2025 Annual Financial Report

For Fiscal Year Ended August 31, 2025

Texas Southern University . 3100 Cleburne Avenue . Houston, TX 77004 713-313-7011 . http://www.tsu.edu/

ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY

(An Agency of State of Texas)

For the Year Ended
August 31, 2025

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE ST. | HOUSTON, TEXAS 77004 | 713.313.1179

Office *of the* President

June 12, 2026

The Annual Financial Report (AFR) for Fiscal Year 2025 provides a comprehensive account of Texas Southern University's financial position and operations for the fiscal year ending August 31, 2025. The report reflects the institution's commitment to disciplined fiscal management, transparent reporting, and responsible stewardship of the resources entrusted to the University.

The AFR provides a full and transparent accounting of all funds received and expended by the University. Institutional resources are received from multiple sources, including appropriations from the State of Texas, federal grants and programs, partnerships with public and private organizations, philanthropic foundations, and contributions from alumni and individual donors. The AFR demonstrates the University's responsible management of these resources, aligned with institutional priorities.

Fiscal Year 2025 marked the first full fiscal year of the current administration. The efforts of the administration, faculty, and staff throughout the year resulted in notable achievements in student success, strategic planning, and public service. Student success indicators reflect significant progression, including a nine-percentage-point increase in the student persistence rate and a six-percentage-point increase in the student progression rate. These notable achievements were enabled by strengthened advising, expanded academic support, increased student tracking, and program forecasting.

The University also developed a Strategic Plan and Facilities Master Plan. ASCEND 2030 and the accompanying master plan are the institution's first comprehensive strategic planning framework since 2022. These plans establish a well-structured and detailed blueprint to guide academic priorities, facility improvement and expansion, institutional performance, and resource alignment, ensuring that institutional initiatives deliver measurable outcomes.

In recognition of the institution's sustained commitment to local, national, and global partnerships, Texas Southern University received the Carnegie Community Engagement designation. This designation is an evidence-based recognition of a deep and sustained commitment to partnering that results in tangible impacts through teaching, research, and service. This national distinction is held by only 10% of colleges and universities nationwide.

During the fiscal year, the Texas State Auditor's Office (SAO) conducted an audit of the University. The first in 19 years. In consultation with the institution's new external auditor, the University paused completion of the FY2025 audit of the financial statements to ensure the external auditor had complete information for their audit procedures. The President, in his letter of December 12, 2025, notified the State Comptroller the pause in the external audit would result in the University delaying the submission of the audited financial statements until after the suspense date. Upon conclusion of the SAO's procedures and publication of their report and the University Response, in late December of 2025, the audit of the financial statements was resumed.

The SAO's audit identified areas of process the University needed to improve. In response to the SAO's findings, the University administration, in collaboration with the Board of Regents, instituted a 100-day prioritized corrective action plan. This plan placed an intense focus on strengthening financial oversight, improving administrative efficiency, and reinforcing institutional accountability. This concentrated effort has enhanced and strengthened business processes and internal controls across financial operations, procurement, contracting, asset management, policy validation, and financial reporting to ensure broad-based operational efficiency and effectiveness.

The University's response also included a targeted organizational realignment designed to strengthen management oversight. Key administrative functions were repositioned to deepen leadership capacity, enhance asset accountability, and reinforce governance standards essential to sound financial administration and operational effectiveness. The University increased administrative and operational expertise by establishing a Chief Administrative Officer and deepened financial leadership and proficiency by hiring a permanent Chief Financial Officer. These actions will drive a culture of constant improvement grounded in accuracy, precision, and institutional accountability focused on producing accurate and predictable outcomes.

The totality of these actions will advance a performance-driven culture defined by accountability and responsible stewardship of institutional resources. Administrative and academic units will deliver quantifiable results against established priorities, ensuring resources are strategically aligned to support student success, university integrity, and long-term sustainability.

Texas Southern University appreciates the continued support of the State of Texas, the Board of Regents, faculty, staff, students, alumni, and community partners. Through focused management, methodical financial practices, and sustained commitment to measurable outcomes, the University will continue to strengthen its mission and advance its impact across the State of Texas and beyond.

Sincerely,

J.W. Crawford III
Vice Admiral, JAGC, U.S. Navy (Ret.)
President, Texas Southern University

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

BOARD OF REGENTS

August 31, 2025

Officers

Honorable James M. Behnam, Chairman
Honorable Lauren A. Gore, Vice Chair
Honorable Richard A. Johnson, III, Second Vice Chair
Honorable Marilyn A. Rose, Secretary

Members

Honorable Kohl E, Crawford, Student Regent	Garland
Terms Expired May 31, 2026	
Honorable Carolie Baker Hurley	Houston
Honorable Marilyn A. Rose, Secretary	Houston
Term Expired February 1, 2027	
Honorable James M. Benham, Chairman	College Station
Honorable Richard A. Johnson III, Second Vice Chair	Houston
Terms Expire February 1, 2029	
Honorable Lauren A. Gore, Vice Chairman	Houston
Honorable Benjamin H. Proler	Houston
Honorable Alithea Z. Sullivan	Austin
Terms Expire February 1, 2031	
Honorable Paloma Z. Ahmadi	Shavano Park
Terms Expire February 1, 2032	

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TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
UNIVERSITY ADMINISTRATION
August 31, 2025

University Administration

Vice Admiral (Ret.) James Crawford, III	President
Dr. Carl Goodman	Provost & Vice President for Academic Affairs & Research
Dr. Rodney Smith	Interim Sr. Vice President and Chief Administration Officer
Dr. Ronald B. McKinley	Interim Vice President of Human Resources/Chief Human Resources Officer
Charlie Nhan	General Counsel
Dr. James White	Vice President Governmental Affairs & Civic Engagement
Dr. Jennifer Stephens	Vice President, Marketing and Communications
Dr. Michelle John	Vice President for Research and Innovation
John Pittman	Interim Vice President for Administration and Finance/CFO
Dr. Paula Jackson	Interim Vice President of Intercollegiate Athletics
Benjamin Green	Interim Vice President & Chief Information Officer
Bobby Brown	Chief of Police & Director of Emergency Management
Dr. Cynthia Buckley	Sr Associate Vice President for Human Resources
Melanie Jackson	Sr. Associate Vice President Operations and Procurement
Dr. Raijanel Crockem	Associate Vice President Institutional Assessment
Charlie Coleman III	Associate Vice President of Development

Fiscal Administration

Dr. Rodney Smith	Sr. Vice President and Chief Administration Officer
John Pittman	Interim Vice President for Administration and Finance/CFO
J'Maine Chubb CMA, CPA, CSCA	Vice President and Chief Financial Officer
Clyde McNeil, CPA, CIA	Interim Chief Internal Auditor
Daniel Graves, CPA, CCA	Chief Audit Executive, Weaver and Tidwell, LLP
Paula Stapleton, CPA	Assistant Vice President for Business & Finance & Controller

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<u>FINANCIAL SECTION</u>

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Texas Southern University
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Texas Southern University (the "University") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University, as of August 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the State of Texas that is attributable to the transaction of the University. They do not purport to, and do not present fairly the financial position of the State of Texas as of August 31, 2025, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Regents
Texas Southern University
Houston, Texas

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Regents
Texas Southern University
Houston, Texas

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2026, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
June 12, 2026

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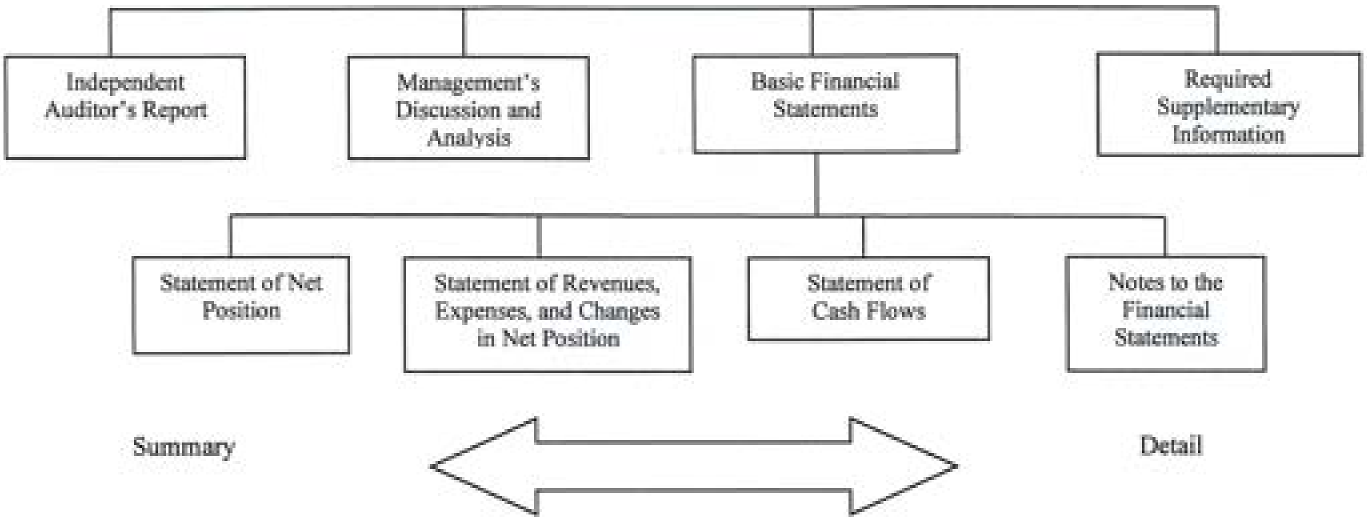
MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended August 31, 2025

The following is Texas Southern University's (TSU's) Management's Discussion and Analysis (MD&A) which outlines the financial performance for the fiscal year ended August 31, 2025. The information that is being presented should be read in conjunction with other areas of the financial section of the report including the message from the President located in the introductory session.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



TSU's basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

<u>Basic Financial Statements</u>

The basic financial statements report information for TSU. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about the cost of services, operating results, and financial position of TSU as an economic entity. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All the current year revenues and expenses are considered even if cash has not yet changed hands.

The Statement of Net Position presents information on TSU's assets and deferred outflows of resources that exceed liabilities and deferred inflows of resources. The difference between these categories is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's student enrollment and the condition of TSU's infrastructure, should be considered to assess the overall health of TSU.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how TSU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The Statement of Cash Flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the Management's Discussion and Analysis (MD&A) within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net position may serve over time as a useful indicator of Texas Southern University's financial position. As of August 31, 2025, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $355,335,643.53. The largest portion of TSU's net position (68.19%) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, leased land, library books, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although Texas Southern University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since those assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION

	2025	2024
Current and other assets	$ 297,710,418.37	$ 318,206,952.48
Non-current Restricted assets	117,732,044.12	103,920,906.96
Capital assets, net	296,464,921.76	296,155,211.50
Total Assets	711,907,384.25	718,283,070.94
Deferred Outflows of Resources	10,898,333.00	17,925,174.34
Current liabilities	121,634,950.01	110,964,133.81
Noncurrent liabilities	206,401,299.71	220,213,671.22
Total Liabilities	328,036,249.72	331,177,805.03
Deferred Inflows of Resources	39,433,824.00	45,513,775.00
Net investment in capital assets	242,286,361.55	241,520,133.21
Restricted for:		
Debt Retirement	815,760.38	217,003.69
Other	143,438,060.84	119,286,496.84
Unrestricted	(31,204,539.24)	(1,506,968.49)
Total Net Position	$ 355,335,643.53	$ 359,516,665.25

Total Assets decreased by $6,375,686.69 from $718,283,070.94 in the prior year to $711,907,384.25 in the current year. This was the result of physical inventory counts which required disposal of $4,340,284.17 of assets and market adjustments to short term investments of $2,092,201.36. Texas Southern University (TSU) recognized a $864,423.00 decrease in legislative appropriations from $78,869,582.00 in fiscal year 2024 to $78,005,159.00 in fiscal year 2025. The Texas Legislative Budget Board (LBB) approved the funding in May 2023 at the close of the 88th Legislative Session. This directly affected the General Revenue and General Revenue – Dedicated Funds.

Total Liabilities decreased by $3,141,555.31 from $331,177,805.03 in the prior year to $328,036,249.72. However, TSU recognized an increase in current liabilities of $11,030,221.99 due to an increase in accounts payable of $15,738,448.13 from $8,822,505.40 to $24,560,953.53. Eighty-two percent (84%) of this change, $13,267,954.10, is attributed to accrued construction expenses on facilities, including student housing, that started during the fiscal year. Texas Southern University experienced a decrease in non-current liabilities of $13,812,371.51 from $220,213,671.22 to $206,401,299.71 primarily due to a decrease in the following areas: Net OPEB Liability, Net Pension Liability and Revenue Bonds Payable. The noncurrent portion of the Net OPEB Liability declined by $1,672,118, and Net Pension Liability declined by $4,144,094.00. These changes are discussed in Note 9B. Revenue Bonds Payable also decreased by 7,704,323.62.

The unrestricted net position declined by ($29,697,570.75) from a deficit of ($1,506,968.49) to a deficit of ($31,204,539.24) at 2025 year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. Most of the decrease in net position can be attributed to the outlay of funds related to capital projects.

Restricted Net Position increased by $24,750,320.69 from $119,503,500.53 to $144,253,821.22. The increase can be attributed to the positive change in endowment value of $12,586,747.26 from $102,120,224.77 in the prior fiscal year to $114,706,972.03 in fiscal year 2025.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024
OPERATING REVENUES		
Tuition and Fees - Pledged	$ 97,012,703.46	$ 95,640,418.69
Discount on Tuition and Fees	(38,300,912.42)	(35,862,277.55)
Auxiliary Enterprises -Pledged	19,318,277.04	19,643,437.21
Other Sales of Goods and Services - Pledged	153,905.23	34,469.25
Federal Revenue	35,350,709.13	31,336,946.17
Federal Pass-Through Revenue	1,372,923.66	699,796.31
State Revenue	564,817.46	1,793,805.88
State Pass-Through Revenue	9,909,124.66	5,477,367.00
Other Contracts and Grants - Pledged	3,617,736.43	5,460,766.14
Other Operating Revenue	10,016,763.99	10,939,750.03
Total Operating Revenues	139,016,048.64	135,164,479.13
OPERATING EXPENSES		
Salaries and Wages	100,727,370.53	92,020,430.26
Payroll Related Costs	21,339,564.10	29,945,439.32
Professional Fees and Services	21,530,484.28	17,731,829.06
Travel	4,563,016.06	3,844,634.97
Materials and Supplies	18,678,849.13	12,363,843.54
Communication and Utilities	6,470,228.11	8,514,677.64
Repairs and Maintenance	11,657,395.60	7,908,936.48
Rentals and Leases	2,646,991.99	1,702,032.12
Printing and Reproductions	443,078.17	507,799.21
Federal Pass-Through Expense	635,937.15	679,574.59
Bad Debt Expense	1,268,094.43	802,288.05
Scholarships	32,087,132.41	16,458,868.89
Other Operating Expenses	15,574,465.63	11,370,199.36
Depreciation and Amortization	20,050,772.49	20,734,354.57
Total Operating Expenses	257,673,380.08	224,584,908.06
Operating (Loss)	$ (118,657,331.44)	$ (89,420,428.93)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	2025	2024
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	$ 54,438,033.00	$ 55,384,388.00
Additional Appropriations	15,367,356.30	15,399,694.47
Gifts	726,266.32	239,940.54
Federal Revenue Nonoperating	38,836,924.34	23,206,164.55
Interest Income	5,531,354.72	11,432,030.27
Investing Activities Expenses	(27,899.58)	(85,796.00)
Interest Expense and Fiscal Charges	(954,792.14)	(1,454,950.66)
Net Increase In Fair Value	8,806,785.68	11,809,092.75
Other Nonoperating Revenue (Net)	828,255.08	12,559,098.61
Total Nonoperating Revenues (Expenses)	123,552,283.72	128,489,662.53
Income (Loss) Before Other Revenues, Expenses, and Transfers	4,894,952.28	36,069,233.60
OTHER REVENUES, EXPENSES, AND TRANSFERS		
Capital Appropriations (HEAF)	12,072,906.00	12,072,906.00
Contributions to Permanent and Term Endowments	-	1,397,018.69
Lapses	(15,824,448.72)	(8,484,011.72)
Transfer In	4,302,316.38	6,096,530.27
Transfer Out	(9,626,747.66)	(14,774,026.24)
Total Other Revenues, Expenses, and Transfers	(9,075,974.00)	(3,691,583.00)
Change in Net Position	(4,181,021.72)	35,377,650.60
Beginning Net Position	359,516,665.25	324,139,014.65
Ending Net Position	$ 355,335,643.53	$ 359,516,665.25

For the year ended August 31, 2025, revenue and transfers in of $4,302,316.38 totaled $279,926,246.46. This represents a decrease of ($4,835,096.82) or 2% and is attributed to decreases in legislative revenue, additional appropriations, interest income, net increase in fair value and other nonoperating income.

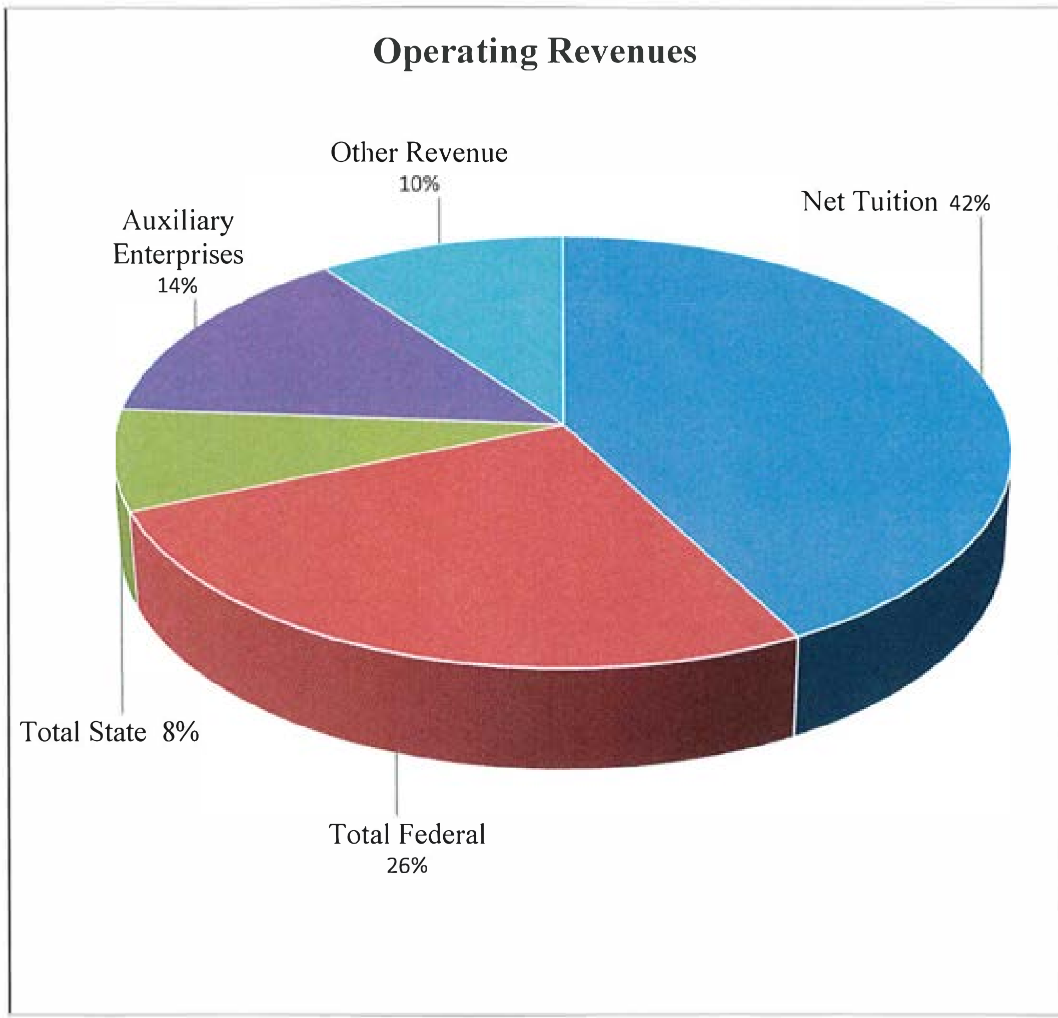
Total net position decreased by ($4,181,021.72). The primary reason for the decrease is attributed to a compensation study which adjusted select personnel salaries and associated payroll related costs to more competitive market rates. Texas Southern University experienced a $12,586,747.26 increase in endowment value primarily caused by the overall market performance for fiscal year 2025 of $8,806,785.68.

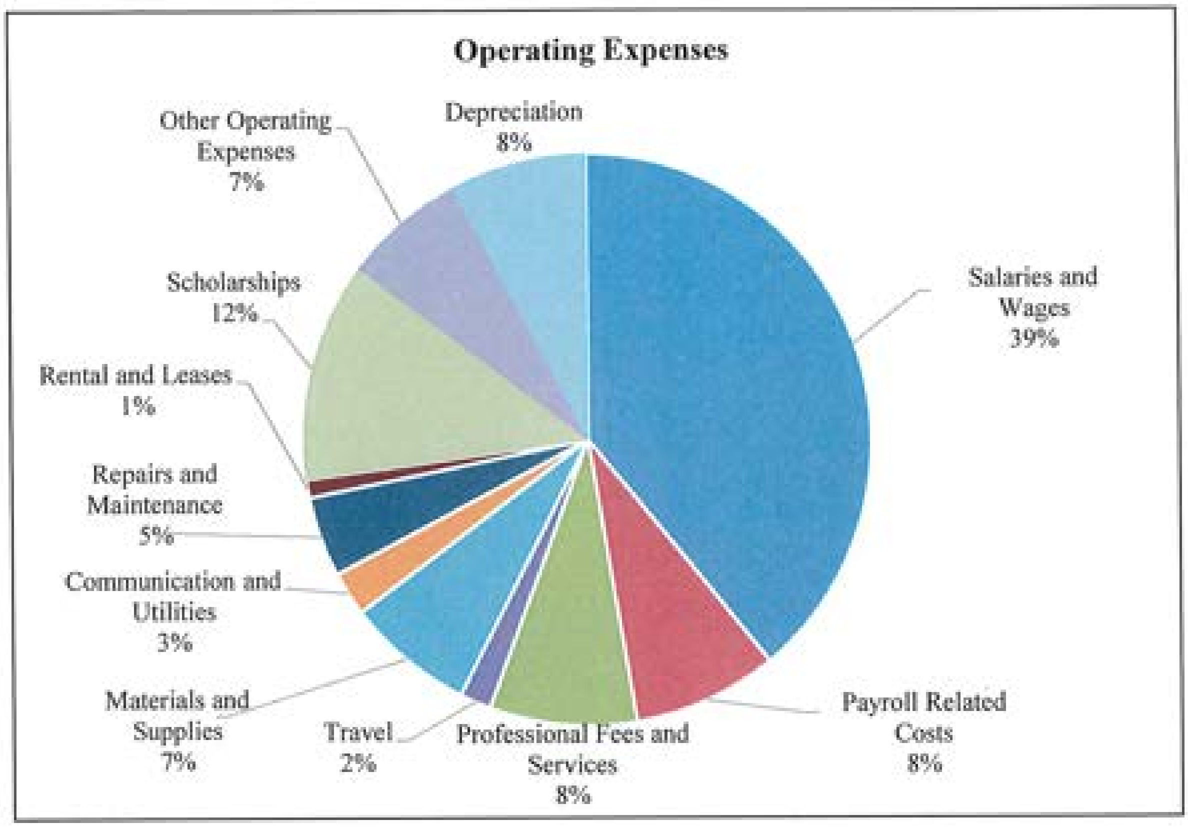
Texas Southern University's expenses and transfers out of ($9,626,747.66) totaled $284,107,268.18 for the year ended August 31, 2025. This represents an increase of $34,723,575.50 or 14% from last year. This is attributed to 1) scholarships, which increased by $15,628,263.52 and 2) lapsed appropriations of $15,824,448.72 that could not be rolled over due to the end of the biennium period.

Key elements to these changes are as follows:

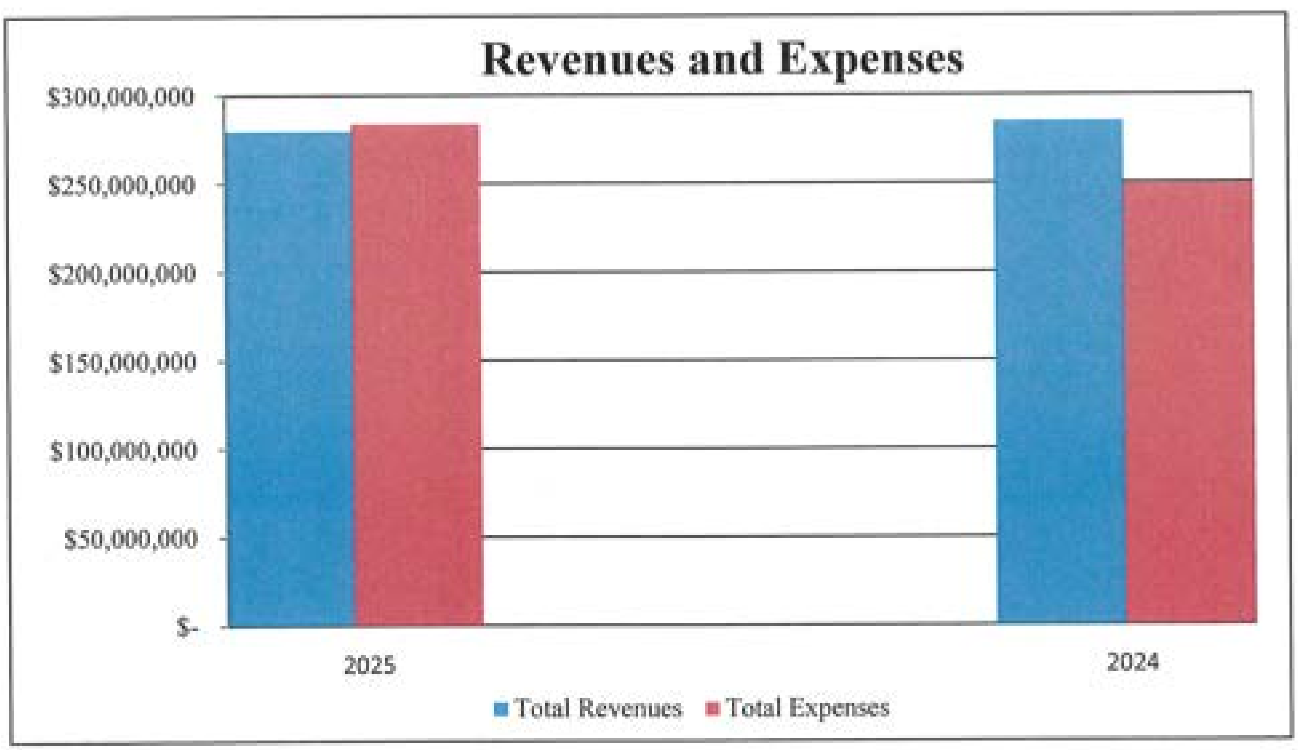
- Operating revenues increased by $3,851,569.51 or 2.85%.
- Non-operating revenues and Other Revenues decreased by ($8,686,666.56) or 6%
- Operating expenses less depreciation expense increased by $33,772,054.10 or 17%
- Non-operating expenses and Other Expenses increased by $1,635,103.48 or 7%

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.





Operating Expenses
Depreciation 8%
Other Operating Expenses 7%
Scholarships 12%
Rental and Leases 1%
Repairs and Maintenance 5%
Communication and Utilities 3%
Materials and Supplies 7%
Travel 2%
Professional Fees and Services 8%
Payroll Related Costs 8%
Salaries and Wages 39%



Revenues and Expenses
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
2025
2024
Total Revenues
Total Expenses

CAPITAL ASSETS

At year-end, Texas Southern University had capital assets and infrastructure (net of accumulated depreciation) in the amount of $296,464,921.76. This represents a net increase of $309,710.26.

Major capital asset events during the current year include the following:

- Building improvements were completed at a cost of $8,124,328.12.
- Various equipment and other capital assets increased for a total of $4,520,357.17.
- Library books were increased by $2,484,159.20

More detailed information about TSU's capital assets is presented in Note 2 to the financial statements.

LONG-TERM DEBT

TSU's revenue bonds carry the rating of "BBB+" with a stable outlook from Fitch Ratings, Inc. This rating was upgraded by Fitch to A- in May 2025. At year end, TSU had $130,479,302.83 in revenue bonds outstanding versus $137,871,771.28 last year.

More detailed information about TSU's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Texas Southern University is a vibrant and progressive HBCU located in the historic Third Ward District of the Houston metropolitan area. Its rich history and unwavering connection to the community have led to the successful bridging of the gap for many first-generation college students. As a public 4-year institution offering professional programs in Pharmacy, Business, and Law, the University's financial position is closely tied to the State of Texas and the health of the state's economy.

During fiscal year 2025, equity markets and fixed income markets in the United States generated strong gains during the fiscal year, and bond returns performed their best in nearly five (5) years. The Federal Reserve reduced the federal funds rate despite inflation remaining slightly elevated. The investment activity during the year provided reliable income and acted as a buffer against the volatility that characterized the beginning of the year. In fiscal year 2026, analysts expect the bond market to continue offering solid return although less robust than in previous years. TSU has invested in a diversified portfolio that has the potential to grow over the long term. During shorter time periods, the portfolios may be impacted by market conditions and negative changes. TSU will continue to ensure best practices in fiscal management efforts while supporting the institution's priority of student success.

The University continued to heavily invest in its existing online e-learning and conference platforms, software upgrades and installations, and updated online security. Classes continued to be offered in three formats: face-to-face, hybrid (face-to-face and remote), and online only. By offering various learning modalities, the i5 instruction has been able to continue providing online instructions, and innovative resources during times of economic uncertainty.

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, donors, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it has received. If you have questions about this report or need additional financial information, refer to our website, http://www.tsu.edu, or contact the Texas Southern University General Accounting Department, 3100 Cleburne Street, Houston, Texas 77004.

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BASIC FINANCIAL STATEMENTS

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2025

		Total
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	$	2,966.87
Cash in Bank		31,582,273.59
Cash in Transit/Reimburse from Treasury		22,670.48
Cash in State Treasury		13,061,472.92
Restricted:		
Cash in Bank-Restricted		89,568,706.99
Cash Equivalent		5,045,077.69
Short-Term Investments		4,429,421.23
Legislative Appropriations		63,341,636.46
Receivables:		
Federal		31,448,043.27
Other Intergovernmental		0.00
Accounts, Net		54,430,775.01
Other		585,227.47
Due From Other Agencies		682,715.81
Consumable Inventories		686,740.74
Prepaid Costs		2,822,689.84
Total Current Assets		**297,710,418.37**
Non-Current Assets		
Restricted:		
Investments		114,706,972.03
Loans and Contracts		515,183.47
Prepaid Cost		2,509,888.62
Total Non-Current Restricted Assets		**117,732,044.12**
Land		25,423,176.20
Construction in Progress		4,542,664.91
Historical Treasures and Works of Art		2,829,312.50
Total Non-Depreciable or Non-Amortizable		**32,795,153.61**
Capital and Leased Assets Depreciable:		
Buildings and Building Improvements		601,928,554.44
Infrastructure		7,096,483.95
Equipment		65,046,125.44
Leased Land		731,811.65
Library Books		45,345,036.06
Less: Accumulated Depreciation and Amortization		(456,478,243.39)
Total Depreciable or Amortizable, Net		**263,669,768.15**
Total Non-Current Assets		**414,196,965.88**
TOTAL ASSETS		**711,907,384.25**
Deferred Outflows of Resources		
Deferred Outflows of Resources-Pension		7,285,325.00
Deferred Outflows of Resources-OPEB		3,373,776.66
Deferred Outflows of Resources-ARO		133,462.62
Deferred Outflow of Resources - Deferred Loss on Refunding		105,768.72
Total Deferred Outflows of Resources	$	**10,898,333.00**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2025

		Total
LIABILITIES		
Current Liabilities		
Accounts Payable	$	24,560,953.53
Payroll Payable		7,961,478.90
Due to Other Agencies		1,844,130.50
Interest Payable		2,956,218.17
Escheat Payable		3,243,197.67
Unearned Revenues		60,918,248.46
Student Refunds Payable		658,866.64
Other Payables		5,963,209.52
Net OPEB Liability Current		2,648,963.00
Lease Liability		69,006.75
Revenue Bonds Current Payable, Net		7,712,468.45
Employees' Compensable Leave		3,098,208.42
Total Current Liabilities		**121,634,950.01**
Non-Current Liabilities		
Net Pension Liability		27,972,784.00
Net OPEB Liability		53,587,218.00
Lease Liability		400,363.64
Revenue Bonds Payable, Net		122,766,834.38
Employees' Compensable Leave		1,674,099.69
Total Non-Current Liabilities		**206,401,299.71**
TOTAL LIABILITIES		**328,036,249.72**
Deferred Inflows of Resources		
Deferred Inflows of Resources-Pension		7,625,235.00
Deferred Inflows of Resources-OPEB		31,808,589.00
Total Deferred Inflows of Resources		**39,433,824.00**
NET POSITION		
Net Investment in Capital Assets		242,286,361.55
Restricted For:		
Debt Retirement		815,760.38
Capital Projects		26,035,302.27
Loans		287,986.22
Other Restricted		2,407,800.32
Funds Held as Permanent Investments:		
Nonexpendable		48,176,928.25
Expendable		66,530,043.78
Unrestricted		(31,204,539.24)
TOTAL NET POSITION	$	**355,335,643.53**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2025

	2025
OPERATING REVENUES	
Tuition and Fees-Pledged	$ 97,012,703.46
Discount on Tuition and Fees	(38,300,912.42)
Auxiliary Enterprises-Pledged	19,318,277.04
Other Sales of Goods and Services-Pledged	153,905.23
Federal Revenue	35,350,709.13
Federal Pass-Through Revenue	1,372,923.66
State Revenue	564,817.46
State Pass-Through Revenue	9,909,124.66
Other Contracts and Grants-Pledged	3,617,736.43
Other Operating Revenue	10,016,763.99
Total Operating Revenues	**139,016,048.64**
OPERATING EXPENSES	
Salaries and Wages	100,727,370.53
Payroll Related Costs	21,339,564.10
Professional Fees and Services	21,530,484.28
Travel	4,563,016.06
Materials and Supplies	18,678,849.13
Communication and Utilities	6,470,228.11
Repairs and Maintenance	11,657,395.60
Rental and Leases	2,646,991.99
Printing and Reproduction	443,078.17
Federal Pass-Through Expense	635,937.15
Bad Debt Expense	1,268,094.43
Scholarships	32,087,132.41
Other Operating Expenses	15,574,465.63
Depreciation and Amortization	20,050,772.49
Total Operating Expenses	**257,673,380.08**
Operating (Loss)	**$ (118,657,331.44)**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2025

		2025
NON-OPERATING REVENUES (EXPENSES)		
Legislative Revenue	$	54,438,033.00
Additional Appropriation		15,367,356.30
Gifts		726,266.32
Federal Revenue Nonoperating		38,836,924.34
Interest Income		5,531,354.72
Investing Activities Expenses		(27,899.58)
Interest Expense and Fiscal Charges		(954,792.14)
Net Increase in Fair Value		8,806,785.68
Other Nonoperating Revenue		828,255.08
Total Non-Operating Revenues		**123,552,283.72**
Income Before Other Revenues, Expenses, Gains/Losses and Transfers		**4,894,952.28**
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS		
Capital Appropriations (HEF)	$	12,072,906.00
Additions to Permanent and Term Endowments		0.00
Lapses		(15,824,448.72)
Legislative Transfers:		
Transfer-In		4,302,316.38
Transfer-Out		(9,626,747.66)
Total Other Revenues, Expenses, Gain/Losses and Transfers		**(9,075,974.00)**
Change in Net Position		**(4,181,021.72)**
Beginning Net Position		**359,516,665.25**
Ending Net Position	**$**	**355,335,643.53**

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2025

		2025
Cash Flows from Operating Activities		
Proceeds from tuition and fees	$	23,386,085.15
Proceeds from research grants and contracts		34,837,991.14
Proceeds from state grants and contracts		10,473,942.12
Proceeds from auxiliary enterprises		19,318,277.04
Proceeds from other revenues		14,969,487.44
Payments to suppliers for goods and services		(81,420,220.58)
Payments to employees for salaries and wages		(99,148,158.84)
Payments for employee related costs		(21,234,494.83)
Payments for other expenses		(9,632,111.05)
Net Cash Used by Operating Activities		(108,449,202.41)
Cash Flows from Noncapital Financing Activities		
Proceeds from state appropriations		41,456,199.55
Proceeds from gifts		726,266.32
Proceeds from grants receipts		38,902,980.26
Net Cash Provided by Noncapital Financing Activities		81,085,446.13
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital appropriations		12,072,906.00
Payments for additions to capital assets		(20,360,482.75)
Payments of principal on debt		(7,440,468.05)
Payments of interest on debt		(2,539.07)
Net Cash Used by Capital and Related Financing Activities		(15,730,583.87)
Cash Flows from Investing Activities		
Proceeds from sale of investments		23,336,370.02
Proceeds from interest and investment income		5,483,429.75
Payments to acquire investment		(25,116,891.59)
Net Cash Provided by Investing Activities		3,702,908.18
Net Decrease in Cash and Cash Equivalents		(39,391,431.97)
Beginning cash and cash equivalents		178,674,600.51
Ending Cash and Cash Equivalents	$	139,283,168.54
Unrestricted cash and cash equivalents		44,669,383.86
Restricted cash and cash equivalents		94,613,784.68
Ending Cash and Cash Equivalents	$	139,283,168.54

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2025

	2025
Reconciliation of Operating (Loss) to Net Cash	
(Used) by Operating Activities	
Operating (loss)	$ (118,657,331.44)
Adjustments to reconcile operating (loss)	
to net cash (used) by operating activities:	
Depreciation and amortization	20,050,772.49
Bad Debt Expense	0.00
Operating (Loss) and Cash Flow Categories	(98,606,558.95)
Changes in Operating Assets and Liabilities:	
Accounts receivable, net	(22,603,396.65)
Due from federal government	(1,885,641.65)
Inventories	0.00
Prepaid expenses	4,395,603.95
Other receivables	1,181,081.79
Other intergovernmental	4,756,133.93
Deferred outflows of resources-Pension	6,168,771.00
Deferred outflows of resources-OPEB	858,070.34
Accounts payable	15,738,448.13
Salaries payable	783,264.62
Unearned revenue	(2,172,176.50)
Compensated absences liability	795,947.07
Net pension liability	(4,144,094.00)
Net OPEB liability	(1,453,861.00)
Deferred inflows of resources-Pension	(2,912,514.00)
Deferred inflows of resources-OPEB	(3,167,437.00)
Due to other agencies	195,798.50
Escheat payable	722,708.54
Student refunds payable	(9,282,038.31)
Other current liabilities	2,182,687.78
Net Cash (Used) by Operating Activities	$ (108,449,202.41)

See Notes to Financial Statements.

Non-Cash Transactions Net Change in Fair Value of Investments	$ 8,806,785.68

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas Annual Comprehensive Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the "Comptroller") requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities.* The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements:

A. Reporting Entity

TSU is an agency of the State of Texas (the "State"). No component units have been identified which should be presented within TSU's report.

B. General Background

TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. TSU is located within the heart of Houston, Texas. It is home to an increasingly diverse population of students with more than 80 undergraduate, graduate, and professional degree programs.

C. Financial Statement Presentation

Although the COVID-19 pandemic health crisis subsided considerably, in fiscal year 2025, federal relief funding for campus wide projects remained available to TSU to supplement the institution's budget through a second no cost extension approved by the Department of Education in May 2024, which expired on June 30, 2025. As a result, TSU continued to include reporting consideration for COVID-19 pandemic response during the fiscal period under review. Congress passed these Acts in fiscal year 2020 and 2021:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan (ARP)

These Acts provided economic grants to offset additional expenses and forgone revenue as a response to COVID-19.

As a result of the acts provided, The Higher Education Emergency Relief Funds (HEERF I, II, and III) was created, which provides budgetary relief to higher education institutions through numerous provisions.

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities an Amendment of GASB Statement No. 34*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.

- Financial statements prepared using full accrual accounting for all TSU's activities. Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or constraints imposed by law through constitutional legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

D. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

E. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. Cash and Cash Equivalents

TSU's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in Legislative Appropriations

This item represents the balance of general revenue funds at August 31, 2025 as calculated in the Texas Comptroller's General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. Accounts receivables are shown net of an allowance for uncollectible accounts.

4. Lease Receivable

Lease receivables are recorded by TSU as the present value of lease payments expected to be received under leases meeting the $100,000 threshold per contract excluding short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, defined as having a maximum period of twelve (12) months, are recognized as collected. Texas Southern University had no lease receivables for the period under review.

5. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements.

6. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as Net Increase in Fair Value in the statement of revenues, expenses, and changes in net position.

7. Inventories and Prepaid Costs

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid costs.

8. Capital Assets

Capital assets are defined by the State as follows:

Class of Asset	Threshold
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	$100,000
Facilities and Other Improvements	$100,000
Infrastructure-Depreciable	$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	$10,000
Leased Land	$100,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	$100,000
Internally Generated Computer Software	$1,000,000
Other Computer Software	$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	$100,000
Other Intangible Capital Assets	$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets, donated works of art, historical treasures and similar items acquired subsequent to fiscal year 2015, are recorded at acquisition value at the date of donation (marketplace value). Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated.

Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	15 to 50 years
Facilities and other improvements	22 years
Furniture and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Leased Land	Lease term
Library books	15 years
Land use rights	10 years

9. Accounts Payable

Accounts payable represent the liability for the value of assets or services received at the statement of net position date for which payment is pending.

10. Lease Liability

Lease liabilities represent TSU's obligation to make lease payments arising from leases meeting the $100,000 threshold per right to use (RTU) asset, excluding short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on a borrowing rate determined by TSU. Short term leases, those with a maximum period of 12 months, are expensed as incurred. Additional details are provided in Note 8, Leases Liabilities.

11. Compensated Absences

A liability is recognized for employees' compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Salary-related benefits are included in the liability, where applicable.

12. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net position). The bonds are reported at par, net of unamortized premiums, discounts, if applicable.

13. Net Position, Deferred Outflows/Inflows of Resources

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Deferred outflows of resources is a consumption of an entity's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the entity that is applicable to a future reporting period.

The University has four items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported in the statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred outflows of resources for other post-employment benefits – Reported in the statement of net position, this deferred outflow results from OPEB plan contribution made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in the University's proportional share of OPEB liabilities and 3) change in actuarial assumptions. The deferred outflows of resources related to post-employment benefits resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of the employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

- Deferred outflows of resources for asset retirement obligations – Reported in the statement of net position, this deferred outflow results from laws and regulations requiring specific action to retire certain tangible capital assets, such as decommissioning radioactive equipment at end of the useful life.

- Deferred outflows of resources for deferred loss on refunding – Reported in the statement of net position, this deferred outflow results from the loss on Series 2021 bond refunding.

A deferred inflow of resources is an acquisition of an entity's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the entity that is applicable to a future reporting period. The University has two items that qualify for reporting in this category:

- Deferred inflows of resources for pension – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred inflows of resources for post-employment benefits – Reported in the statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post- employment benefits through the post-employment benefit plan.

14. Other Post-Employment Benefits (OPEB)

The University participates in the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP). The fiduciary net position of the ERS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

15. Pensions

The University participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple employer cost- sharing-defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

G. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, gifts, or investment related earnings. Other non-operating revenue includes some federal funds received from the federal government and Title IV funds.

I. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to restricted sources.

J. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

NOTE 2: CAPITAL AND LEASED ASSETS

A summary of changes in capital assets for the year ended August 31, 2025 is as follows:

	Balance 9/1/2024	Adjustments	Reclassify Completed CIP	Additions	Deletions	Balance 8/31/2025
Non-depreciable or Non-amortizable Assets						
Land and Land Improvements	$ 24,166,653.62	$ -	$ -	$ 1,256,522.58	$ -	$ 25,423,176.20
Construction in Progress	3,518,964.79	(2,198,162.00)	(4,243,888.98)	7,465,751.10	-	4,542,664.91
Other Tangible Capital Assets	2,829,312.50	-	-	-	-	2,829,312.50
Total Non-depreciable/amortizable	30,514,930.91	(2,198,162.00)	(4,243,888.98)	8,722,273.68	-	32,795,153.61
Depreciable Assets						
Buildings and Building Improvements	576,083,615.45	-	4,243,888.98	3,630,521.14	-	583,958,025.57
Infrastructure	7,096,483.95	-	-	-	-	7,096,483.95
Facilities and Other Improvements	17,720,610.87	-	-	249,918.00	-	17,970,528.87
Furniture and Equipment	52,951,930.96	-	-	1,761,579.14	(2,816,501.80)	51,897,008.30
Leased Land	731,811.65		-	-	-	731,811.65
Vehicle, Boats and Aircraft	5,590,284.87	526.77	-	5,587,576.91	(73,692.00)	11,104,696.55
Library Books	42,860,876.86	-	-	2,484,159.20	-	45,345,036.06
Total Depreciable/Amortizable Assets	703,035,614.61	526.77	4,243,888.98	13,713,754.39	(2,890,193.80)	718,103,590.95
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(358,276,651.82)	-	-	(16,941,045.43)	-	(375,217,697.25)
Infrastructure	(5,642,723.09)	-	-	(239,762.06)	-	(5,882,485.15)
Facilities and Other Improvements	(15,024,439.72)	-	-	(212,412.50)	-	(15,236,852.22)
Furniture and Equipment	(32,170,848.16)	-	-	-	2,443,106.71	(29,727,741.45)
Vehicle, Boats, and Aircraft	(2,772,827.48)	-	-	(96,222.78)	-	(2,869,050.26)
Library Books	(24,500,964.94)	-	-	(1,943,887.21)	-	(26,444,852.15)
Total Accumulated Depreciation	(438,388,455.21)	-	-	(19,433,329.98)	2,443,106.71	(455,378,678.48)
Depreciable Assets, Net	264,647,159.40	526.77	4,243,888.98	(5,719,575.59)	(447,087.09)	262,724,912.47
Intangible Capital Assets- Amortizable						
Computer Software - Intangible	1,983,552.44	-	-	54,980.00	-	2,038,532.44
Total Intangible Capital Assets	1,983,552.44	-	-	54,980.00	-	2,038,532.44
Less Accumulated Amortization for:						
Computer Software - Intangible	(796,014.48)	-	-	(40,693.70)	-	(836,708.18)
Leased Land	(194,416.77)	-	-	(62,551.81)	-	(256,968.58)
Total Accumulated Amortization	(990,431.25)	-	-	(103,245.51)	-	(1,093,676.76)
Intangible Capital Assets	993,121.19	-	-	(48,265.51)	-	944,855.68
Business Activities Capital and Leased Assets, Net	$ 296,155,211.50	$ (2,197,635.23)	$ -	$ 2,954,432.58	$ (447,087.09)	$ 296,464,921.76

Construction commitments outstanding at year end were as follows:

Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
JHJ Business Bldg.- Phase 2	561,260.00	172,708.62	388,551.38
Bldg. 143 - MLK HVAC Assessment	618,562.00	180,657.00	437,905.00
149-Roderick Paige Education	347,107.99	71,185.00	275,922.99
CCAP-Nabrit Science Center	2,529,734.00	1,902,983.64	1,297,022.63
CCAP Project Advisor	1,364,810.00	503,500.00	861,310.00
Campus Signage & Wayfinding	981,692.00	276,471.86	705,220.14
Nabrit Demolition	1,547,922.29	939,219.52	608,702.77
Transformation Center	255,224.00	177,357.74	77,866.26
Catalyst-Urban Transformation Center	2,445,079.00	897,025.27	2,087,933.83
Health & Wellness Center-General Conditions	1,833,809.00	287,303.43	1,561,416.56
Transformation Center	5,556,010.00	898,393.77	4,961,133.73
Health & Wellness Center	2,627,764.00	30,897.82	2,596,866.18
Nabrit HVAC Bldg to Bldg Demo	47,579.00	47,579.00	-
Nabrit HVAC Insulation Upgrade	144,310.00	137,094.50	7,215.50
University Towers Renovation	300,000.00	218,449.74	81,550.26
Reversal of Retainage Payable		(2,198,162.00)	2,198,162.00
	$ 21,160,863.28	$ 4,542,664.91	$ 18,146,779.23

The construction commitments whose total spend equals the project budget were placed into service in fiscal year 2025.

NOTE 3: DEPOSITS AND INVESTMENTS

A. Cash in Bank-Carrying Amount

As of August 31, 2025, the carrying amount of cash is:

Carrying Amount-Cash in Bank	Amount FY
Cash in Bank- Carrying Amount	$ 121,650,980.58
Less: Nonnegotiable CD's included in Carrying Amount	-
Less: Uninvested Collateral Included in Carrying Amount	500,000.00
Less: Nonnegotiable CD's Collateral Included in Carrying Amount	-
Total Cash In Bank	$ 121,150,980.58
Current Assets Restricted Cash in Bank	-
Cash in Bank Per AFR	**$ 121,150,980.58**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, TSU will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The bank balances that were exposed to custodial credit risks are as follows:

Fund Type	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the state's name
5	$ -	$ 121,150,980.58	$ -

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

Direct obligations of the U.S. Government or its agencies and instrumentalities
Obligations of this State, or its agencies or its instrumentalities
Fully collateralized certificates of deposit
Fully collateralized repurchase agreements or reverse repurchase agreements
Bankers' acceptance notes
Commercial paper
Mutual funds
Investment pools
Cash management and fixed income funds exempt from federal income taxation
Negotiable certificates of deposit
Corporate bonds rated in one of the two highest categories
Common or convertible preferred stock
Foreign government bonds
Foreign corporate bonds
Private Credit
Hedge Funds

As of August 31, 2025, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	$ 6,097,700.88
U.S. Treasury Securities	9,066,543.60
Equity	57,421,502.33
Taxable Municipal Issues	-
International Government Obligations	850,457.11
Corporate Obligations	4,925,614.94
Bond Mutual Funds	5,772,414.49
International Equity	14,920,548.68
TexStar Investment Pool	1,586,312.68
Fixed Income Money Market Funds	14,749,620.41
Private Credit	1,479,963.03
Hedge Fund	4,465,970.99
U.S. Treasury Bills	2,844,821.57
	$ 124,181,470.72

Credit risk. Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

The following table presents each applicable investment type grouped by rating as of August 31, 2025:

Investment Ratings Investment Type		AAA	AA	AA+	AA-	A
U.S. Government Agency Obligations	$					
U.S. Treasury Securities	$					
Taxable Municipal Issues	$					
International Government Obligations	$					
Corporate Obligations	$	349,669.32				544,905.54
Bond Mutual Funds	$	345,380.56	2,246,205.01			1,826,615.19

Investment Ratings Investment Type		A+	A-	BBB	BBB+	BBB-
U.S. Government Agency Obligations	$					
U.S. Treasury Securities	$					
Taxable Municipal Issues	$					
International Government Obligations	$		168,461.99	498,374.83		183,620.29
Corporate Obligations	$	19,855.28	249,324.58	1,823,312.66	1,065,390.02	873,157.55
Bond Mutual Funds	$			213,593.47		

Investment Ratings Investment Type		BB	B	CC	CCC
U.S. Government Agency Obligations	$				
U.S. Treasury Securities	$				
International Government Obligations	$				
Corporate Obligations	$				
Bond Mutual Funds	$	436,888.06	370,585.78	84,740.80	

Unrated		
Equity	$	57,421,502.33
International Equity	$	14,920,548.68
U.S. Government Agency Obligations	$	6,097,700.88
U.S. Treasury Securities	$	9,066,543.60
Corporate Obligations	$	-
Bond Mutual Funds	$	248,405.62
Private Credit	$	1,479,963.03
Hedge Fund	$	4,465,970.99
Cash/Money Markets	$	14,749,620.41
U.S. Treasury Bills	$	2,844,821.57
TexStar Investment Pool	$	1,586,312.68

Concentration of credit risk – investments. TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds. Investments of $124,181,470.72 are exposed to Uninsured and Unregistered Fair Value Securities Held by Counterparty Custodial Credit Risk.

Investment Pool: The University is a voluntary participant in the external investment pool with fair value measured as follows:

Investment Pool	Measurement	Credit Risk
TexSTAR	Net Asset Value	AAAm

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

			Maturity Schedule (Years)			
Investment Type		**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Government Agency Obligations	$	6,097,700.88	$ -	$ -	$ -	$ 6,097,700.88
U.S. Treasury Securities		9,066,543.60	3,884,929.41	2,383,687.37	1,900,444.00	897,482.82
Corporate Obligations		4,925,614.94	-	605,461.31	893,092.45	3,427,061.18
Bond Mutual Funds		5,772,414.49	-	4,817,045.78	955,368.71	
Fixed Income Money Market Funds		14,749,620.41	14,749,620.41	-	-	-
Total	$	40,611,894.32	$ 18,634,549.82	$ 7,806,194.46	$ 3,748,905.16	$ 10,422,244.88

Fair value measurement – investments. GASB 72 addresses accounting and reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. GASB 72 establishes a Fair Value Hierarchy that includes three levels of input based on the reliability and objectivity of the information:

> Level 1 — inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to the ones being measured. Level 1 inputs receive the highest priority.
>
> Level 2 — inputs are observable for similar assets or liabilities, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).
>
> Level 3 — inputs are unobservable (for example: management's assumption of the default rate among underlying mortgages of a mortgage-backed security). Level 3 inputs receive the lowest priority.

Fair Value Hierarchy for TSU's investments as of August 31, 2025 is as follows:

	Fair Value Hierarchy				
Investments	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**	**Net Asset Value**	**Fair Value**
U.S. Government					
US Government Agency Obligations	$ 6,097,700.88	$ -	$ -	$ -	$ 6,097,700.88
US Treasury Securities	9,066,543.60	-	-	-	9,066,543.60
US Treasury Bills	2,844,821.57	-	-	-	2,844,821.57
Equity	57,421,502.33	-	-	-	57,421,502.33
Corporate Obligations	4,925,614.94	-	-	-	4,925,614.94
Bond Mutual Funds	5,772,414.49	-	-	-	5,772,414.49
International Equity	14,920,548.68	-	-	-	14,920,548.68
International Government Obligations	850,457.12	-	-	-	850,457.12
TexStar Investment Pool	-	-	-	1,586,312.68	1,586,312.68
Fixed Income Money Market Funds	14,749,620.41	-	-	-	14,749,620.41
Private Credit	-	-	1,479,963.03	-	1,479,963.03
Hedge Fund	-	-	4,465,970.99	-	4,465,970.99
Total Investments	$ 116,649,224.02	$ -	$ 5,945,934.02	$ 1,586,312.68	$124,181,470.72

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2025, the following changes occurred in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2024	Additions	Reductions	Balance 8/31/2025	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable:						
Series 2016	38,410,000.00	-	2,485,000.00	35,925,000.00	2,605,000.00	33,320,000.00
Series 2021	10,125,000.00	-	1,490,000.00	8,635,000.00	1,560,000.00	7,075,000.00
Series 2023	77,160,000.00	-	2,730,000.00	74,430,000.00	2,860,000.00	71,570,000.00
Premiums & discounts	12,176,771.28	-	687,468.45	11,489,302.83	687,468.45	10,801,834.38
Total revenue bonds	137,871,771.28	-	7,392,468.45	130,479,302.83 *	7,712,468.45	122,766,834.38
Lease Payable:						
Lease Liability	537,394.88	-	68,024.49	469,370.39	69,006.75	400,363.64
Total Lease payable	537,394.88	-	68,024.49	469,370.39 *	69,006.75	400,363.64
Other Liabilities:						
Asset Retirement Obligations	133,462.62	-	-	133,462.62	-	133,462.62
Employees' Compensated Leave	3,976,361.04	2,692,875.62	1,896,928.55	4,772,308.11	3,098,208.42	1,674,099.69
Total other liabilities	4,109,823.66	2,692,875.62	1,896,928.55	4,905,770.73	3,098,208.42	1,807,562.31
Total	$ 142,518,989.82	$ 2,692,875.62	$ 9,357,421.49	$ 135,854,443.95	$ 10,879,683.62	$ 124,974,760.33
Long-term Debt Due in More Than One Year				$ 124,974,760.33		
*Debt associated with capital assets				$ 130,948,673.22		

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending August 31st	Revenue Bonds Principal	Revenue Bonds Interest
2026	7,025,000.00	5,676,650.00
2027	7,385,000.00	5,325,400.00
2028	7,755,000.00	4,956,150.00
2029	8,150,000.00	4,568,400.00
2030	8,520,000.00	4,191,100.00
2031-2035	37,835,000.00	15,730,225.00
2036-2040	29,905,000.00	7,611,750.00
2041-2042	12,415,000.00	985,950.00
Total	$ 118,990,000.00	$ 49,045,625.00

Interest expense incurred on revenue bonds for the year ended August 31, 2025 totaled $6,011,900.00

A. Compensated Absences

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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

B. Asset Retirement Obligations

TSU purchased radiation equipment which resulted in an asset retirement obligation. TSU must estimate the new obligation amount using probability weighting and record the initial measurement as a deferred outflow of resources ARO and a noncurrent ARO. TSU must assess any relevant factors annually to determine if a significant change in current value has occurred, if so, record the change in ARO deferred outflow of resources and noncurrent ARO. When the radiation equipment reaches the end of their useful life, the value of the ARO is moved to current ARO. Current ARO is then reduced by the amount of actual expenditures to retire the asset, with an offset to deferred outflows of resources.

NOTE 6: BONDED INDEBTEDNESS

Revenue Bonds, Series 2016

Purpose	On June 23, 2016, TSU Board of Regents authorized the issuance of revenue financing system bonds for the purpose of constructing a library/learning center
Amount of Issue	$55,490,000; all authorized have been issued
Issue Date	September 15, 2016
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues

Revenue Bonds, Series 2021

Purpose	On April 15, 2021, TSU Board of Regents authorized the issuance of revenue financing system bonds for the purpose of refinancing Series 2011 Bond for the construction of Leonard Spearman Technology Building.
Amount of Issue	$14,275,000; all authorized have been issued
Issue Date	June 24, 2021
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2023

Purpose	On April 11, 2023, TSU Board of Regents authorized the issuance of revenue financing system bonds to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure.
Amount of Issue	$80,680,000; all authorized have been issued
Issue Date	July 11, 2023
Type of Bond	Revenue Bond - Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

NOTE 8: LEASE LIABILITIES

GASB Statement No. 87, *Leases*, and GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITA)*, both adopted in 2022, establishes a single model for lease and SBITA accounting based on the principle that these are financings of the right to use an underlying asset. Under the Statements, a lessee is required to recognize a lease or subscription liability and an intangible right-to-use lease or subscription asset, and a lessor is required to recognize a lease or subscription receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases or subscription of assets that are investments and certain regulated leases or subscriptions. TSU's leases and subscriptions are recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented. The Texas Comptroller of Public Accounts has established a materiality threshold for leases of $100,000 per asset and for subscriptions of $500,000 per asset to be applied to the present value of the right-to-use (RTU) assets and/or lease or subscription receivable. TSU has adopted the Texas Comptroller's materiality threshold for all GASB 87 leases and GASB 96 subscriptions. None of the information technology contracts signed by Texas Southern University met the threshold upon review. TSU signed three (3) lease contracts for land/grounds. These leasing arrangements have been examined according to the GASB 87 standard, implementation guidelines, and the Texas Comptroller's requirements, the details for the identified leases are discussed below. Included in the expenses reported in the financial statements are the following amounts of rent paid or due.

Fund Type	Amount
Enterprise Fund	$ 77,690.49

Future lease payments having an initial term of more than one year are as follows:

Year	Principal	Interest	Total
2026	$ 69,006.75	$ 8,683.81	$ 77,690.56
2027	22,310.40	7,689.60	30,000.00
2028	22,734.10	7,265.90	30,000.00
2029	23,206.18	6,793.82	30,000.00
2030	$24,624.75	5,375.25	30,000.00
2031-2035	125,673.18	24,326.82	150,000.00
2036-2040	123,319.23	11,680.77	135,000.00
2041-2044	58,495.80	1,504.20	60,000.00
Total	**$ 469,370.39**	**$ 73,320.17**	**$ 542,690.56**

NOTE 9: EMPLOYEE RETIREMENT PLAN

A. Teacher Retirement System (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas ("TRS"). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for at four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 8.25 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling 8.25 percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2025 were $3,314,095 which equaled the amount of the required contributions for the year.

Each of TRS's component government agencies accounts for its share of the pension fund based on its proportionate share of the State of Texas TRS Pension Fund. Disclosures regarding TSU's proportionate share as well as the underlying actuarial assumptions and conclusions are discussed in a separate note.

Optional Retirement Program (ORP)

The State of Texas has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are 6.60 percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

Employee Retirement Plans	August 31, 2025
Employee Contribution	$ 1,588,029.20
Employer Contribution	1,736,997.71
	$ 3,325,026.91

NOTE 9A: TRS PENSION FUND – TSU's PROPORTIONATE SHARE

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS 1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through several trusts; JRS1 plan is on a pay-as-you-go basis.

TRS plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. The employers of the TRS plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2019 through 2024. In addition, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc COLA.

The stipend was paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- One-time stipend of $7,500 to eligible annuitants 75 years of age or older
- One-time stipend of $2,400 to eligible annuitants age 70 to 74

The COLA, which needed (and received) voter approval, was applied to eligible annuitant payments beginning with the January 2024 payment. The COLA was based on retirement date:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013
- 6% COLA for eligible retirees who retired on or before August 31, 2001

Otherwise, there have been no changes to the benefit provisions of the plan since the prior measurement date.

Audited Annual Comprehensive Financial Report (ACFR) for the Teacher Retirement System may be obtained from their website at www.trs.state.tx.us and searching for financial reports.

During the measurement period of 2024 for fiscal 2025 reporting, the amount of TSU's contributions recognized by the plan was $2,580,644. The contribution rates are based on a percentage of the monthly gross compensation for each member. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

	TRS Plan
Contribution Rates:	
Employer	8.25%
Employees	8.25%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2024 measurement date.

Actuarial Methods and Assumptions

	TRS Plan
Actuarial Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Mortality:	
Active	PUB(2010) Mortality Tables for Teachers, below median, with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale MP-2021

Ad Hoc Post-Employment Benefit Changes	None

Notes:

* Source for the rate is the Bond Buyers 20 Index, which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey or municipal bond traders. The rate used is as of August 31, 2024 the rate closest to but not later than the Measurement Date.

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024.

The actuarial assumptions used in the determination of the total pension liability were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2021 and adopted in July 2022. The primary assumption change was the lowering of the municipal bond rate from 4.13% to 3.87%.

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

Due to the timing of the previously mentioned one-time stipend and ad hoc COLA, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class[1]	**Target Allocation[2]**	**Long-Term Expected Geometric Real Rate of Return[3]**
Global Equity		
USA	18.00%	4.40%
Non-US Developed	13.00%	4.20%
Emerging Markets	9.00%	5.20%
Private Equity	14.00%	6.70%
Stable Value		
Government Bonds	16.00%	1.90%
Absolute Return		4.00%
Stable Value Hedge Funds	5.00%	3.00%
Real Return		
Real Estate	15.00%	6.60%
Energy, Natural Resources and Infrastructure	6.00%	5.60%
Commodities		2.50%
Risk Parity		
Risk Parity	8.00%	4.00%
Asset Allocation Leverage		
Cash	2.00%	1.00%
Asset Allocation Leverage	(6.00)%	1.30%
Total	100.00%	

Notes:

[1]Absolute Return includes Credit Sensitive Investments.

[2]Target allocations are based on fiscal year 2024 policy model.

[3]Capital Market assumptions come from 2024 SAA Study CAM Survey (as of 12/31/2023)

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
$ 44,679,624	$ 27,972,784	$ 14,129,979

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2023 ACFR.

At August 31, 2025, TSU reported a liability of $27,972,784.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2025 was 0.0457938302 percent which was a decrease from the 0.0467560259 percent measured at the prior measurement date. TSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2023 through August 31, 2024.

For the year ending August 31, 2025, TSU recognized pension expense of $2,302,116.00. At August 31, 2025, TSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,541,822.00	$ 218,398.00
Changes of assumptions	1,444,295.00	193,631.00
Net difference between projected and actual investment return	170,036.00	-
Change in proportion & contribution difference	815,077.00	7,213,206.00
Contributions subsequent to the measurement date	3,314,095.00	
Total	$ 7,285,325.00	$ 7,625,235.00

There were $3,314,095.00 in contributions subsequent to the measurement date that will be recognized as a reduction in the net pension liability for the year ending August 31, 2026.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Year ended August 31:	Amortization of Deferred Outflows/Inflows
2026	$ (1,927,412.00)
2027	505,830.00
2028	(1,414,924.00)
2029	(854,359.00)
2030	36,860.00
Thereafter	-
	$ (3,654,005.00)

NOTE 9B: ERS OPEB Plan – TSU's PROPORTIONATE SHARE

ERS plan

Employees Retirement System (ERS) is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation.

The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

During the measurement period of 2024 for fiscal 2025 reporting, the amount of TSU's contributions recognized by the plan was $1,536,283.00. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates
Retiree Health and Basic Life Premium

Retiree Only	$624.82
Retiree & Spouse	1,340.82
Retiree & Children	1,104.22
Retiree & Family	1,820.22

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2024 measurement date.

Actuarial Methods and Assumptions

	SRHP
Actuarial Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	3.87% *
Inflation	2.30%
Salary Increase	2.30% to 8.95%, including inflation

Healthcare Cost and Trend Rate	
HealthSelect	5.60% for FY 2026, 5.60% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030 4.5% for FY31, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later years
HealthSelect Medicare Advantage	36.00% for FY 2026, 8.00% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030, 4.50% for FY 2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later years
Pharmacy	11.50% for FY 2026, 11.00% for FY 2027, 10.00% for FY 2028, 8.50% for FY 2029, 7.00% for FY 2030, decreasing 100 basis points per year to 5.00% for FY 2032, and 4.30% for FY 2033 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality	
State Agency Members	
Service Retirees, Survivors and Other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members
Disabled Retirees	2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with Ultimate MP-2019 Projection Scale projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females respectively
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021
Disabled Retirees	Tables based on TRS experience with Ultimate MP 2021 Projection Scale from year 2021 using a 3-year set forward and minimum mortality rates of

	four per 100 male members and two per 100 female members
Active Members	Sex Distinct PUB-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010
Ad Hoc Post-Employment Benefit Changes	None

** The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.*

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the 5-year period ending August 31, 2023 for state agency members and for the 7-year period ending August 31, 2021 for higher education members. The mortality rates were based on the tables identified in the table above titled Actuarial Methods and Assumptions.

The following assumptions have been changed since the previous Other Postemployment Benefits valuation:

a. demographic assumptions (including rates of retirement, termination, disability and mortality for select classes of State Agency members);
b. proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement;
c. proportion of future retirees assumed to be married and electing coverage for their spouse;
d. the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee;
e. assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends; and
f. The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date..

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.87% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.81%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSU's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 65,431,122	$ 56,236,181	$ 48,857,140

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TSU's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TSU's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)

1% Decrease HS/HSMA/Pharmacy: 4.60/35.00/10.50 % decreasing to 3.30%	Current Healthcare Cost Trend Rates HS/HSMA/Pharmacy: 5.60/36.00/11.50 % decreasing to 4.30%	1% Increase HS/HSMA/Pharmacy: 6.60/37.00/12.50 % decreasing to 5.30%
$ 48,253,472	$ 56,236,181	$ 66,411,985

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2024 ACFR.

At August 31, 2025, TSU reported a liability of $ 56,236,181 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TSU's proportion at August 31, 2024 was 0.19189575 percent. TSU's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period Sept. 1, 2023 through Aug. 31, 2024.

For the year ending August 31, 2025, TSU recognized OPEB expense of $3,999,199.00. At August 31, 2025, TSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	927,831
Changes of assumptions	3,078,905	11,202,673
Net difference between projected and actual investment return	-	2,150
Effect of change in proportion and contribution difference	534,103	19,675,935
Total	3,613,008	31,808,589

There were no deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2026.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Year Ending August 31:		Total
2026	$	(8,985,669.00)
2027		(8,854,167.00)
2028		(6,800,241.00)
2029		(2,845,725.00)
2030		(709,779.00)
Thereafter		-
Total	$	(28,195,581.00)

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

NOTE 16: SUBSEQUENT EVENT

TSU evaluated subsequent events through June 12, 2026 the date the financial statements were available to be issued and is not aware of any subsequent events that would require recognition or disclosure.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

Texas Southern University endeavors to manage its financial exposures and third-party claims that are inherent with business transactions. The University conducts periodic assessments of operations in accordance with risk profiles to determine risk transfer, retention and management strategies. There have been no significant reductions in insurance coverage in the past year and losses have not exceeded policy limits in the life of the insurance program.

The following outlines relevant insurance coverage and other applicable provisions.

Property Insurance, Equipment Breakdown and Terrorism
Pursuant to Chapter 412 of the Texas Labor Code, Texas Southern University participates in the Statewide Property Insurance Program to transfer financial burden resulting from property damage and loss of University assets. The program, administered by the State Office of Risk Management, affords a shared limit that includes coverage for both building contents and business interruptions.

Workers' Compensation
Pursuant to Chapters 412 and 501 of the Texas Labor Code, the State of Texas self-insures with respect to workers' compensation. The statutory Government Employees Workers' Compensation Insurance Program is administered by the State Office of Risk Management and provides mandatory workers' compensation coverage and risk management services to all state agencies. Texas Southern University employees are provided continuous coverage pursuant to Chapter 501.

The coverage extends domestically and in foreign countries. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay- as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2025.

General Liability
As an agency of the State of Texas, the University has limited liability pursuant to Chapter 101 of the Texas Civil Practice and Remedies Code. The limits of liability under Chapter 101 are $250,000 for each person, $500,000 for each single occurrence for bodily injury or death and $100,000 for each single occurrence for injury or destruction of property. The University maintains insurance policies including Commercial General, Umbrella, Directors and Officers, Employment Practices and Internships Professional Liability to satisfy any contractual obligations.

Automobile Liability
Texas Southern University maintains a Commercial Auto Liability Policy for owned, hired and leased, and loaned vehicles with limits of $250,000 per person, $500,000 per accident for bodily injury and $100,000 per accident for property damage to the extent of the waivers of State sovereign immunity specified in the Texas Tort Claims Act. In addition, coverage includes $1,000,000 Combined Single Limit Bodily Injury & Property Damage per accident for claims that are not subject to the Texas Tort Claims Act.

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non- profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association. The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Donor-Restricted Endowments	Amount of Net Appreciation (Depreciation)	Reported in Net Position
True Endowments	$ 62,538,241.15	Restricted for expendable
Term Endowments	3,991,802.63	Restricted for expendable
Total	$ 66,530,043.78	

In the table above, amounts reported as "Net Appreciation" represent net appreciation (cumulative and unexpended) on investments of donor or constitutionally restricted endowments that are available for authorization and expenditure by the Texas Southern University Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

TSU's spending policy for endowments reflects an objective to distribute as much of the total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus. The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The University all-inclusive spending rate of 7%, which includes 5% spending rate and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

Endowments	Increase/Decrease	Reason for Change
True Endowments	$ 10,101,146.95	Change in fair value of portfolio
Term Endowments	797,840.09	Change in fair value of portfolio
Total	$ 10,898,987.04	

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2025, are detailed as follows:

Receivables	Balance
Allowance for Doubtful Accounts	$ (6,255,045.72)
Billed Grants Acct Rec Non Federal	(17,997.28)
General Accounts Receivable	1,109.50
Installment Receivable	570.00
Installment Receivable - II	84,324.61
Loan Receivable - I	629.00
Non-Federal Grants Acct Rec	837,071.87
Short-Term Student Loan	5,964.75
Student Accounts Receivable	58,096,367.64
Suspense Clearing Receivable	504,122.61
Third Party Direct Deposit Clearing	(4,420,020.83)
Third Party Receivable	5,593,678.86
	$ 54,430,775.01

Other Payables	Balance
Sales Tax	$ (209,667.27)
Advanced Payments-Pledged Aux Dorm	(208,620.66)
ARO Capital Liability	(295,566.99)
Aviation Deposits	54,697.30
Bookstore Reserve Clearing	(1,833,400.00)
Cashier Overage-Shortage	751.87
Debt Service Clearing	351,020.97
Declining Balance Debit Card	7,438.62
Deposits Held for Clubs	(14,683.65)
Greystone -Apt	(3,407.62)
Housing Community College	1,182.00
Housing Deposits	10,684.00
Housing Reserve	(4,749.50)
Icon	(3,284,737.96)
Inactive Deposits	99,357.03
International Student Deposits	(89,966.38)
Intl. Student Health Premium Fee	(431,242.82)
License Prof Insurance	(49,560.00)
Other Deposits	(700.00)
Palm Apartments	3,990.00
Retainage Payable	0.21
Rosewood Housing	17,836.00
Savoy Apartments	16,162.00
Student Deposits - Regular	17,781.28
Student Health Insurance	4,332.00
Suspense Clearing Liability	(74,575.63)
Texas B on Time Loan	(373,995.02)
Texas B on Time Loan Clearing Account	(1,744.00)
The Proper	19,793.74
Tierwester Oaks - Apt	64,827.00
Vue on MacGregor Apt	245,473.96
Wiley College	(1,920.00)
	$ (5,963,209.52)

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In fiscal year 2025, TSU reported deferred outflows of resources in connection with GASB 68 pension plan, GASB 75 OPEB plan, Asset Retirement Obligation, and a loss on refunding Series 2021 bond as well as deferred inflows of resources for GASB 68 pension plan and GASB 75 OPEB.

As of August 31, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
TRS Pension Plan (GASB 68)	$ 7,285,325.00	$ 7,625,235.00
ERS OPEB Plan (GASB 75)	3,373,776.66	31,808,589.00
Asset Retirement Obligations (GASB 83)	133,462.62	-
Deferred Loss on Refunding	105,768.72	-
Total	$ 10,898,333.00	$ 39,433,824.00

Deferred outflows of resources of $7,285,325.00 and Deferred inflows of resources of $7,625,235.00 were related to changes in employee TRS pension plan. Deferred outflows of resources of $3,373,776.66 and Deferred inflows of resources of $31,808,589.00 were related to changes in employee OPEB plan. See Note 9 for additional information. Deferred outflows of resources of $133,462.62 were related to Asset Retirement Obligation. Deferred loss on refunding of $105,768.72 was related to the loss on the Series 2021 Bonds that refunded the Series 2011 Bonds.

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SUPPLEMENTARY INFORMATION

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2025

Expenses by Natural Classification		**2025**
Salaries and Wages	$	100,727,370.53
Payroll Related Costs		21,339,564.10
Professional Fees and Services		21,530,484.28
Travel		4,563,016.06
Materials and Supplies		18,678,849.13
Communication and Utilities		6,470,228.11
Repairs and Maintenance		11,657,395.60
Rentals and Leases		2,646,991.99
Printing and Reproductions		443,078.17
Federal Pass-Through Expense		635,937.15
Bad Debt Expense		1,268,094.43
Scholarships		32,087,132.41
Other Operating Expenses		15,574,465.63
Depreciation		20,050,772.49
Total Operating Expenses by Natural Class	$	257,673,380.08

Expenses by NACUBO Classification		**2025**
Instruction	$	75,229,548.07
Research		6,698,037.55
Public Service		2,265,314.37
Academic Support		11,810,444.69
Student Services		14,225,168.09
Institutional Support		57,678,998.76
Operation and Maintenance of Plant		17,333,992.20
Scholarships and Fellowships		34,350,470.20
Auxiliary		18,030,633.65
Depreciation		20,050,772.49
Total Operating Expenses by NACUBO	$	257,673,380.08

Agency 717 - Texas Southern University

(An Agency of the State of Texas)

Schedule 1A -SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ *Identifying Number*	Agency/ Univ No	Pass-through From: Pass-Through From Agencies o Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount	Direct Program Amount	Total PT From and Direct Prog. Amount	Agency/ Univ No.	Pass-through To: Pass-Through To Agencies or Universities Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
Environmental Protection Agency												
Direct Programs:												
Greenhouse Gas Reduction Fund: Solar for All	66.959					249,713.11	249,713.11				249,713.11	249,713.11
Totals - Environmental Protection Agency				-	-	249,713.11	249,713.11		-	-	249,713.11	249,713.11
National Aeronautics and Space Administration												
Pass-Through From:												
Office of Stem Engagement (OSTEM)	43.008						69,219.22				69,219.22	69,219.22
Pass-Through From:												
Prairie View A&M University			715	69,219.22								
Totals - National Aeronautics and Space Administration				69,219.22	0	0	69,219 22		-	0	69,219.22	69,219.22
U.S. Department of Education												
Direct Programs:												
Higher Education Institutional Aid	84.031					17,909.33	17,909.33				17,909.33	17,909.33
Title III Part B Programs - Strengthening Institutions Program	84.031B					9,041,491.19	9,041,491.19				9,041,491.19	9,041,491.19
Title III Part B, Strengthening Historically Black Colleges and Universities Program - FUTURE Act	84.031E					2,948,549.01	2,948,549.01				2,948,549.01	2,948,549.01
Strengthening Historically Black Graduate Institutions Program	84.031K					7,231,603.33	7,231,603.33				7,231,603.33	7,231,603.33
School Emergency Response to Violence (Project SERV)	84.184S					25,319.83	25,319.83				25,319.83	25,319.83
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F					2,654,098.83	2,654,098.83				2,654,098.83	2,654,098.83
Totals - U.S. Department of Education				-	-	21,918,971.52	21,918,971.52		-	-	21,918,971.52	21,918,971.52
U.S. Department of Health and Human Services												
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	Deep South Center for Environmental Justice, Inc./ *2U45ES010664-25*			176,261.00		176,261.00				176,261.00	176,261.00
Direct Programs:												
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					257,796.77	257,796.77				257,796.77	257,796.77
Teenage Pregnancy Prevention Program	93.297					12,235.30	12,235.30				12,235.30	12,235.30
Congressional Directives	93.493					1,141,837.38	1,141,837.38				1,141,837.38	1,141,837.38

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Pass-Through From:												
Teenage Pregnancy Prevention Program	93.297						394,911.98				394,911.98	394,911.98
Pass-Through From:												
University of Texas Health Science Center at Houston			744	394,911.98								
Totals - U.S. Department of Health and Human Services				394,911.98	176,261.00	1,411,869.45	1,983,042.43		0	0	1,983,042.43	1,983,042.43
U.S. Department of Homeland Security												
Pass-Through From:												
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036						3,130.23				3,130.23	3,130.23
Pass-Through From:												
Texas Division of Emergency Management			575	3,130.23								
Totals - U.S. Department of Homeland Security				3,130.23	0	0	3,130.23		0	0	3,130.23	3,130.23
U.S. Department of Justice												
Crime Victim Assistance/Discretionary Grants	16.582	CONRAD/ *15POVC-23-GK-02766 NF*			1,875.00		1,875.00				1,875.00	1,875.00
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Bureau of Health Professions/ *15PBJA-21-GK-02616-JAGT-JIRN82904*			21,742.73		21,742.73				21,742.73	21,742.73
Direct Programs:												
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525					79,074.11	79,074.11				79,074.11	79,074.11
Totals - U.S. Department of Justice				0	23,617.73	79,074.11	102,691.84		0	0	102,691.84	102,691.84
U.S. Department of Transportation												
Direct Programs:												
Highway Training and Education	20.215					32,529.30	32,529.30				32,529.30	32,529.30
Totals - U.S. Department of Transportation				0	0	32,529.30	32,529.30		0	0	32,529.30	32,529.30
Research & Development Cluster												
Environmental Protection Agency												
Direct Programs:												
Environmental Justice Thriving Communities Grantmaking Program (EJ TCGM)	66.615					421,248.63	421,248.63				421,248.63	421,248.63
Totals - Environmental Protection Agency				0	0	421,248.63	421,248.63		0	0	421,248.63	421,248.63

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National Aeronautics and Space Administration												
National Aeronautics and Space Administration	43.000	INNATEVR, LLC/ *LTVS-2024-TSU-015*			6,900.17		6,900.17				6,900.17	6,900.17
Direct Programs:												
Space Operations	43.007					24,413.63	24,413.63				24,413.63	24,413.63
Totals - National Aeronautics and Space Administration				-	6,900.17	24,413.63	31,313.80		-	-	31,313.80	31,313.80
National Science Foundation												
Integrative Activities	47.083	FRIENDS FIRST, Inc./ *2402441/24-772HEH*			40,772.59		40,772.59				40,772.59	40,772.59
NSF Technology, Innovation, and Partnerships	47.084	NSABP Foundation, Inc./ *AWD-005307-G3-2333737*			19,920.84		19,920.84				19,920.84	19,920.84
Direct Programs:												
Mathematical and Physical Sciences	47.049					290,993.07	290,993.07				290,993.07	290,993.07
Computer and Information Science and Engineering	47.070					71,413.06	71,413.06				71,413.06	71,413.06
STEM Education (formerly Education and Human Resources)	47.076					1,020,187.05	1,020,187.05				1,020,187.05	1,020,187.05
STEM Education (formerly Education and Human Resources)	47.076					37,117.73	37,117.73					37,117.73
Pass-Through To:												
University of Houston								730	37,117.73			
STEM Education (formerly Education and Human Resources)	47.076					46,383.96	46,383.96					46,383.96
Pass-Through To:												
Texas State University								754	46,383.96			
STEM Education (formerly Education and Human Resources)	47.076					39,998.00	39,998.00					39,998.00
Pass-Through To:												
University of Houston - Clear Lake								759	39,998.00			
STEM Education (formerly Education and Human Resources)	47.076					38,600.00	38,600.00					38,600.00
Pass-Through To:												
University of Houston - Downtown								784	38,600.00			
Integrative Activities	47.083					19,311.15	19,311.15				19,311.15	19,311.15
Pass-Through From:												

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STEM Education (formerly Education and Human Resources)	47.076						11,087.14				11,087.14	11,087.14
Pass-Through From:												
University of Houston			730	11,087.14								
Integrative Activities	47.083						96,366.12				96,366.12	96,366.12
Pass-Through From:												
Prairie View A&M University			715	96,366.12								
Totals - National Science Foundation				107,453.26	60,693.43	1,564,004.02	1,732,150.71		162,099.69	-	1,570,051.02	1,732,150.71
U.S Department of Housing and Urban Development												
Direct Programs:												
Research, Evaluation, and Demonstrations	14.536					23,109.95	23,109.95				23,109.95	23,109.95
Pass-Through From:												
Research, Evaluation, and Demonstrations	14.536						10,057.70				10,057.70	10,057.70
Pass-Through From:												
Texas Tech University			733	10,057.70								
Totals - U.S Department of Housing and Urban Development				10,057.70	0	23,109.95	33,167.65		-	-	33,167.65	33,167.65
U.S. Department of the Interior												
Direct Programs:												
National and Regional Climate Adaptation Science Centers	15.820					21,228.81	21,228.81				21,228.81	21,228.81
Totals - U.S. Department of the Interior				-	-	21,228.81	21,228.81		-	-	21,228.81	21,228.81
U.S. Department of Defense												
Direct Programs:												
Air Force Defense Research Sciences Program	12.800					193,629.43	193,629.43				193,629.43	193,629.43
Air Force Defense Research Sciences Program	12.800					169,557.98	169,557.98					169,557.98
Pass-Through To:												
Texas A&M Engineering Experiment Station								712	169,557.98			
Air Force Defense Research Sciences Program	12.800					114,696.86	114,696.86					114,696.86
Pass-Through To:												
Prairie View A&M University								715	114,696.86			
Totals - U.S. Department of Defense				-	-	477,884.27	477,884.27		284,254.84	-	193,629.43	477,884.27
U.S. Department of Education												
Direct Programs:												
Fund for the Improvement of Postsecondary Education - RDI Grant Program	84.116H					486,548.24	486,548.24			34,100.00	452,448.24	486,548.24

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Totals - U.S. Department of Education						486,548.24	486,548.24		0	34,100.00	452,448.24	486,548.24
U.S. Department of Energy												
Office of Science Financial Assistance Program	81.049	URS/ *DE-AC05-76L01*			150,773.16		150,773.16				150,773.16	150,773.16
Office of Science Financial Assistance Program		URS/ *DE-SC0024606*			70,679.08		70,679.08				70,679.08	70,679.08
Grid Infrastructure Deployment and Resilience	81.254	Oak Ridge Institute for Science and Education/ *SAWD-WD-01393*			56,696.71		56,696.71				56,696.71	56,696.71
Direct Programs:												
Office of Science Financial Assistance Program	81.049					295,264.81	295,264.81				295,264.81	295,264.81
Totals - U.S. Department of Energy					278,148.95	295,264.81	573,413.76		0	0	573,413.76	573,413.76
U.S. Department of Health and Human Services												
Mental Health Research Grants	93.242	AMBOTS, Inc./ *1R01MH34749-01A1/P700001393*			5,959.26		5,959.26				5,959.26	5,959.26
Drug Use and Addiction Research Programs	93.279	GENSOLVE INC/ *2U2CDA050097-06/E2067901*			72,212.90		72,212.90				72,212.90	72,212.90
Minority Health and Health Disparities Research	93.307	CUAHSI/ *U24MD015970/RCC-001-TSU-PILOT*			6,883.20		6,883.20				6,883.20	6,883.20
Minority Health and Health Disparities Research		ENGIN-IC Inc/ *1P50MD015496 01*			54,685.45		54,685.45				54,685.45	54,685.45
Minority Health and Health Disparities Research		GENSOLVE INC/ *U24MD015970/RCC-002*			46,021.85		46,021.85				46,021.85	46,021.85
Minority Health and Health Disparities Research		SIDEM, LLC/ *RCC-003-TSU-PILOT*			3,106.77		3,106.77				3,106.77	3,106.77
Trans-NIH Research Support	93.310	CIMMYT/ *3OT2OD03258101S1/ 0319*			106,190.86		106,190.86				106,190.86	106,190.86
CDC Partnership: Strengthening Public Health Laboratories	93.322	NSABP/			4,678.76		4,678.76				4,678.76	4,678.76

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		APHL 564012509112417										
National Center for Advancing Translational Sciences	93.350	National Institute for Hometown Security, Inc./ *3OT2OD03258101S1/248695001*			120,284.00		120,284.00				120,284.00	120,284.00
Child Health and Human Development Extramural Research	93.865	HRIDAY/ *1RO1HD111500-02*			73,419.49		73,419.49				73,419.49	73,419.49
Direct Programs:												
Maternal and Child Health Federal Consolidated Programs	93.110					722,087.53	722,087.53				722,087.53	722,087.53
Minority Health and Health Disparities Research	93.307					3,131,317.80	3,131,317.80			204,375.58	2,926,942.22	3,131,317.80
Minority Health and Health Disparities Research	93.307					86,776.36	86,776.36					86,776.36
Pass-Through To:												
Texas A&M University								711	86,776.36			
National Center for Advancing Translational Sciences	93.350					5,899.12	5,899.12				5,899.12	5,899.12
Cancer Treatment Research	93.395					-805.36	-805.36				-805.36	-805.36
Cancer Centers Support Grants	93.397					333,912.49	333,912.49				333,912.49	333,912.49
Biomedical Research and Research Training	93.859					187,971.21	187,971.21				187,971.21	187,971.21
Biomedical Research and Research Training	93.859					27,749.35	27,749.35					27,749.35
Pass-Through To:												
University of Houston								730	27,749.35			
Child Health and Human Development Extramural Research	93.865					62,738.49	62,738.49				62,738.49	62,738.49
Vision Research	93.867					81,641.06	81,641.06			64,156.18	17,484.88	81,641.06
Pass-Through From:												
Trans-NIH Research Support	93.310						120,284.00				120,284.00	120,284.00
Pass-Through From:												
University of Texas Medical Branch at Galveston			723	120,284.00								

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Cancer Treatment Research	93.395						64,002.36				64,002.36	64,002.36
Pass-Through From:												
University of Houston			730	64,002.36								
Biomedical Research and Research Training	93.859						36,782.31				36,782.31	36,782.31
Pass-Through From:												
Texas A&M University System Health Science Center			709	36,782.31								
Totals - U.S. Department of Health and Human Services				221,068.67	493,442.54	4,639,288.05	5,353,799.26		114,525.71	268,531.76	4,970,741.79	5,353,799.26
U.S. Department of Housing and Urban Development												
Direct Programs:												
General Research and Technology Activity	14.506					413,053.43	413,053.43			215,943.22	197,110.21	413,053.43
General Research and Technology Activity	14.506					67,713.69	67,713.69					67,713.69
Pass-Through To:												
University of Texas at Austin								721	67,713.69			
Pass-Through From:												
U.S. Department of Housing and Urban Development	14.000	*0001310*					12,623.38				12,623.38	12,623.38
Pass-Through From:												
University of Texas at Austin			721	12,623.38								
Totals - U.S. Department of Housing and Urban Development				12,623.38	0	480,767.12	493,390.50		67,713.69	215,943.22	209,733.59	493,390.50
U.S. Department of Transportation												
Highway Planning and Construction	20.205	CONRAD/ *34382*			123,523.81		123,523.81				123,523.81	123,523.81
Highway Planning and Construction		URS/ *12599*			36,387.27		36,387.27				36,387.27	36,387.27
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	ECS-GEC JV/			11,243.22		11,243.22				11,243.22	11,243.22

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		50-19XF0006/TRN7288										
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		URS/			42,513.40		42,513.40				42,513.40	42,513.40
		FAIN 50-19XF0006TRN7572										
University Transportation Centers Program	20.701	University of California - Davis/			186,727.23		186,727.23				186,727.23	186,727.23
		69A3552344814										
Direct Programs:												
University Transportation Centers Program	20.701					53,654.87	53,654.87			53,654.87		53,654.87
University Transportation Centers Program	20.701					7,343.22	7,343.22					7,343.22
Pass-Through To:												
University of Texas at Arlington								714	7,343.22			
Pass-Through From:												
Highway Planning and Construction	20.205						-74,677.73				-74,677.73	-74,677.73
Pass-Through From:												
Texas Department of Transportation			601	-74,677.73								
University Transportation Centers Program	20.701						81,131.74				81,131.74	81,131.74
Pass-Through From:												
University of Texas at Austin			721	81,131.74								
Totals - U.S. Department of Transportation				6,454.01	400,394.93	60,998.09	467,847.03		7,343.22	53,654.87	406,848.94	467,847.03
Direct Programs:												
	84.116					73,539.45	73,539.45				73,539.45	73,539.45
Totals -				-	-	73,539.45	73,539.45		-	-	73,539.45	73,539.45
Student Financial Assistance Programs Cluster												
U.S. Department of Education												
Direct Programs:												
Federal Supplemental Educational Opportunity Grants	84.007					759,097.06	759,097.06				759,097.06	759,097.06
Federal Work-Study Program	84.033					914,813.50	914,813.50				914,813.50	914,813.50

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Federal Pell Grant Program	84.063					35,409,640.45	35,409,640.45				35,409,640.45	35,409,640.45
Federal Direct Student Loans	84.268					77,925,444.00	77,925,444.00				77,925,444.00	77,925,444.00
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					14,088.00	14,088.00				14,088.00	14,088.00
Totals - U.S. Department of Education				0	0	115,023,083.01	115,023,083.01		0	0	115,023,083.01	115,023,083.01
U.S. Department of Health and Human Services												
Direct Programs:												
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925					1,272,944.21	1,272,944.21				1,272,944.21	1,272,944.21
Totals - U.S. Department of Health and Human Services				0	0	1,272,944.21	1,272,944.21		0	0	1,272,944.21	1,272,944.21
TRIO Cluster												
U.S. Department of Education												
Direct Programs:												
TRIO Student Support Services	84.042A					663,133.27	663,133.27				663,133.27	663,133.27
TRIO Talent Search	84.044A					738,533.75	738,533.75				738,533.75	738,533.75
TRIO Upward Bound	84.047A					593,811.66	593,811.66				593,811.66	593,811.66
Upward Bound Math-Science	84.047M					370,280.59	370,280.59				370,280.59	370,280.59
TRIO McNair Post-Baccalaureate Achievement	84.217A					265,416.81	265,416.81				265,416.81	265,416.81
Totals - U.S. Department of Education				0	0	2,631,176.08	2,631,176.08		0	0	2,631,176.08	2,631,176.08
Total Expenditures of Federal Awards				824,918.45	1,439,458.75	151,187,655.86	153,452,033.06		635,937.15	572,229.85	152,243,866.06	153,452,033.06

SEFA Note 2 Reconciliation	Note 2 Amount
Federal Revenue-Operating	$ 35,350,709.13
Federal Revenue-Non-Operating	38,836,924.34
Federal Pass-Through Revenue	1,372,923.66
Federal Direct Student Loans	77,891,475.93
Total Pass-Through and Expenditures per Federal Sche	$ 153,452,033.06

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2025

Pass Through From:	Grant ID	Agency	Amount
RP240430 - Core Facilities Support Awards Cancer Prevention and Research Instuitute of Texas	1740	542	20,077.94
PP250075--Breast Cancer Screening and Prevention Center Cancer Prevention and Research Institute of Texas	351	542	20,077.95
TEXAS Grant Program Texas Higher Education Coordinating Board	781.0008	781	5,894,772.00
College Work Study Texas Higher Education Coordinating Board	781.0023	781	504.39
Texas Grants B.1.10 Transfer Grants Texas Higher Education Coordinating Board	781.0089	781	1,572.52
Texas Grants B.1.10 Leadership Scholars Texas Higher Education Coordinating Board	781.0090	781	236.30
Teas Higher Education Coordinating Board SB30-BOT Return of Funds	781.0098	781	3,971,883.56
Total Pass Through From Other Agencies			$ 9,909,124.66

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2025

Business-Type Activities

Description	Interest Rate	Maturity Dates: First Year	Maturity Dates: Last Year	First Call Date	Original Issue
Revenue Bonds- Self Supporting					
Series 2016	2.00-3.00%	2016	2036	5/1/2026	55,490,000.00
Series 2021	2.00-5.00%	2021	2030	n/a	14,275,000.00
Series 2023	5.00-5.25%	2024	2042	5/1/2033	80,680,000.00
Total Revenue Bonded Debt					$ 150,445,000.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2025

Description	Bonds Outstanding 09/01/2024	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments	Bonds Outstanding 8/31/2025	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2025	Amounts Due Within One Year	Bonds Outstanding 8/31/2025
Revenue Bonds- Self Supporting												
Series 2016	38,410,000.00	-	2,485,000.00	-	-	35,925,000.00	3,333,233.75	-	-	39,258,233.75	1,863,021.25	35,925,000.00
Series 2021	10,125,000.00	-	1,490,000.00	-	-	8,635,000.00	1,409,407.53			10,044,407.53	2,924,282.10	8,635,000.00
Series 2023	77,160,000.00	-	2,730,000.00	-	-	74,430,000.00	6,746,661.55			81,176,661.55	2,925,165.10	74,430,000.00
Total General Bonded Debt	$ 125,695,000.00	$ -	$ 6,705,000.00	$ -	$ -	$ 118,990,000.00	$ 11,489,302.83	$ -	$ -	$ 130,479,302.83	$ 7,712,468.45	$ 118,990,000.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2025

Year Ending Aug. 31	Series 2021 Revenue Bonds Refunding Principal	Interest	Total
2026	1,560,000.00	431,750.00	1,991,750.00
2027	1,640,000.00	353,750.00	1,993,750.00
2028	1,725,000.00	271,750.00	1,996,750.00
2029	1,810,000.00	185,500.00	1,995,500.00
2030	1,900,000.00	95,000.00	1,995,000.00
2031-2035	-	-	-
Total	$ 8,635,000.00	$ 1,337,750.00	$ 9,972,750.00

Year Ending Aug. 31	Series 2016 Revenue Bonds Principal	Interest	Total	Series 2023 Revenue Bonds Principal	Interest	Total
2026	2,605,000.00	1,405,650.00	4,010,650.00	2,860,000.00	3,839,250.00	6,699,250.00
2027	2,740,000.00	1,275,400.00	4,015,400.00	3,005,000.00	3,696,250.00	6,701,250.00
2028	2,875,000.00	1,138,400.00	4,013,400.00	3,155,000.00	3,546,000.00	6,701,000.00
2029	3,020,000.00	994,650.00	4,014,650.00	3,320,000.00	3,388,250.00	6,708,250.00
2030	3,140,000.00	873,850.00	4,013,850.00	3,480,000.00	3,222,250.00	6,702,250.00
2031-2035	17,650,000.00	2,418,800.00	20,068,800.00	20,185,000.00	13,313,425.00	33,498,425.00
2036-2040	3,895,000.00	116,850.00	4,011,850.00	26,010,000.00	7,494,801.00	33,504,801.00
2041-2042	-	-	-	12,415,000.00	985,950.00	13,400,950.00
Total	$ 35,925,000.00	$ 8,223,600.00	$ 44,148,600.00	$ 74,430,000.00	$ 39,486,176.00	$ 113,916,176.00

TEXAS SOUTHERN UNIVERSITY

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SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2025

	Pledged and Other Sources and Related Expenditures for FY 2025			
Business-Type Activities	**Net Available for Debt Service**		**Debt Service**	
Revenue Bonds	**Total Pledged and Other Sources**	**Operating Expenses/ Expenditures and Capital Outlay**	**Principal**	**Interest**
BOND SERIES TRB 2016, 2021, 2023	$ 92,276,000.00	$ 65,666,395.14	$ 6,705,000.00	$ 6,011,900.00
Total	$ 92,276,000.00	$ 65,666,395.14	$ 6,705,000.00	$ 6,011,900.00

Schedule of Proportionate Share of Net Pension Liability*
Teacher Retirement System of Texas

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TSU's proportion of the net pension liability (asset)	0.0458%	0.0468%	0.0476%	0.0734%	0.0805%	0.0714%	0.0722%	0.0591%	0.0562%	0.0572%
TSU's proportionate share of the net pension liability (asset)	$27,972,784	$32,116,878	$28,282,808	$18,681,181	$43,117,766	$37,133,090	$39,735,872	$18,886,127	$21,231,694	$20,380,538
TSU's covered payroll	$63,117,765	$63,149,424	$53,299,278	$55,338,037	$56,860,767	$53,462,578	$48,780,116	$21,229,587	$21,992,327	$22,004,400
TSU's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.32%	50.86%	53.06%	33.76%	75.83%	69.46%	81.46%	88.96%	100.01%	91.94%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
Required Supplementary Information
For the Last Tene Years Ended August 31

Schedule of Employer Contributions*
Teacher Retirement System of Texas

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	$3,314,095	$2,704,786	$2,206,113	$2,723,694	$2,595,707	$2,492,675	$2,050,711	$2,089,619	$1,251,453	$1,174,302
Contributions in relation to the statutorily required contributions	$3,314,095	$2,704,786	$2,206,113	$2,723,694	$2,595,707	2,492,675	2,050,711	2,089,619	1,251,453	1,174,302
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$63,117,765	$63,149,424	$53,299,278	$55,338,037	$58,479,781	$56,860,767	$53,462,578	$48,780,116	$21,229,587	$21,992,327
Contributions as a percentage of covered employee payr(	5.25%	4.28%	4.14%	4.92%	4.44%	4.38%	3.84%	4.28%	5.89%	5.34%

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
Required Supplementary Information
For the Last Five Years Ended August 31, 2025

Schedule of Proportionate Share of Net OPEB Liability*
Employee retirement System of Texas Plan

	2024	2023	2022	2021	2020	2019	2018	2017
TSU's proportion of the net OPEB liability (asset)	0.1918958%	0.2159258%	0.2465556%	0.2531391%	0.2590784%	0.23850393%	0.21979663%	0.02648200%
TSU's proportionate share of the net OPEB liability (asset)	$56,236,181	$57,690,042	$70,236,218	$90,814,951	$85,611,509	$82,433,337	$65,142,759	$90,232
TSU's covered-employee payroll	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$6,040,027
TSU's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.49%
Plan fiduciary net position as a percentage of the total OPEB liability	0.47%	0.63%	0.57%	0.38%	0.32%	0.17%	1.27%	2.04%

* This schedule is intended to present 10 years of information. Currently only eight years of information is available. Information for future years will be added when it becomes available.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)
Required Supplementary Information
For the Last Five Years Ended August 31, 2025

Schedule of Employer Contributions*
Employees Retirement System of Texas

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,040,027.00
Contributions in relation to the statutorily required contributions	-	-	-	-	-	-	-	$ 6,040,027.00
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,040,027.00
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%

* This schedule is intended to present 10 years of information. Currently only eight years of information is available. Information for future years will be added when it becomes available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Regents
Texas Southern University
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Texas Southern University (the "University") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated June 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item #2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item #2025-002 to be a significant deficiency.

To the Board of Regents
Texas Southern University
Houston, Texas

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
June 12, 2026

#2025-001 - Audit Adjustments

Material Weakness in Internal Control Over Financial Reporting

Condition: As a result of our testing of prepaid balances and our procedures performed to identify unrecorded liabilities, we identified adjustments related to investments short-term, prepaid expenses, construction in progress, subscriptions, accrued expenses, salaries payable, and insurance payable that were not recorded by management in the underlying accounting records. These adjustments were subsequently proposed by the auditors to properly state the financial statements at fiscal year-end. The auditor proposed adjustments were as follows:

Investment short-term	$2,092,201 (J0139575)
Prepaid expenses	$2,145,440 (J0139365 and J0139503)
Construction in progress	$1,528,581 (J0139456)
Subscriptions (computer software)	$2,168,632 (J0139609)
Accrued expenses	$1,958,931 (J0138864 and J0139265)
Salaries payable	$549,597 (J0139512)
Insurance payable (Health Select)	$3,383,710 (J0139285)

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. This includes establishing and maintaining internal controls to ensure that prepaid items are properly recorded and amortized, and that liabilities are completely and accurately recorded in the appropriate fiscal year. Effective year-end closing procedures should include processes to identify and record all material accruals and deferrals.

Cause: This condition appears to be due to insufficient review and analysis of year-end account balances and a lack of formalized procedures for identifying and recording necessary accruals.

Effect: Failure to record these adjustments could result in material misstatements to the financial statements, including understatement or overstatement of expenses and liabilities. Additionally, reliance on auditor-proposed adjustments may indicate weaknesses in the financial reporting process.

Recommendation: We recommend that management enhance its year-end closing procedures by implementing detailed review processes for prepaid items and accrued expenses, including preparation of supporting schedules and reconciliations. Management should also establish formal policies and checklists to ensure all necessary accruals and deferrals are identified and recorded prior to the audit, thereby reducing reliance on auditor-proposed adjustments and strengthening the overall financial reporting process.

Views of Responsible Officials: The University has revised its procedures for recording prepaid and accrued expenses. Both the Accounts Payable and General Accounting staff have been trained on the new process which incorporates a detailed review of the invoices, reconciliations and supporting schedules. The current year end close checklist utilized by the University has been revised to include an evaluation of all invoices to determine the appropriate classification and recording of the transactions.

#2025-002 - Preparation and Approval of Journal Entries

Significant Deficiency in Internal Control Over Financial Reporting

Condition: During our testing of journal entries, we noted that 1 of 10 journal entries in our test sample was prepared and approved by the same individual.

Criteria: Effective internal control requires adequate segregation of duties such that journal entries are independently prepared, reviewed, and approved by separate individuals to reduce the risk of error or inappropriate adjustments.

Cause: This condition appears to result from limited personnel or insufficient review controls over the journal entry process.

Effect: The lack of segregation of duties increases the risk that errors or unauthorized transactions could occur and not be detected in a timely manner.

Recommendation: We recommend that management strengthen controls over the journal entry process by ensuring that all journal entries are subject to independent review and approval by an individual who did not prepare the entry.

Views of Responsible Officials: The General Accounting team had limited personnel at the time the selected journal entry was recorded. Since then, the department has added four (4) new team members which allows for appropriate segregation of duties. Additionally, the University has implemented controls within its the accounting system of record that prevents "self posting" for all journal entries, invoices, purchase orders, requisitions and fixed assets. These measures will significantly reduce the risks posed by the abovementioned deficiency and increase the accuracy and reliability of the information presented in the financial statements.

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