REVENUES. EXPENSES, GAINS, LOSSE	S & T	RANSFERS		
Operation & Maintenance of Plant	35,586,377	32,067,365	Capital Appropriation (Higher Education Assistance Funds)	Ś	35,885,768	Ś	36,091,538
Scholarships & Fellowships	48,516,854	30,623,526	Additions to Permanent &	Ŷ	55,005,700	Ŷ	30,071,330
Auxiliary Enterprises	76,811,103	71,114,740	Term Endowments		12,824,750		4,824,694
Depreciation & Amortization	46,721,702	37,228,658	Intercomponent Transfers		2,750,257		4,048,625
TOTAL OPERATING EXPENSES	\$ 737,249,233	\$ 692,616,197	Transfers-Out		(4,295,716)		(3,253,755)
OPERATING INCOME (LOSS)	\$ (251,265,428)	\$ (280,004,811)	Legislative Transfers		28,883		130,817
			Legislative Appropriations Lapsed		(11,609)		(22,152)
			TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	47,182,333	\$	41,819,767
			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

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON - STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES		2011		2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011		2010
Proceeds Received from Students & Customers	Ś	320,455,884	Ś	256,281,417	Proceeds from Interest & Investment Income	Ś	25,916,764	Ś	8,432,512
Proceeds from Loan Programs	Ş	170,760,244	Ş	97,163,907	Payments to Acquire Investments	Ş	(23,290,075)	Ş	(11,843,873)
Proceeds from Other Revenues				, ,	, ,		(23,290,075)		(11,043,073)
		150,293,781		126,684,010	NET CASH PROVIDED BY INVESTING ACTIVITIES	Ś	2,626,689	Ś	(3,411,361)
Payments to Suppliers for Goods & Services		(166,659,331)		(183,213,167)	INCREASE (DECREASE)	Ŧ	_;===;==;	Ŧ	(0, , 00)
Payments for Employees		(450,970,243)		(435,566,690)	IN CASH & CASH EQUIVALENTS	\$	39,720,764	\$	7,332,388
Payments for Loans Provided		(161,238,845)		(97,651,792)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	164,339,553	\$	157,007,165
, Payments for Other Expenses		(69,242,519)		(44,191,838)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	204,060,317	\$	164,339,553
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(206,601,029)	\$	(280,494,153)	RECONCILIATION OF OPERATING INCOME PROVIDED (USED) BY OPERATING ACTIVITIES	(LOS	6) TO NET CASH		
CASH FLOWS FROM NON-CAPITAL FINANCI		CTIVITIES			OPERATING INCOME (LOSS)	Ś	(251,265,428)	Ś	(280,004,811)
Proceeds from State Appropriations	\$	191,400,688	\$	171,743,482		Ŧ	(•	(
Proceeds from Gifts		80,516,585		50,264,323	ADJUSTMENTS TO RECONCILE OPERATING	NCO	ME TO NET CASH		
Proceeds from Endowments		12,824,750		4,824,694	PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds of Transfers from Other Funds		12,884,481		20,105,793	Amortization & Depreciation	\$	46,721,702	\$	37,228,658
Proceeds from Other Revenues		73,835,722		83,008,296	Classification Differences		9,521,398		(487,884)
Payments for Other Uses		(11,249,875)		(6,653,712)					
NET CASH PROVIDED			_		CHANGES IN ASSETS & LIABILITIES				
BY NON-CAPITAL FINANCING ACTIVITIES	\$	360,212,351	\$	323,292,876	(Increase) Decrease in Receivables & Loar	าร	(18,462,692)		(32,024,845)
					(Increase) Decrease in Inventories		130,086		317,306
CASH FLOWS FROM CAPITAL & RELATED FIN Proceeds from Capital	ANC	ING ACTIVITES			(Increase) Decrease in Other Assets		(2,008,552)		2,145,769
Financing Activities	\$	101,731,032	\$	161,025,183	(Increase) Decrease in Payables		(1,336,452)		(16,317,033)
Payments for Additions to Capital Assets		(141,549,751)		(89,484,418)	(Increase) Decrease in Prepaid Expenses		2,351,457		7,049,169
Payments of Principal & Interest					(Increase) Decrease in Deferred Income		5,206,171		816,723
on Debt Issuance		(76,698,528)		(103,595,739)	(Increase) Decrease in Other Liabilities		2,541,281		782,795
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(116,517,247)	Ś	(32,054,974)	TOTAL ADJUSTMENTS	\$	44,664,399	\$	(489,342)
	Y	(110,017,247)	Y	(02,004,774)	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(206,601,029)	\$	(280,494,153)

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON - MATRIX OF OPERATING EXPENSES

For year ended August 31, 2011

TOTAL OPERATING EXPENSES (NATURAL)

EXPENSES BY NATURAL CLASSIFICATION	2011	201	EXPENSES BY FUNCTIONAL CLASSIFICATION	2011	2010
Cost of Goods Sold	\$ 2,513,645	5 \$ 3,151,41) Instruction	\$ 194,374,819	\$ 191,027,113
Salaries & Wages	371,577,176	360,252,57	8 Research	93,756,014	95,929,702
Payroll Related Costs	81,891,077	7 77,219,56	B Public Service	39,125,318	38,906,786
Professional Fees & Services	37,031,070	37,967,23	2 Academic Support	121,434,691	119,125,016
Federal Pass-Through Expenses	2,805,689	3,262,10	' Student Services	23,827,047	24,976,384
State Pass-Through Expenses	192,677	7 –	- Institutional Support	57,095,308	51,616,907
Travel	10,362,566	5 11,547,20	Physical Plant	35,586,377	32,067,365
Materials & Supplies	27,042,155	30,534,09	Scholarships & Fellowships	48,516,854	30,623,526
Communication & Utilities	37,569,432	35,705,82	Auxiliary Enterprises	76,811,103	71,114,740
Repairs & Maintenance	9,504,195	5 9,121,37	B Depreciation & Amortization	46,721,702	37,228,658
Rentals & Leases	18,216,005	5 14,828,21			
Printing & Reproduction	3,561,064	4,025,18		\$ 737,249,233	\$ 692,616,197
Depreciation & Amortization	46,721,702	37,228,65	3		
Interest	41,911	35,57)		
Scholarships	55,769,138	3 33,398,69)		
Claims & Losses	1,156,754	1,139,69			
Other Operating Expenses	31,292,977	33,198,79	5		

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STATEMENT OF ASSETS STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS STATEMENT OF CASH FLOWS MATRIX OF OPERATING EXPENSES

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON CLEAR LAKE - STATEMENT OF NET ASSETS

As of August 31, 2011

Inventories Deferred Charges	15,454 2,508,931	12,909 2,651,024	0 /	20,331 365,866	404,204
Receivables	24,557,980	23,563,135	Revenue Bonds Payable	2,059,858	1,984,858
Legislative Appropriations	5,757,418	5,670,929	Employees' Compensable Leave	1,000,192	920,322
Loans & Contracts	2,384,151	2,336,600	Capital Lease Obligations	366,160	—
Restricted Cash & Cash Equivalents	(2,655,213)	(2,536,445)	Deferred Revenues	22,247,438	21,367,990
Cash & Cash Equivalents	\$ 27,311,252	\$ 20,109,572	Payables	\$ 5,566,248	\$ 4,943,199
ASSETS CURRENT ASSETS	2011	2010	LIABILITIES CURRENT LIABILITIES	2011	2010

TOTAL ASSETS	\$ 157,270,298	\$ 138,935,408
TOTAL NON-CURRENT ASSETS	\$ 97,390,325	\$ 87,127,684
Accumulated Amortization/Depreciation	(85,884,020)	(81,699,124)
Capital Assets, Amortizable/Depreciable	134,885,217	124,722,720
Capital Assets, Non-Depreciable/Non-Amortizable	23,230,236	12,504,633
Loans & Other Receivables	24,308,769	31,141,357
Restricted Cash & Cash Equivalents	\$ 850,123	\$ 458,098
NON-CURRENT ASSETS		

NON-CURRENT LIABILITIES

TOTAL LIABILITIES	\$ 70,078,000	\$ 63,058,618
TOTAL NON-CURRENT LIABILITIES	\$ 38,451,907	\$ 33,438,045
Capital Lease Obligations	7,006,818	
Revenue Bonds Payable	30,356,901	32,416,759
Employees' Compensable Leave	1,086,584	1,021,286
Claims & Judgments Payable	\$ 1,604	\$ —

Unrestricted TOTAL NET ASSETS	Ś	37,461,885 87,192,298 \$	29,909,644 75,876,790
Restricted, Other		2,544,321	1,672,398
Restricted, Endowment Funds		11,732,239	11,199,237
Restricted, Debt Retirement		526,759	561,630
Invested in Capital Assets, Net of Related Debt	\$	34,927,094 \$	32,533,881

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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			001.050		1 000 000
					of Investments		301,258		1,388,088
OPERATING EXPENSES	Ś	36,686,822	ć	25 025 001	Other Non-Operating Revenues (Expenses)		4,368,263		(225,321)
Instruction Research	Ş	1,746,646	Ş	35,935,021 1,279,461	TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	51,775,537	Ś	43,858,394
Public Service		194,238		189,118	INCOME (LOSS) BEFORE OTHER			-	
Academic Support		11,442,015		11,572,561	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS				(7/2.055)
Student Services		3,853,655		3,494,592	LOSSES & TRANSFERS	\$	6,069,683	\$	(763,955)
Institutional Support		15,122,620		14,145,385	OTHER REVENUES. EXPENSES. GAINS. LOSSE	S & TR	ANSFERS		
Operation & Maintenance of Plant		7,457,039		6,499,800	Capital Appropriation	ć	E 014147	ć	
Scholarships & Fellowships		8,295,509		7,928,209	(Higher Education Assistance Funds) Additions to Permanent &	\$	5,214,167	Ş	5,355,874
Auxiliary Enterprises		4,819,317		4,758,025	Term Endowments		238,355		181,846
Depreciation & Amortization		4,640,140		4,231,119	Intercomponent Transfers		1,560		(302,815)
TOTAL OPERATING EXPENSES	\$	94,258,001	\$	90,033,291	Transfers-Out		(172,292)		(275,387)
OPERATING INCOME (LOSS)	\$	(45,705,854)	\$	(44,622,349)	Legislative Transfers		(28,883)		(130,817)
					Legislative Appropriations Lapsed		(7,082)		(10,452)
					TOTAL OTHER REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	5,245,825	\$	4,818,249
					CHANGE IN NET ASSETS	\$	11,315,508	\$	4,054,294
					Net Assets Beginning		75,876,790		71,822,496
					NET ASSETS, ENDING	\$	87,192,298	Ś	75,876,790

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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	CASH FLOWS FROM INVESTING ACTIVITIES		2011		2010
Proceeds Received from					Proceeds from Interest &				
Students & Customers	\$	42,405,229	Ş	41,593,384		\$	2,008,757	Ş	1,461,352
Proceeds from Loan Programs		3,639,110		3,399,210			0 000 757	~	1 4/1 050
Proceeds from Other Revenues		6,496,116		4,150,829	BY INVESTING ACTIVITIES	\$	2,008,757	Ş	1,461,352
Payments to Suppliers for Goods & Services		(15,534,843)		(15,379,870)	INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$	7,474,937	\$	1,692,001
Payments for Employees		(62,213,487)		(59,742,894)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	18,031,225	\$	16,339,224
Payments for Loans Provided		(3,776,420)		(3,478,521)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	25,506,162	\$	18,031,225
Payments for Other Expenses		(10,472,834)		(11,724,265)					
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(39,457,129)	\$	(41,182,127)	RECONCILIATION OF OPERATING INCOME PROVIDED (USED) BY OPERATING ACTIVITIES	(LOSS) TO NET CASH		
	-		-		OPERATING INCOME (LOSS)	\$	(45,705,854)	\$	(44,622,349)
CASH FLOWS FROM NON-CAPITAL FINANCI	NG A	CTIVITIES							
Proceeds from State Appropriations	\$	35,097,082	\$	34,362,008	ADJUSTMENTS TO RECONCILE OPERATING	INCO	ME TO NET CASH		
Proceeds from Gifts		1,047,917		550,315	PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds from Endowments		238,355		181,946	Amortization & Depreciation	\$	4,640,140	Ş	4,231,119
Proceeds from Other Revenues		21,278,027		8,283,209	Bad Debt Expense		—		12,771
Payments for Other Uses		(523,992)		(158,213)					
NET CASH PROVIDED					CHANGES IN ASSETS & LIABILITIES				
BY NON-CAPITAL FINANCING ACTIVITIES	\$	57,137,389	\$	43,219,265	(Increase) Decrease in Receivables & Loan	ns	(1,016,214)		(1,434,534)
					(Increase) Decrease in Inventories		(2,545)		4,286
CASH FLOWS FROM CAPITAL & RELATED FIN Proceeds from Capital	ANCI	NG ACTIVITIES			(Increase) Decrease in Other Assets		406,822		(631,344)
Financing Activities	\$	5,214,167	\$	5,355,874	(Increase) Decrease in Prepaid Expenses		142,093		(563,369)
Payments for Additions to Capital Assets		(13,573,474)		(3,716,999)	(Increase) Decrease in Payables		1,191,260		(512,966)
Payments for Capital Lease		(396,892)			(Increase) Decrease in Deferred Income		879,448		2,241,436
Payments of Principal & Interest					(Increase) Decrease in Other Liabilities		7,721		92,823
on Debt Issuance		(3,457,881)		(3,445,364)	TOTAL ADJUSTMENTS	\$	6,248,725	\$	3,440,222
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(12,214,080)	\$	(1,806,489)	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(39,457,129)	\$	(41,182,127)

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON CLEAR LAKE - MATRIX OF OPERATING EXPENSES

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For the year ended August 31, 2011

TOTAL OPERATING EXPENSES (NATURAL)

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	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				



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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON DOWNTOWN - STATEMENT OF NET ASSETS

As of August 31, 2011

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

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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	NON-OPERATING REVENUES (EXPENSES)		2011		2010
Tuition & Fees, Net of Discounts	\$ 50,064,996	\$ 42,290,963	Legislative Revenue	\$	33,901,987	\$	33,621,034
Sales of Goods & Services	5,025,016	4,736,075	Gifts		1,357,988		1,265,032
Federal Revenue	3,430,452	3,250,339	Federal Revenue Non Operating		31,234,059		27,210,256
State Grant Revenue	7,252,513	5,073,857	Investment Income		1,924,613		54,044
Other Grants & Contracts	204,455	171,107	Interest Expense & Fiscal Changes		(2,648,733)		(2,811,760)
TOTAL OPERATING REVENUES	\$ 65,977,432	\$ 55,522,341	Net Increase (Decrease) in Fair Value of Investments		228,165		1,501,049
OPERATING EXPENSES			Other Non-Operating Revenues (Expenses)		(1,030,987)		(1,314,402)
Instruction	\$ 38,301,509	\$ 36,201,350	TOTAL NON-OPERATING REVENUES				
Research	1,473,222	1,285,575	(EXPENSES)	\$	64,967,092	\$	59,525,253
Public Service	3,784,092	2,930,191	INCOME (LOSS) BEFORE OTHER				
Academic Support	17,423,558	16,059,333	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	\$	(1,594,518)	Ś	(3,785,549)
Student Services	4,011,293	4,091,980		¥	(1,074,010)	¥	(0,700,047)
Institutional Support	15,356,050	17,363,901	OTHER REVENUES. EXPENSES. GAINS. LOSSE	S & TF	RANSFERS		
Operation & Maintenance of Plant	5,831,035	6,007,834	Capital Appropriation (Higher Education Assistance Funds)	Ś	7,435,238	ć	9,548,995
Scholarships & Fellowships	32,677,308	22,279,589	Additions to Permanent &	Ş	7,430,230	Ş	9,040,990
Auxiliary Enterprises	6,713,483	6,072,504	Term Endowments		2,152,521		293,184
Depreciation & Amortization	6,967,492	6,540,886	Intercomponent Transfers		(71,949)		91,331
TOTAL OPERATING EXPENSES	\$ 132,539,042	\$ 118,833,143	Transfers-Out		(661,719)		(604,509)
OPERATING INCOME (LOSS)	\$ (66,561,610)	\$ (63,310,802)	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

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

CASH FLOWS FROM OPERATING ACTIVITIES		2011		2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011		2010
Proceeds Received from Students & Customers	Ś	54,983,394	ć	44,709,166	Proceeds from Interest & Investment Income	Ś	1,575,296	ć	865,351
Proceeds from Loan Programs	Ŷ	1,916,256	Ŷ	2,030,610	NET CASH PROVIDED	Ŷ	1,070,290	Ŷ	000,001
Proceeds from Other Revenues					BY INVESTING ACTIVITIES	\$	1,575,296	\$	865,351
		13,230,143		10,163,515	INCREASE (DECREASE)	-		· ·	
Payments to Suppliers for Goods & Services		(19,434,042)		(22,692,863)	IN CASH & CASH EQUÍVALENTS	\$	2,586,799	\$	2,741,525
Payments for Employees		(71,330,858)		(63,909,122)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	24,925,563	\$	22,184,038
Payments for Loans Provided		(1,863,219)		(1,905,404)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	27,512,362	\$	24,925,563
Payments for Other Expenses		(34,831,828)		(22,628,170)					
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Ś	(57,330,154)	Ś	(54,232,268)	RECONCILIATION OF OPERATING INCOME PROVIDED (USED) BY OPERATING ACTIVITIES	(LOSS	TO NET CASH		
	Ŧ	(07,000,104)	Ψ	(04,202,200)	OPERATING INCOME (LOSS)	\$	(66,561,610)	\$	(63,310,802)
CASH FLOWS FROM NON-CAPITAL FINANCI	NG A	CTIVITIES							
Proceeds from State Appropriations	\$	34,631,255	\$	33,045,041	ADJUSTMENTS TO RECONCILE OPERATING	INCO	ME TO NET CASH		
Proceeds from Gifts		1,357,988		1,390,573	PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds from Endowments		(363,602)			Amortization & Depreciation	\$	6,967,492	Ş	6,540,886
Proceeds of Transfers from Other Funds		306,492		332,204					
Proceeds from Other Revenues		29,460,980		27,753,873	CHANGES IN ASSETS & LIABILITIES				
Payments for Other Uses		(2,098,059)		(4,386,422)	(Increase) Decrease in Receivables & Loa	ns	(1,660,221)		307,290
NET CASH PROVIDED					(Increase) Decrease in Inventories		589		8,528
BY NON-CAPITAL FINANCING ACTIVITIES	\$	63,295,054	\$	58,135,269	(Increase) Decrease in Other Assets		(25,689)		(774)
					(Increase) Decrease in Prepaid Expenses		484,383		(77,492)
CASH FLOWS FROM CAPITAL & RELATED FIN Proceeds from Capital		NG ACTIVITIES			(Increase) Decrease in Payables		1,023,257		2,139,921
Financing Activities	\$	7,435,238	\$	9,548,995	(Increase) Decrease in Deferred Income		2,381,245		160,515
Payments for Additions to Capital Assets		(5,918,980)		(5,105,920)	(Increase) Decrease in Other Liabilities		60,400		(340)
Payments of Principal & Interest					TOTAL ADJUSTMENTS	\$	9,231,456	\$	9,078,534
on Debt Issuance		(6,469,655)		(6,469,902)	NET CASH PROVIDED BY				
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	\$	(4,953,397)	Ś	(2,026,827)	OPERATING ACTIVITIES	\$	(57,330,154)	\$	(54,232,268)

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FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON DOWNTOWN - MATRIX OF OPERATING EXPENSES

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





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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF NET ASSETS

As of August 31, 2011

ASSETS	2011		2010			2011		2010
CURRENT ASSETS				CURRENT LIABILITIES				
Cash & Cash Equivalents	\$ 9,112,242	Ş	10,831,522	Payables	\$	3,903,612	Ş	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,				TOTAL NON-CURRENT LIABILITIES	\$	40,673,281	\$	43,406,619
Non-Depreciable/Non-Amortizable	1,591,043		6,197,417	TOTAL LIABILITIES	\$	57,485,068	\$	61,134,421
Capital Assets, Amortizable/Depreciable	34,606,390		26,207,852		· · ·		-	
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,	ć	9,183,922	ć	
TOTAL ASSETS	\$ 81,923,977	\$	86,864,772	Net of Related Debt	\$		Ş	6,964,644
	 	_		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

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FINANCIAL STATEMENTS

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

For the year ended August 31, 2011

OPERATING REVENUES	2011	2010	NON-OPERATING REVENUES (EXPENSES)		2011		2010
Tuition & Fees, Net of Discounts	\$ 14,987,005	\$ 13,656,416	Legislative Revenue	\$	18,922,454	\$	18,843,340
Sales of Goods & Services	1,749,745	433,682	Gifts		310,292		191,316
Federal Revenue	482,875	367,658	Federal Revenue Non-Operating		5,985,184		4,831,108
State Grant Revenue	798,798	1,078,971	Investment Income		704,955		21,112
Other Grants & Contracts	512,741	904,651	Interest Expense & Fiscal Changes		(2,178,556)		(2,039,658)
TOTAL OPERATING REVENUES	\$ 18,531,164	\$ 16,441,378	Net Increase (Decrease) in Fair Value				
			of investments		42,103		539,250
OPERATING EXPENSES			Other Non-Operating Revenues (Expenses)		(2,167,390)		21,566,052
Instruction	\$ 18,473,491	\$ 16,596,904	TOTAL NON-OPERATING REVENUES				
Research	162,647	121,830	(EXPENSES)	\$	21,619,042	\$	43,952,520
Public Service	805,108	811,796	INCOME (LOSS) BEFORE OTHER				
Academic Support	5,962,053	5,739,913	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	Ś	(3,759,209)	Ś	23,261,654
Student Services	4,463,825	3,919,274			(-,,,		
Institutional Support	4,917,645	4,473,561	OTHER REVENUES, EXPENSES, GAINS, LOSSES	5 & TR	ANSFERS		
Operation & Maintenance of Plant	1,988,881	1,819,108	Capital Appropriation (Higher Education Assistance Funds)	Ś	2,393,921	ċ	2,335,692
Scholarships & Fellowships	3,420,057	2,425,959	Additions to Permanent &	Ŷ	2,070,721	Ŷ	2,000,092
Auxiliary Enterprises	2,062,152	11,876	Term Endowments		195,832		111,958
Depreciation & Amortization	1,653,556	1,212,023	Intercomponent Transfers		28,136		59,548
TOTAL OPERATING EXPENSES	\$ 43,909,415	\$ 37,132,244	Transfers-Out		(147,600)		(103,818)
OPERATING INCOME (LOSS)	\$ (25,378,251)	\$ (20,690,866)	TOTAL OTHER REVENUES, EXPENSES,				
			GAINS, LOSSES & TRANSFERS	\$	2,470,289	\$	2,403,380
			CHANGE IN NET ASSETS	\$	(1,288,920)	\$	25,665,034

Net Assets Beginning

NET ASSETS, ENDING

NET ASSETS BEGINNING, AS RESTATED

Restatements

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25,730,351

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON VICTORIA - STATEMENT OF CASH FLOWS

& RELATED FINANCING ACTIVITIES	\$	(4,984,248)	Ş	(3,986,545)	OPERATING ACTIVITIES	\$	(24,461,968)	\$	(16,675,413)
NET CASH PROVIDED (USED) BY CAPITAL	<u>^</u>	(4.004.040)	<u>^</u>	(2.00/.5.45)	NET CASH PROVIDED BY	-			
on Debt Issuance		(6,488,823)		(4,420,969)	TOTAL ADJUSTMENTS	\$	916,283	\$	4,015,453
Payments of Principal & Interest					(Increase) Decrease in Other Liabilities		1,686		305,195
Payments for Additions to Capital Assets		(3,989,941)		(9,661,924)	(Increase) Decrease in Deferred Income		564,738		1,112,232
Proceeds from Capital Financing Activities	\$	5,494,516	\$	10,096,348	(Increase) Decrease in Payables		(1,714,160)		3,468,757
CASH FLOWS FROM CAPITAL & RELATED FI	NANCI	NG ACTIVITIES			(Increase) Decrease in Prepaid Expenses		737,423		100,607
					(Increase) Decrease in Other Assets		(55,525)		(28,756
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$	25,451,211	\$	22,063,703	(Increase) Decrease in Receivables & Loa	ns	(212,740)		(1,926,633
Payments for Other Uses		(1,060,485)		(1,737,052)	CHANGES IN ASSETS & LIABILITIES				
Proceeds from Other Revenues		5,985,184		4,831,108			(00,070)		(221,712
Proceeds of Transfers from Other Funds		149,393		158,067	Classification Differences	Ŷ	(58,695)	Ŷ	(227,972
Proceeds from Endowments		195,832		111,958	Amortization & Depreciation	Ś	1.653.556	ć	1,212,023
Proceeds from Gifts		503,474		355,540	ADJUSTMENTS TO RECONCILE OPERATING PROVIDED (USED) BY OPERATING ACTIVITIES	INCO	ME TO NET CASH		
Proceeds from State Appropriations	\$	19,677,813	\$	18,344,082					
CASH FLOWS FROM NON-CAPITAL FINANC					OPERATING INCOME (LOSS)	\$	(25,378,251)	\$	(20,690,866
BY OPERATING ACTIVITIES	\$	(24,461,968)	\$	(16,675,413)	RECONCILIATION OF OPERATING INCOME PROVIDED (USED) BY OPERATING ACTIVITIES	II OSS	TO NET CASH		
NET CASH PROVIDED (USED)									
Payments for Other Expenses		(4,016,850)		(3,317,179)	CASH & CASH EQUIVALENTS, AUGUST 31	\$	8,554,436	\$	11,717,212
Payments for Loans Provided		(3,762,705)		(3,294,466)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	11,717,217		7,699,558
Payments for Employees		(25,945,409)		(23,305,744)	IN CASH & CASH EQUIVALENTS	\$	(3,162,781)		4,017,659
Payments to Suppliers for Goods & Services		(13,270,065)		(5,455,571)	INCREASE (DECREASE)	-			2,015,914
Proceeds from Other Revenues		1,954,251		1,206,728	NET CASH PROVIDED BY INVESTING ACTIVITIES	Ś	832,224	ė	2,615,914
Proceeds from Loan Programs		3,704,010		3,066,494	Payments to Acquire Investments		(9,514)		(311,746
Proceeds Received from Students & Customers	\$	16,874,800	\$	14,424,325	Proceeds from Interest & Investment Income	\$	841,738	\$	2,927,66
CASH FLOWS FROM OPERATING ACTIVITIES	S	2011		2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011		201

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FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON VICTORIA - MATRIX OF OPERATING EXPENSES

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



UNIVERSITY of HOUSTON SYSTEM ADMINISTRATION

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STATEMENT OF ASSETS STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS STATEMENT OF CASH FLOWS MATRIX OF OPERATING EXPENSES

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FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - STATEMENT OF NET ASSETS

As of August 31, 2011

TOTAL CURRENT ASSETS	\$ 211,792,284	\$ 264,785,957	TOTAL CURRENT LIABILITIES	\$ 734,450,232	\$ 746,152,281
Deferred Charges	43,008	24	Funds Held for Others	25,606	20,597
Receivables	8,164,789	7,368,343	Employees' Compensable Leave	384,301	445,797
Legislative Appropriations	806,984	8,351,319	Claims and Judgments Payable	971	892
Restricted Cash & Cash Equivalents	5,568,162	5,450,188	Notes & Loans Payable	42,141,000	10,000,000
Short-term Investments	147,505,357	190,143,590	Deferred Revenues	4,166	25,448
Cash & Cash Equivalents	\$ 49,703,984	\$ 53,472,493	Payables	\$ 691,894,188	\$ 735,659,547
ASSETS CURRENT ASSETS	2011	2010	LIABILITIES CURRENT LIABILITIES	2011	2010

TOTAL ASSETS	\$ 903,416,770	\$ 899,491,438
TOTAL NON-CURRENT ASSETS	\$ 691,624,486	\$ 634,705,48
Accumulated Amortization/Depreciation	(33,081,271)	\$ (24,911,515
Capital Assets, Amortizable/Depreciable	91,483,008	87,375,063
Capital Assets, Non-Depreciable/Non-Amortizable	6,528,754	\$ 10,739,805
Investments	611,083,257	\$ 552,316,024
Loans & Other Receivables	12,859,881	\$ 10,005,368
Restricted Cash & Cash Equivalents	\$ 2,750,857	\$ (819,264
NON-CURRENT ASSETS		

NON-CURRENT LIABILITIES 4) Employees' Compensable Leave \$ 417,495 \$ 494,703 68 Claims & Judgments Payable 4 \$ 24 **TOTAL NON-CURRENT LIABILITIES** \$ 417,499 \$ 494,727 \$ TOTAL LIABILITIES 734,867,731 \$ 746,647,008 15 53 NET ASSETS Invested in Capital Assets, 5) Net of Related Debt \$ 47,073,677 \$ 53,024,276 31 Restricted, Debt Retirement 221,393 238,313 38 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

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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	NON-OPERATING REVENUES (EXPENSES)		2011		2010
Sales of Goods & Services	1,087,485	1,048,359	Legislative Revenue	\$	4,029,033	\$	4,302,090
State Grant Revenue	48,427	63,741	Gifts		1,252,096		329,492
TOTAL OPERATING REVENUES	\$ 1,135,912	\$ 1,112,100	Federal Revenue Non-Operating		1,568,336		461,788
			Investment Income		6,907,262		879,043
OPERATING EXPENSES Research	1,079,042	1,086,626	Net Increase (Decrease) in Fair Value of Investments		26,627,058		18,439,989
Public Service	76,250	63,497	Other Non-Operating Revenues (Expenses)		549,835		25,641,054
Academic Support	4,773,128	5,340,053	TOTAL NON-OPERATING REVENUES				
Student Services	189,991	259,611	(EXPENSES)	\$	40,933,620	\$	50,053,456
Institutional Support	7,540,919	7,152,006	INCOME (LOSS) BEFORE OTHER				
Operation & Maintenance of Plant	2,191,814	1,099,232	REVENUES, EXPENSES, GAINS, LOSSES & TRANSFERS	Ś	17.969.009	Ś	28,031,393
Scholarships & Fellowships	65,827	3,100					, ,
Depreciation & Amortization	8,183,552	8,130,038	OTHER REVENUES. EXPENSES. GAINS. LOSSES	s & Ti	RANSFERS		
TOTAL OPERATING EXPENSES	\$ 24,100,523	\$ 23,134,163	Additions to Permanent & Term Endowments		443,604		7,254
OPERATING INCOME (LOSS)	\$ (22,964,611)	\$ (22,022,063)	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)
			CHANGE IN NET ASSETS	\$	15,704,609	\$	25,290,663
			Net Assets Beginning		152,844,430		127,553,767

NET ASSETS, ENDING

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES		2011		2010	CASH FLOWS FROM INVESTING ACTIVITIES		2011		2010
Proceeds Received from Students & Customers	Ś	882.398	ć	1,047,107	Proceeds from Sales of Investments	\$	497,425,887	\$	288,150,166
Proceeds from Other Revenues	Ş	48,605	Ş	1,047,107	Proceeds from Interest & Investment Income		12,702,674		11,691,295
		48,005		183,001					
Payments to Suppliers for Goods & Services		(2,704,707)		(3,154,463)	Payments to Acquire Investments		(492,481,254)		(334,208,534)
Payments for Employees		(9,320,805)		(14,667,945)	NET CASH PROVIDED BY INVESTING ACTIVITIES	Ś	17,647,307	Ś	(34,367,073)
Payments for Other Expenses		(3,221,440)		(2,766,833)	INCREASE (DECREASE)	1	,		(
NET CASH PROVIDED (USED)					IN CASH & CASH EQUIVALENTS	\$	(80,414)	\$	6,989,308
BY OPERATING ACTIVITIES	\$	(14,315,949)	\$	(19,358,473)	CASH & CASH EQUIVALENTS, SEPTEMBER 1	\$	58,103,417	\$	51,114,109
					CASH & CASH EQUIVALENTS, AUGUST 31	\$	58,023,003	\$	58,103,417
CASH FLOWS FROM NON-CAPITAL FINANC	ING AO Ś	CTIVITIES 11,573,369	ć	4,132,857					
Proceeds from State Appropriations	Ş		Ş	, ,	RECONCILIATION OF OPERATING INCOME	LOSS) TO NET CASH		
Proceeds from Gifts		1,521,636		1,363,083	PROVIDED (USED) BY OPERATING ACTIVITIES				
Proceeds from Endowments		443,604		7,254	OPERATING INCOME (LOSS)	\$	(22,964,611)	\$	(22,022,063)
Proceeds of Transfers from Other Funds		48,273,831		40,623,155					
Proceeds from Other Revenues		1,568,335		461,788	ADJUSTMENTS TO RECONCILE OPERATING I	NCO	ME TO NET CASH		
Payments for Other Uses		(22,954,784)		(9,458,456)	PROVIDED (USED) BY OPERATING ACTIVITIES				
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$	40,425,991	\$	37,129,681	Amortization & Depreciation	\$	8,183,552	\$	8,130,038
					CHANGES IN ASSETS & LIABILITIES				
CASH FLOWS FROM CAPITAL & RELATED FIN			<u>^</u>	70.004.400	(Increase) Decrease in Receivables & Loan	IS	(1,308,150)		(5,456,407)
Proceeds from Other Financing Activities	\$	35,801,132	Ş	70,336,630	(Increase) Decrease in Other Assets		178		38
Payments for Additions to Capital Assets		(2,765,911)		(42,566,121)	(Increase) Decrease in Prepaid Expenses		(42,984)		_
Payments of Other Costs of Debt Issuance		(76,872,984)		(4,185,336)	(Increase) Decrease in Payables		1,388,625		24,045
NET CASH PROVIDED (USED) BY CAPITAL					(Increase) Decrease in Deferred Income		(21,282)		20,594
& RELATED FINANCING ACTIVITIES	\$	(43,837,763)	\$	23,585,173	(Increase) Decrease in Other Liabilities		448,723		(54,718)
					TOTAL ADJUSTMENTS	\$	8,648,662	\$	2,663,590
					NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	(14,315,949)	\$	(19,358,473)

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FINANCIAL STATEMENTS UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATION - MATRIX OF OPERATING EXPENSES

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			



UH

UHCL

UHD



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 studentcentered campus environment focused on student access and success. UH

UHCL

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- 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.

UHV





- 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.

UHSA

- 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.



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