

**TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER**



**Annual Financial Report
Fiscal Year 2010**

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

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August 31, 2010

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TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Office of the President

November 15, 2010

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Comptroller of Public Accounts

Mr. John Keel, CPA
State Auditor

Dr. Raymund A. Paredes
Commissioner, Texas Higher Education Coordinating Board

Mr. John O'Brien
Director, Legislative Budget Board

To Agency Heads Addressed:

We are pleased to submit the annual financial report of Texas Tech University Health Sciences Center for the year ended August 31, 2010, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The annual financial report will be considered for audit by the State Auditor as part of the audit of the *State of Texas Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

As indicated by the accompanying letter of transmittal, this report has been prepared by TTUHSC Accounting Services to provide a summary of the institution’s financial records. If you have questions, please contact Melody Miller, Director of Accounting, at (806) 743-7826, extension 253.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Mitchell", written over a horizontal line.

Ted L. Mitchell, M.D.
President



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER™
Finance and Administration

Office of Accounting Services

November 15, 2010

Tedd L. Mitchell
President
Texas Tech University Health Sciences Center
Lubbock, Texas 79430

Dear Dr. Mitchell:

Submitted herein is the *Annual Financial Report* for Texas Tech University Health Sciences Center for the fiscal year ended August 31, 2010.

The accompany *Annual Financial Report* has been prepared in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying *Annual Financial Report* will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the statements and related information contained in the accompanying report.

Please feel free to contact me should you have any questions about this report.

Sincerely,

Melody Miller, CPA
Director of Accounting Services

Approved:

Elmo M. Cavin
Executive Vice President for Finance & Administration



TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Organizational Data

August 31, 2010

BOARD OF REGENTS

Term Expires

Larry K. Anders (**Chair**)January 31, 2011.....Dallas
Jerry E. Turner (**Vice Chair**).....January 31, 2013.....Blanco

Daniel "Dan" T. Serna.....January 31, 2011.....Arlington
L. Frederick (Rick) FrancisJanuary 31, 2013.....El Paso
John F. Scovell.....January 31, 2013.....Dallas
John Huffaker.....January 31, 2015.....Amarillo
Mickey L. LongJanuary 31, 2015.....Midland
Nancy Neal.....January 31, 2015.....Lubbock

Jeff Harris (**Student Regent**).....January 31, 2015.....San Angelo

FISCAL OFFICERS

Kent HanceChancellor
Jim Brunjes..... Vice Chancellor and Chief Financial Officer
Tedd L. Mitchell, M.D. President
Elmo M. Cavin Executive Vice President for Finance & Administration
Michael Crowder, CPA..... Associate Vice President for Business Affairs
Melody Miller, CPA Director of Accounting Services

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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

FINANCIAL STATEMENTS

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

UNAUDITED

Statement of Net Assets

As of August 31, 2010

ASSETS

Current Assets:

Unrestricted Cash and Cash Equivalents	\$ 151,949,544.71
Restricted Cash and Cash Equivalents	33,812,746.36
Balance of Legislative Appropriations	38,024,579.06
Receivables:	
Federal	1,927,536.40
Interest and Dividends	242,710.02
Patient	17,153,989.14
Student	92,659.43
Contracts	13,324,871.19
Pledged Gifts	2,272,324.40
Other	1,279,878.02
Due from Other State Agencies	7,611,815.28
Due from Other Component Units	61,001.47
Inventories	926,081.76
Prepaid Items	2,674,499.46
Loans and Notes	388,082.69
Total Current Assets	<u>\$ 271,742,319.39</u>

Non-Current Assets:

Restricted Cash and Cash Equivalents	\$ (12,298.59)
Pledged Gifts Receivable	2,802,651.92
Loans and Notes	2,597,168.76
Investments	266,706,089.82
Capital Assets:	
Non-Depreciable or Non-Amortizable	17,658,192.65
Depreciable or Amortizable	576,595,640.83
less Accumulated Depreciation and Amortization	<u>(237,837,663.14)</u>
Total Non-Current Assets	<u>\$ 628,509,782.25</u>
TOTAL ASSETS	<u>\$ 900,252,101.64</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Statement of Net Assets

As of August 31, 2010

LIABILITIES

Current Liabilities:

Payables:

Accounts	\$	21,209,718.31
Payroll		29,553,701.00
Due to Other State Agencies		166,689.37
Due to Other Component Units		229,264.02
Unclaimed Property Due to the State Treasury		43,616.71
Unearned Revenue		12,520,108.91
Capital Lease Obligation		96,129.47
Notes Payable		1,562,958.83
Revenue Bonds Payable		7,820,313.26
Claims and Judgments		1,833,320.14
Employees' Compensable Leave		5,485,813.11
Funds Held for Others		315,380.87
Other Current Liabilities		304,869.11
Total Current Liabilities	\$	<u>81,141,883.11</u>

Non-Current Liabilities:

Unclaimed Property Due to the State Treasury	\$	60,966.14
Capital Lease Obligation		185,129.31
Revenue Bonds Payable		125,356,617.46
Claims and Judgments		16,499,881.26
Employees' Compensable Leave		21,943,252.44
Other Noncurrent Liabilities		53,431.17
Total Non-Current Liabilities	\$	<u>164,099,277.78</u>
TOTAL LIABILITIES	\$	<u>245,241,160.89</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	221,090,152.90
Restricted for:		
Capital Projects		9,943,927.31
Funds Held as Permanent Investments		
Nonexpendable		95,737,909.09
Other		48,738,449.06
Unrestricted		279,500,502.39
TOTAL NET ASSETS	\$	<u>655,010,940.75</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>900,252,101.64</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

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Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended of August 31, 2010

OPERATING REVENUES

Tuition and Fee Revenue - Pledged	\$ 34,574,482.16
Discounts and Allowances	(6,044,664.67)
Tuition and Fee Revenue	1,833,187.62
Net Professional Fees	254,665,739.74
Uncollectibles	(30,499,112.30)
Auxiliary Enterprises - Pledged	607,605.09
Other Sales and Services	2,036,137.35
Other Sales and Services - Pledged	6,348,965.00
Federal Grant Revenue	12,338,988.75
Federal Grant Revenue - Pledged	3,732,445.59
Federal Pass-Through Revenue	4,370,603.28
Federal Contract Revenue	1,991,318.73
State Grant and Contract Revenue	4,079,231.27
State Grant and Contract Revenue - Pledged	377,174.65
State Grant and Contract Pass-Through Revenue	4,885,182.49
Local Grant and Contract Revenue	65,845,503.41
Local Grant and Contract Revenue - Pledged	1,271,112.22
Private Grant and Contract Revenue	63,808,732.70
Private Grant and Contract Revenue - Pledged	2,490,678.79
Total Operating Revenues	<u>\$ 428,713,311.87</u>

OPERATING EXPENSES

Salaries and Wages	\$ 355,090,978.13
Payroll Related Costs	78,108,910.06
Professional Fees and Services	64,371,929.01
Federal Grant Pass-Through Expense	2,491,833.54
Travel	5,007,534.81
Materials and Supplies	29,810,421.44
Communications and Utilities	15,406,439.02
Repairs and Maintenance	11,531,336.16
Rentals and Leases	3,335,562.28
Printing and Production	1,697,545.90
Depreciation and Amortization	22,241,013.35
Bad Debt Expense (Recovery)	(156,304.01)
Interest Expense	11,822.04
Scholarships	2,622,852.36
Claims and Judgments	1,230,716.14
Other Expenses	33,780,476.86
Total Operating Expenses	<u>\$ 626,583,067.09</u>
Operating Loss	<u>\$ (197,869,755.22)</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

UNAUDITED

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended of August 31, 2010

NON-OPERATING REVENUES (EXPENSES)

Legislative Appropriations Revenue	\$ 184,354,709.31
Federal Grant Revenue	786,900.00
Federal Pass-Through Revenue	8,516,361.24
Gifts	373,488.34
Interest and Investment Income	10,893,730.54
Interest and Investment Income - Pledged	2,157,812.86
Interest Expense	(5,928,416.74)
Gain (Loss) Sale of Capital Assets	(664,886.88)
Net Increase in Fair Value of Investments	7,462,914.68
Other Revenues	7,023,297.71
Other Revenues - Pledged	<u>202,906.74</u>
Total Non-Operating Revenues (Expenses)	\$ <u>215,178,817.80</u>

CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS

Capital Contributions	4,714,165.10
Legislative Appropriations Revenue for Capital (HEAF)	14,854,762.00
Increases from Interagency Transfers of Capital Assets	111,086.91
Decreases from Interagency Transfers of Capital Assets	(193,076.51)
Net Transfers from Texas Tech University	1,696,074.07
Net Transfers from Texas Tech Foundation Inc.	1,148,762.54
Net Transfers to Texas Tech University System Administration	(1,815,861.00)
Transfers to Other State Agencies	(3,184,434.75)
Legislative Transfers Out (System Administration Support)	<u>(1,667,837.00)</u>
Capital Contributions and Transfers	\$ <u>15,663,641.36</u>

TOTAL CHANGE IN NET ASSETS \$ 32,972,703.94

Net Assets, September 1, 2009 \$ 622,038,236.81

Net Assets, August 31, 2010 \$ 655,010,940.75

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Matrix of Operating Expenses by Function

For the Year Ended August 31, 2010

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	PATIENT CARE	ACADEMIC SUPPORT	STUDENT SERVICES
Salaries and Wages	\$ 167,547,469.78	\$ 22,585,450.26	\$ 45,342,339.83	\$ 37,236,649.92	\$ 53,087,762.99	\$ 5,134,664.95
Payroll Related Costs	30,659,873.38	5,352,119.21	11,411,609.20	9,574,533.90	13,387,896.88	1,402,060.17
Professional Fees and Services	7,578,927.07	1,203,209.18	47,232,769.26	141,901.52	5,687,861.34	555,242.16
Federal Grant Pass-Through Expense	495,222.70	403,846.75	1,592,764.09	-	-	-
Travel	1,241,742.23	473,222.78	580,210.35	38,064.51	1,969,366.51	327,623.52
Materials and Supplies	4,462,431.29	5,099,354.11	11,545,244.74	2,791,776.90	4,152,576.04	1,087,478.66
Communications and Utilities	1,564,270.93	149,424.67	486,263.29	45,906.58	3,947,796.97	301,204.03
Repairs and Maintenance	669,203.69	1,465,291.21	485,196.39	20,699.44	2,041,132.54	157,141.25
Rentals and Leases	831,583.51	130,666.33	637,898.56	161,202.18	1,265,258.66	73,801.39
Printing and Production	571,832.11	85,077.30	150,005.81	17,862.90	551,155.05	151,088.76
Depreciation and Amortization	-	-	-	-	-	-
Bad Debt Expense (Recovery)	-	-	-	-	(52,874.51)	(83,751.24)
Interest Expense	712.01	1,834.14	1,339.81	416.70	5,252.78	463.99
Scholarships	226,796.17	44,364.09	120,854.13	-	159,343.00	859.87
Claims and Judgments	38,411.29	-	-	-	1,192,304.85	-
Other Expenses	5,605,106.70	4,860,856.79	1,918,978.59	529,387.36	13,407,872.27	1,357,433.39
	<u>\$ 221,493,582.86</u>	<u>\$ 41,854,716.82</u>	<u>\$ 121,505,474.05</u>	<u>\$ 50,558,401.91</u>	<u>\$ 100,802,705.37</u>	<u>\$ 10,465,310.90</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Matrix of Operating Expenses by Function

For the Year Ended August 31, 2010

OPERATING EXPENSES	INSTITUTIONAL SUPPORT	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	TOTAL EXPENSES
Salaries and Wages	\$ 17,356,833.34	\$ 6,649,356.71	\$ 7,000.00	\$ 143,450.35	\$ -	\$ 355,090,978.13
Payroll Related Costs	4,516,973.63	1,753,406.21	519.67	49,917.81	-	78,108,910.06
Professional Fees and Services	423,052.22	1,531,334.43	-	17,631.83	-	64,371,929.01
Federal Grant Pass-Through Expense	-	-	-	-	-	2,491,833.54
Travel	289,308.64	84,459.56	-	3,536.71	-	5,007,534.81
Materials and Supplies	367,181.96	277,635.35	-	26,742.39	-	29,810,421.44
Communications and Utilities	617,896.58	8,274,719.19	-	18,956.78	-	15,406,439.02
Repairs and Maintenance	234,002.47	6,447,547.37	-	11,121.80	-	11,531,336.16
Rentals and Leases	45,624.85	186,883.26	-	2,643.54	-	3,335,562.28
Printing and Production	133,363.74	22,449.71	-	14,710.52	-	1,697,545.90
Depreciation and Amortization	-	-	-	-	22,241,013.35	22,241,013.35
Bad Debt Expense	(19,678.26)	-	-	-	-	(156,304.01)
Interest Expense	1,457.91	344.70	-	-	-	11,822.04
Scholarships	-	-	2,070,635.10	-	-	2,622,852.36
Claims and Judgments	-	-	-	-	-	1,230,716.14
Other Expenses	525,611.54	5,538,700.92	-	36,529.30	-	33,780,476.86
	<u>24,491,628.62</u>	<u>30,766,837.41</u>	<u>2,078,154.77</u>	<u>325,241.03</u>	<u>22,241,013.35</u>	<u>626,583,067.09</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Statement of Cash Flows

For the Year Ended August 31, 2010

Cash Flows from Operating Activities

Cash Inflows

Collections from Student Tuition and Fees	\$ 32,650,597.40
Collections from Grants and Contracts	163,715,232.85
Collections from Patients and Insurers	220,149,241.14
Collections of Loans to Students	801,929.09
Collections from Auxiliary Enterprises	607,605.09
Collections from Other Operating Activities	8,432,762.05

Cash Outflows

Payments to Suppliers	\$ (209,421,265.16)
Payments to Employees	(354,674,165.52)
Payments for Loans Issued to Students	(797,207.32)
Payments for Auxiliary Enterprises	(325,241.03)
Payments for Other Operating Activities	<u>(37,908,073.12)</u>

Net Cash Used for Operating Activities \$ (176,768,584.53)

Cash Flows from Non-Capital Financing Activities

Cash Inflows

Proceeds from Legislative Appropriations	\$ 183,601,126.58
Proceeds from Net Transfers from Texas Tech University	1,696,074.07
Proceeds from Net Transfers from Texas Tech Foundation, Inc.	1,148,762.54
Proceeds from Non-Capital Gifts and Grants	11,985,680.54
Proceeds from Direct Lending	46,235,011.85
Proceeds from Other Non-Capital Financing Activities	7,255,040.49

Cash Outflows

Payments for Net Transfers to Texas Tech University System Administration	\$ (3,483,698.00)
Payments for Transfers to Other State Agencies	(3,184,434.75)
Payments for Direct Lending	<u>(47,543,718.00)</u>

Net Cash Provided by Non-Capital Financing Activities \$ 197,709,845.32

Cash Flows from Capital and Related Financing Activities

Cash Inflows

Proceeds from Capital Debt Issuances	\$ 369,446.52
Proceeds from Legislative Appropriations for Capital	14,854,762.00
Proceeds from Capital Gifts and Grants	4,714,165.10

Cash Outflows

Payments for Purchases of Capital Assets	\$ (42,283,412.08)
Payments for Principal on Capital Debts	(8,036,324.50)
Payments for Interest on Capital Debts	<u>(5,938,622.55)</u>

Net Cash Used for Capital and Related Financing Activities \$ (36,319,985.15)

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Statement of Cash Flows

For the Year Ended August 31, 2010

Cash Flows from Investing Activities

Cash Inflows

Proceeds from Sales and Maturities of Investments	\$ 183,504,962.08
Proceeds from Interest and Dividends on Investments	12,162,291.11

Cash Outflows

Payments for Purchases of Investments	<u>(219,949,963.58)</u>
---------------------------------------	-------------------------

Net Cash Used for Investing Activities	<u>\$ (24,282,710.39)</u>
--	---------------------------

TOTAL NET CASH FLOWS	<u>\$ (39,661,435.11)</u>
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Cash and Cash Equivalents, September 1, 2009	\$ 225,411,427.59
--	-------------------

Cash and Cash Equivalents, August 31, 2010	<u>\$ 185,749,992.48</u>
--	--------------------------

Components of Cash and Cash Equivalents, August 31, 2010

Cash on Hand	\$ 42,732.50
--------------	--------------

Cash in Bank	17,737,850.16
--------------	---------------

Reimbursements Due from the State Treasury	730,292.06
--	------------

Local Balance of Legislative Appropriations	19,907,388.81
---	---------------

Repurchase Agreements	18,267,431.36
-----------------------	---------------

Temporary Investment Fund	7,430,599.94
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TexPool and TexStar Investments	<u>121,633,697.65</u>
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Cash and Cash Equivalents, August 31, 2008	<u>\$ 185,749,992.48</u>
--	--------------------------

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss	\$ (197,869,755.22)
----------------	---------------------

Adjustments

Depreciation Expense	22,241,013.35
----------------------	---------------

Bad Debt Expense	(156,304.01)
------------------	--------------

Decrease (Increase) in Accounts Receivable	(4,983,895.78)
--	----------------

Decrease (Increase) in Merchandise Inventories	101,338.74
--	------------

Decrease (Increase) in Prepaid Expenses	(2,175,260.24)
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Decrease (Increase) in Loans and Notes Receivable	4,721.77
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Increase (Decrease) in Short-Term Payables	382,370.17
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Increase (Decrease) in Deferred Revenue	1,862,630.77
---	--------------

Increase (Decrease) in Claims Payable	2,079,338.49
---------------------------------------	--------------

Increase (Decrease) in Compensable Leave	1,856,002.87
--	--------------

Increase (Decrease) in Other Liabilities	<u>(110,785.44)</u>
--	---------------------

Net Cash Used for Operating Activities	<u>\$ (176,768,584.53)</u>
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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

NOTES TO FINANCIAL STATEMENTS

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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2010*

NOTE 1 Summary of Significant Accounting Policies

GENERAL INTRODUCTION

Texas Tech University Health Sciences Center (TTUHSC) is a component unit of the State of Texas and its financial records reflect compliance with applicable state statutes and regulations. This *Annual Financial Report* includes all accounts of TTUHSC, a separate institution established pursuant to Texas Education Code, Chapter 110. TTUHSC is under the direction, management, and control of the Texas Tech University System Board of Regents which acts separately and independently on all matters affecting TTUHSC.

As an institution of higher education of the State of Texas, the income of TTUHSC is generally exempt from income taxes. However, income unrelated to the exempt purpose of TTUHSC would be subject to tax under § 511(a)(2)(B) of the Internal Revenue Code. Management does not believe that there is any material unrelated income for the year ended August 31, 2010.

TTUHSC is one of four entities included in the Texas Tech University System. The other three entities, reported separately as additional component units of the State of Texas, are Angelo State University, Texas Tech University (TTU) and Texas Tech University System Administration (TTUSA).

TTUHSC offers graduate and undergraduate programs in six schools: the School of Allied Health Sciences, the School of Medicine, the Paul L. Foster School of Medicine, the Anita Thigpen Perry School of Nursing, the School of Pharmacy, and the Graduate School of Biomedical Sciences. Major ancillary operations include correctional health care, grant and contract activities, and comprehensive clinical operations.

TTUHSC operates several campuses located in Abilene, Amarillo, Dallas, El Paso, Highland Lakes, Lubbock, Midland and Odessa. The School of Medicine is represented at a majority of the campuses while other schools have a presence at only select campuses. Most administrative functions are centralized at the Lubbock campus.

FUND STRUCTURE

Blended Component Units

Texas Tech Physician Associates (TTPA) is reported as a blended component unit of TTUHSC. TTPA is a certified non-profit health corporation authorized under the Medical Practice Act § 5.01(a), article 4495b of the State of Texas. TTPA was created for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Code § 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

Although legally separate from TTUHSC, TTPA is reported as a component unit because TTUHSC can impose its will on TTPA. TTPA balances and activities are blended with TTUHSC balances and activities since the sole purpose of TTPA is to financially support TTUHSC. Independent financial statements for TTPA can be obtained from the Health Care Systems division of TTUHSC at 3601 4th Street, Lubbock, Texas 79430.

Texas Tech Foundation, Inc. (TTFI) is a component unit of the consolidated Texas Tech University System as it serves the fundraising needs of TTUHSC, TTU, and TTUSA. No balances or activities associated with TTFI are included in the Financial Statements. However, supplemental schedules are included in this *Annual Financial Report* that reflect TTUHSC's portion of TTFI balances and financial activity.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

Notes to the Financial Statements

August 31, 2010

NOTE 1 (continued)

Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The fiscal records of TTUHSC are maintained using a modified accrual basis of accounting. Most internal financial reports utilize this basis. However, balances and activities included in most external reports, including this *Annual Financial Report*, are converted to a full accrual basis of accounting in compliance with Governmental Accounting Standards Board (GASB) statements 34 and 35.

Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. For reporting purposes, operating activities are distinguished from non-operating activities. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the principal ongoing operations. Operating expenses include administrative expenses and depreciation on capital assets, among others.

RESTRICTED NET ASSETS

In cases where both restricted and unrestricted net assets are available for use, restricted resources are used first and then unrestricted resources are used as needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets are established and monitored for most TTUHSC funds though some fund areas have a more restrictive budget structure than do other fund areas. Many of the budgets are based on legislative appropriations. No budgetary information is presented in this *Annual Financial Report*.

ASSETS, LIABILITIES, AND FUND EQUITY

Current and Non-Current Assets

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support longer-term institutional needs. In some cases highly liquid assets (including cash and cash equivalents) that are not expendable and therefore not available for current operational needs are classified as non-current assets.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all cash on hand, cash in banks, reimbursements due from the State Treasury, local balances of legislative appropriations (held in the State Treasury), and temporary investments with original maturities of 90 days or less. TTUHSC utilizes bank deposits, repurchase agreements and eligible investment pools as cash equivalents in its Short/Intermediate Term Investment Fund. Per policy and state statute all bank deposits are fully collateralized. Eligible investment pools must maintain a \$1 net asset value and be continuously rated no lower than AAA or AAA-m by at least one nationally recognized rating service. TTUHSC currently utilizes TexPool and TexStar as eligible investment pools.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements *August 31, 2010*

NOTE 1 (continued) Summary of Significant Accounting Policies

Investments

Investments are reported at fair value in this *Annual Financial Report* with the following exceptions: (1) non-participating contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure provided that the fair value of those contracts is not significantly affected by the financial institution's credit standing or other relevant factors; and (2) money market investments and participating interest-earning investment contracts that mature within one year of the date of their acquisition may be reported at amortized cost assuming that the investment is not affected by the financial institution's credit standing or other relevant factors.

Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale.

Receivables

The most significant categories of TTUHSC receivables are patient receivables and contract receivables. Details regarding Current and Non-current receivables are presented in Note 24. Patient receivables are reported net of allowances for contractual and similar adjustments.

Allowances for uncollectibles and other adjustments are estimated using either (1) aging schedules (for student accounts receivable), (2) percentage of revenues (for pledged gifts receivable), or (3) detailed evaluations of past collection performance (for patient accounts receivable, contract accounts receivable, loans and notes receivable, and other accounts receivable).

Receivables that are not expected to be collected within one year are reported as non-current assets and include portions of pledged gifts receivable and loans and notes receivable.

Inventories and Prepaid Items

Inventories include both consumable inventories and merchandise inventories. Consumable inventories include supplies and postage that are on hand and available for consumption. Merchandise inventories include materials, supplies, equipment, and other items on hand and for sale. Inventories are valued at cost generally utilizing the first-in / first-out method.

Inventories and prepaid items are reported using the consumption method. Under the consumption method, inventories and prepaid items are recorded as assets deferring the recognition of expenditures until the period in which the inventories or prepaid items are used or consumed.

Restricted Assets

Cash and cash equivalents that are held for endowments or for special programs are reported as restricted because they are not available for current operations. All such cash and cash equivalents are associated with programs that are restricted by an external party.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements

August 31, 2010

NOTE 1 (continued)

Summary of Significant Accounting Policies

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, in the case of gifts, at fair value as of the date of donation.

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system as summarized in the table on the following page.

Capital Asset Category	Useful Life
Buildings and Building Improvements	22 Years
Infrastructure	20 Years
Furniture and Equipment	3-15 Years
Vehicles	5-7 Years
Facilities and Other Improvements	10-23 Years

Depreciation expense is not allocated to functional categories for this *Annual Financial Report*.

TTUHSC has adopted the federal standard of capitalizing furniture and equipment assets that exceed an aggregate cost threshold of \$5,000. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), facilities and other improvements (\$100,000), and vehicles (\$5,000).

For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service.

As a result of limitations in the SPA system, capital asset betterments that do not individually exceed the full capitalization threshold described above are not capitalized and instead are reported as an expense of the period.

Payables

Major categories of TTUHSC payables include bonds payable, claims payable and general accounts payable (including payroll). Additional categories of payables include deposits payable and unclaimed property due to the State Treasury. Details regarding payables can be found in Note 5.

Compensable Leave

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time. Annual vacation leave and other compensated time are accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines employees are eligible to carry forward a limited annual leave balance.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements *August 31, 2010*

NOTE 1 (continued) Summary of Significant Accounting Policies
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Overtime and Compensatory Leave

Non-exempt employees who work in excess of 40 hours in a week generally have the option of requesting compensation for the additional hours worked at a rate equal to 1½ times the usual hourly wage or, if provided by department policy, they may request compensatory leave for the additional hours worked at a rate of 1½ hours of added leave for each extra hour worked.

Employee Sick Leave

Employee sick leave is accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines employees are eligible to carry forward an unlimited sick leave balance. Accumulated sick leave balances are not recognized as an institutional liability because sick leave is not paid out to terminating employees.

Capital Lease Obligations

Where material, capital leases are appropriately recorded as liabilities associated with the acquisition of capital assets in compliance with the full accrual basis of accounting set forth by GASB statements 34 and 35. For purposes of complying with this requirement a capital lease is defined by fulfilling any of the following four conditions: (1) the ownership of the asset transfers to the lessee at the end of the lease; (2) the lessee has the option of purchasing the leased asset at the end of the lease for a bargain price; (3) the term of the lease represents 75% or more of the useful life of the leased asset; or (4) the discounted present value of all future lease payments at the inception of the lease represent 90% or more of the fair value of the leased asset.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding are reported as reservations of net assets and do not constitute expenditures or liabilities.

Net Assets

Net assets represent the excess of assets over liabilities. As a result of the amounts restricted by external parties and also amounts invested in capital assets, net of related debt, the excess of assets over liabilities does not generally represent spendable resources.

Interfund Activity and Transactions

TTUHSC is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units.

Interfund transactions are defined as financial interactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Interfund transfers represent the flow of assets without equivalent flow of assets in return or a requirement for repayment. Transfers are reported after non-operating revenues and expenses in Statement of Revenues, Expenses and Changes in Net Assets included in this *Annual Financial Report*.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements *August 31, 2010*

NOTE 1 (continued) Summary of Significant Accounting Policies

Reservations of Net Assets

Unrestricted net assets are categorized in the accounting records by degree of availability. Unrestricted net assets that are encumbered or that represent certain non-cash assets, such as inventory or accounts receivable, are reserved. The table below illustrates the components of unrestricted net assets as of August 31, 2010.

Reserved	
Encumbrances	\$ 13,616,728.81
Inventory	926,081.76
Prepaid Expenses	1,147,081.59
Accounts Receivable	26,348,314.90
Working Capital	44,162.50
Self Insured Plans	33,495,785.06
Funds Functioning as Endowments	26,676,956.34
Unreserved	<u>177,245,391.43</u>
Total Unrestricted Net Assets	<u>\$ 279,500,502.39</u>

Risk Financing

Liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Identified liabilities include amounts for claims that have been incurred but not reported.

NOTE 2 Capital Assets

GENERAL INTRODUCTION

Capital assets are categorized as either (1) land and land improvements, (2) buildings and building improvements, (3) infrastructure, (4) furniture and equipment, (5) vehicles, (6) construction in progress, (7) other capital assets, or (8) facilities and other improvements. Non-depreciable capital assets include land and land improvements, construction in progress, and other capital assets (representing artwork). All other capital asset categories are depreciated.

Adjustments include loss recovery, restatements, corrections of errors and changes in asset type. Reclassifications include completion of construction in progress and interagency transfers of capitalized property at book value.

Capital asset changes for the year ended August 31, 2010 are summarized in the following table.

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Notes to the Financial Statements August 31, 2010

NOTE 2 (continued)
Capital Assets

Capital Asset Category	Balance 09/01/09	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/10
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
<u>Non-Depreciable Assets</u>								
Land and Land Improvements	\$ 7,648,317.92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,648,317.92
Construction In Progress	71,510,652.96	-	(66,837,100.74)	-	-	3,497,613.08	-	8,171,165.30
Other	1,553,404.43	-	-	-	-	285,305.00	-	1,838,709.43
Total Non-Depreciable Assets	\$ 80,712,375.31	\$ -	\$ (66,837,100.74)	\$ -	\$ -	\$ 3,782,918.08	\$ -	\$ 17,658,192.65
<u>Depreciable Assets</u>								
Buildings and Building Improvements	\$ 348,878,697.18	\$ -	\$ 66,837,100.74	\$ -	\$ -	\$ 18,004,936.63	\$ -	\$ 433,720,734.55
Infrastructure	5,050,659.69	-	-	-	-	962,580.03	-	6,013,239.72
Furniture and Equipment	76,062,089.79	(5,768,889.04)	-	285,770.87	(110,256.32)	14,069,572.05	(2,026,160.46)	82,512,126.89
Vehicles	2,031,016.00	(6,862.83)	-	19,726.60	(6,000.00)	326,599.66	(45,472.00)	2,319,007.43
Facilities and Other Improvements	10,627,498.69	-	-	-	-	261,624.28	-	10,889,122.97
Other	30,926,155.91	-	-	-	-	4,295,404.00	(41,648.06)	35,179,911.85
Total Depreciable Assets	\$ 473,576,117.26	\$ (5,775,751.87)	\$ 66,837,100.74	\$ 305,497.47	\$ (116,256.32)	\$ 37,920,716.65	\$ (2,113,280.52)	\$ 570,634,143.41
<u>Amortizable Assets</u>								
Computer Software	\$ -	\$ 5,762,198.79	\$ -	\$ -	\$ (161,632.50)	\$ 628,834.13	\$ (267,903.00)	\$ 5,961,497.42
Total Amortizable Assets	\$ -	\$ 5,762,198.79	\$ -	\$ -	\$ (161,632.50)	\$ 628,834.13	\$ (267,903.00)	\$ 5,961,497.42
Total Depreciable and Amortizable Assets	\$ 473,576,117.26	\$ (13,553.08)	\$ 66,837,100.74	\$ 305,497.47	\$ (277,888.82)	\$ 38,549,550.78	\$ (2,381,183.52)	\$ 576,595,640.83

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Notes to the Financial Statements

August 31, 2010

NOTE 2 (continued)

Capital Assets

Accumulated depreciation changes for the year ended August 31, 2010 are summarized in the following table.

Capital Asset Category	Balance 09/01/09	Adjustments	Reclassifications		Additions	Deletions	Balance 08/31/10
			Completed CIP	Increases - Interagency Transfers			
Depreciation							
Buildings and Building Improvements	\$ (151,189,732.82)	\$ -	\$ -	\$ -	\$ (12,272,685.09)	\$ -	\$ (163,462,417.91)
Infrastructure	(1,338,509.97)	-	-	-	(217,500.71)	-	(1,556,010.68)
Furniture and Equipment	(42,067,693.67)	3,497,230.10	-	(174,683.96)	(6,833,361.16)	1,529,477.58	(43,979,549.66)
Vehicles	(1,338,805.49)	(2.02)	-	(19,726.60)	(180,414.85)	36,456.08	(1,496,492.88)
Facilities and Other Improvements	(2,472,101.34)	-	-	-	(582,596.84)	-	(3,054,698.18)
Other	(18,761,001.19)	-	-	-	(1,335,538.82)	-	(20,096,540.01)
Total Accumulated Depreciation	\$ (217,167,844.48)	\$ 3,497,228.08	\$ -	\$ (194,410.56)	\$ 75,481.45	\$ 1,565,933.66	\$ (233,645,709.32)
Amortization							
Computer Software	\$ -	\$ (3,497,230.10)	\$ -	\$ -	\$ (818,915.88)	\$ 114,861.30	\$ (4,191,953.82)
Total Accumulated Amortization	\$ -	\$ (3,497,230.10)	\$ -	\$ -	\$ (818,915.88)	\$ 114,861.30	\$ (4,191,953.82)
Total Accum Depreciation and Amortization	\$ (217,167,844.48)	\$ (2.02)	\$ -	\$ (194,410.56)	\$ 84,812.31	\$ 1,680,794.96	\$ (237,837,663.14)

NOTE 3

Deposits, Investments and Repurchase Agreements

TTUHSC's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, TTUHSC investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the

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Notes to the Financial Statements

August 31, 2010

NOTE 3 (continued)

Deposits, Investments and Repurchase Agreements

probable safety of their capital." Under Texas law, TTUHSC is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest TTUHSC funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investment and Endowments." The majority of TTUHSC assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF), both having their own stand-alone investment policies. Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities, as well as alternative investments such as hedge funds and private equity, and is operated using a total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, a fixed income fund. Other assets include securities gifted to TTUHSC with donor instructions to maintain in their original form, and bond proceeds invested in external investment pools. TTUHSC also maintains a cash balance in the State Treasury (local balance of legislative appropriations).

As of August 31, 2010, the carrying amount of the deposits was \$17,737,850.16 as shown in the following table:

Enterprise Funds	
CASH IN BANK - CARRYING VALUE	\$ 17,737,850.16
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	-
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	-
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	-
Cash in Bank per AFR	<u>\$ 17,737,850.16</u>
Enterprise Funds Current Assets Cash in Bank	\$ 15,499,008.07
Enterprise Funds Current Assets Restricted Cash in Bank	2,240,293.47
Enterprise Funds Non-Current Assets Restricted Cash in Bank	<u>(1,451.38)</u>
Cash in Bank per AFR	<u>\$ 17,737,850.16</u>

These amounts consist of all cash in local banks. These amounts are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts. As of August 31, 2010, the total bank balance \$3,457,022.15.

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Notes to the Financial Statements *August 31, 2010*

NOTE 3 (continued) Deposits, Investments and Repurchase Agreements

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency 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 Health Sciences Center's policy is to require collateralization of bank balances in excess of FDIC protection. At August 31, 2010, TTUHSC did not have any funds considered to be uninsured and uncollateralized.

INVESTMENTS

The fair value of investments as of August 31, 2010 is summarized in the following table.

<u>Enterprise Funds</u>	<u>Fair Value</u>
U.S. Government	
U.S. Treasury Securities	\$ -
U.S. Treasury Strips	-
U.S. Treasury TIPS	-
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	37,775,140.40
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	-
Corporate Obligations	-
Corporate Asset and Mortgage Backed Securities	-
Equity	7,965,206.24
International Obligations	156,481.95
Repurchase Agreement	18,267,431.36
Fixed Income Money Market and Bond Mutual Fund	105,874,765.36
Mutual Funds	1,523,727.85
Other Commingled Funds	24,879,598.30
Other Commingled Funds (TexPool)	108,876,185.26
International Other Commingled Funds	18,610,469.99
Commercial Paper	-
Securities Lending Collateral Investment Pool	-
Real Estate	7,236,626.18
Derivatives	-
Externally Managed Investments	
Domestic	79,231,929.55
International	3,380,922.39
Miscellaneous	259,333.94
Total Investments	\$ 414,037,818.77
Non-Current Investments	\$ 266,706,089.82
Items in Cash and Equivalents	
Repurchase Agreements	18,267,431.36
Blackrock Temp Fund	7,430,599.94
Texpool & TexSTAR Investments	121,633,697.65
Total Investments	\$ 414,037,818.77

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements

August 31, 2010

NOTE 3 (continued)

Deposits, Investments and Repurchase Agreements

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The exposure to foreign currency risk as of August 31, 2010, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Other Commingled Funds
01	0001	Argentine peso	\$ -	\$ -
01	0001	Australian dollar	-	234,380.67
01	0001	Bermudan dollar	-	-
01	0001	Brazilian real	12,225.15	1,188,087.36
01	0001	Bulgarian lev	-	-
01	0001	Canadian dollar	-	506,993.64
01	0001	Cayman dollar	-	-
01	0001	Chilean Peso	-	-
01	0001	Chinese yuan	-	1,172,952.75
01	0001	Colombian peso	41,565.52	-
01	0001	Czech koruna	-	197,380.76
01	0001	Danish krone	-	135,110.84
01	0001	Egyptian pound	24,450.31	79,124.46
01	0001	Euro	66,015.83	2,107,969.57
01	0001	Hong Kong dollar	-	777,157.50
01	0001	Hungarian forint	4,890.06	-
01	0001	Indian rupee	-	387,929.85
01	0001	Indonesian rupiah	-	549,082.43
01	0001	New Israel shekel	-	141,476.42
01	0001	Japanese yen	-	2,390,031.58
01	0001	Jordanian dinar	-	-
01	0001	Malaysian ringgit	-	209,370.56
01	0001	Mexican peso	7,335.08	522,728.97
01	0001	Moroccan dirham	-	-
01	0001	New Zealand dollar	-	-
01	0001	Norwegian krone	-	69,815.52
01	0001	Pakistani rupee	-	-
01	0001	Peruvian nuevo sol	-	61,504.15
01	0001	Phillippino peso	-	-
01	0001	Polish zloty	-	-
01	0001	Pound sterling	-	1,980,849.09
01	0001	Romanian leu	-	-
01	0001	Russian ruble	-	56,517.32
01	0001	Singapore dollar	-	529,128.63
01	0001	South African rand	-	775,138.46
01	0001	South Korean won	-	1,229,478.65
01	0001	Swedish krona	-	215,804.11
01	0001	Swiss franc	-	1,289,838.31
01	0001	New Taiwan dollar	-	928,875.07
01	0001	Thai baht	-	449,255.37
01	0001	New Turkish lira	-	424,487.95
		Total	\$ 156,481.95	\$ 18,610,469.99

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Notes to the Financial Statements

August 31, 2010

NOTE 3 (continued)

Deposits, Investments and Repurchase Agreements

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TTUHSC's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade.

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
01	0001	U.S. Government Agency Obligations	\$ 37,775,140.40	\$ -	\$ -	\$ -	\$ -	\$ -
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	-	-	-	-	-	-
		Corporate Obligations	-	-	-	-	-	-
		Corporate Asset and Mortgage Backed Securities	-	-	-	-	-	-
		International Obligation	-	-	-	-	-	-
01	0001	Repurchase Agreement	18,267,431.36	-	-	-	-	-
01	0001	International Obligations	-	15,401.02	48,484.69	65,216.67	26,999.32	380.25
		Misc						
			AAAf	AAf	Af			Unrated
01	0001	Fixed Income Money Market and Bond Mutual Fund	7,430,599.94	-	-			98,444,165.42

DERIVATIVE INVESTING

TTUHSC holds collateralized mortgage obligations. These securities were purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities, along with other securities held by the TTUHSC, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the TTUHSC's liabilities. These securities are rated AAA by the major rating agencies. Additionally, investment managers in invested vehicles like hedge funds do employ derivatives, and the values associated with those managers reflect those securities.

NOTE 4

Short Term Debt

TTUHSC has at times over the past several years issued short term commercial paper to serve as an interim financing source for long term construction projects in advance of issuing authorized bonds. Because this commercial paper was purchased to pay construction costs that were financed by a bond issue, the commercial paper payable is represented in Note 5 as a long-term liability.

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Notes to the Financial Statements

August 31, 2010

NOTE 5
Long Term Liabilities

As indicated in the table below, several categories of long term liabilities are reported including bonds payable, commercial paper payable, claims payable and compensable leave payable.

Category	Balance 9/1/2009	Increases	Decreases	Balance 8/31/2010	Current Portion
Capital Lease Obligation	\$ -	\$ 373,313.12	\$ 92,054.34	\$ 281,258.78	\$ 96,129.47
Notes Payable	2,100,000.00	-	537,041.17	1,562,958.83	1,562,958.83
Revenue Bonds Payable	140,676,214.05	-	7,499,283.33	133,176,930.72	7,820,313.26
Claims and Judgments	16,253,862.91	2,079,338.49	-	18,333,201.40	1,833,320.14
Compensable Leave	25,573,062.68	2,357,901.73	501,898.86	27,429,065.55	5,485,813.11
Total Long Term Liabilities	\$ 184,603,139.64	\$ 4,810,553.34	\$ 8,630,277.70	\$ 180,783,415.28	\$ 16,798,534.81

CAPITAL LEASE OBLIGATION

Refer to Note 7 for detailed information on capital lease balances, transactions and lease terms.

NOTES PAYABLE

Notes Payable represents commercial paper payable, which is used as an interim financing source for long term construction projects in advance of issuing authorized bonds. Because this commercial paper was issued to pay construction costs that were financed by a bond issue, indicating the intent of long term financing, the commercial paper payable is reported as a long-term liability. Debt service for the commercial paper obligation is provided by general appropriations for tuition revenue bonds. Commercial paper maturities extend up to 270 days from the date of issuance with interest rates ranging from 0.15% to 0.50%. All commercial paper outstanding at August 31, 2010 will mature within one year.

REVENUE BONDS PAYABLE

Refer to Note 6 for detailed information on bond liability balances, transactions and funding source. Details regarding revenues pledged to outstanding indebtedness can be found in Schedule 2D of this *Annual Financial Report*.

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Notes to the Financial Statements

August 31, 2010

NOTE 5 (continued) Long Term Liabilities

CLAIMS AND JUDGMENTS

Claims and Judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis, and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of General Counsel.

Description	Balance 9/1/2009	Increases	Decreases	Balance 8/31/2010	Current Portion
TTUHSC	\$ 16,253,862.91	\$ 2,079,338.49	\$ -	\$ 18,333,201.40	\$ 1,833,320.14
Total Claims	\$ 16,253,862.91	\$ 2,079,338.49	\$ -	\$ 18,333,201.40	\$ 1,833,320.14

COMPENSABLE LEAVE

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2010. Past experience has demonstrated that approximately 20% of TTUHSC compensable leave balances will mature within one year. Therefore, the non-current portion of the liability as of August 31, 2010 was estimated at \$21,943,252.44, out of a total liability of \$27,429,065.55. Funding for future leave balance payments will be from the same source as annualized salary expense.

NOTE 6 Bonded Indebtedness

Several bond issues were outstanding as of August 31, 2010, as summarized in the paragraphs that follow.

REVENUE FINANCING SYSTEM BONDS, 7th SERIES 2001

Purpose:	Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper
Issued:	January 23, 2002; all authorized bonds (\$19,510,000.00) have been issued
Outstanding:	\$2,780,000.00 outstanding as of August 31, 2010
Interest Rates:	3.00% to 5.50%
Maturity Dates:	2002 through 2013
Balance Changes:	\$0 issued; \$835,000.00 retired

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NOTE 6 (continued) Bonded Indebtedness

REVENUE FINANCING SYSTEM BONDS, 9th SERIES 2003

Purpose: Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper

Issued: September 24, 2003; all authorized bonds (\$64,270,000.00) have been issued

Outstanding: \$51,575,000.00 outstanding as of August 31, 2010

Interest Rates: 4.00% to 5.25%

Maturity Dates: 2006 through 2023

Balance Changes: \$0 issued; \$2,735,000.00 retired

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 10th SERIES 2006

Purpose: Financing for Medical Education Building project in El Paso, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, Series 1999 and Revenue Financing System Bonds, 7th Series 2001

Issued: February 1, 2006; all authorized bonds (\$59,694,524.01) have been issued which includes \$45,000,000 of new bonds for the project

Outstanding: \$51,063,300.64 outstanding as of August 31, 2010

Interest Rates: 4.00% to 5.00%

Maturity Dates: 2006 through 2029

Balance Changes: \$0 issued; \$1,476,713.20 retired

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 12th SERIES 2009

Purpose: Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects, and the advance refunding of the Revenue Financing System Bonds, Series 1999.

Issued: March 3, 2006; all authorized bonds (\$30,842,818.83) have been issued which includes \$26,195,000 of new bonds for the projects.

Outstanding: \$26,171,250.76 outstanding as of August 31, 2010

Interest Rates: 4.00% to 5.00%

Maturity Dates: 2009 through 2028

Balance Changes: \$0 issued; \$2,364,382.39 retired

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August 31, 2010

NOTE 6 (continued) Bonded Indebtedness

GENERAL INFORMATION

At August 31, 2010, TTUHSC had outstanding bonds payable of \$131,589,551.40, which does not include an unamortized premium of \$1,587,379.32. The combined total of these two amounts is reflected in the *Statement of Net Assets* as Revenue Bonds Payable.

SOURCES OF REVENUE FOR DEBT SERVICE

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fees, pledged general fees and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University System components. Excluded from the revenues described above are amounts received under Article 7, § 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Texas Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

DEFEASED BONDS OUTSTANDING

As of August 31, 2010, a total of \$10,010,000 of defeased bonds were outstanding related to an advance refunding of a portion of the Revenue Financing System Bonds, 7th Series, 2001.

NOTE 7 Capital Lease Obligations

TTUHSC has entered into three long-term capital leases for the purchase of durable medical equipment located in El Paso, Texas and Lubbock, Texas. The terms of each the leases require monthly payments over the next 36-48 months, and either contain a bargain purchase option at the end of the lease, or provide for minimum lease payments in excess of 90% of the fair market value of the underlying asset. The original cost of the assets under the capital lease agreements was \$474,999.80. The asset and liability balances associated with these leases are included in the *Statement of Net Assets* as Depreciable Capital Assets and Capital Lease Obligation, respectively. Additionally, the related assets and accumulated depreciation are included in Furniture and Equipment in Note 2 of the *Annual Financial Report*.

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NOTE 7 (continued)
Capital Lease Obligations

The following is a schedule of the future minimum payments for the capital leases:

Year Ending August 31	Principal	Interest	Total
2011	\$ 96,129.47	\$ 11,905.95	\$ 108,035.42
2012	98,165.50	7,279.82	105,445.32
2013	77,569.53	2,987.83	80,557.36
2014	<u>9,394.28</u>	<u>59.15</u>	<u>9,453.43</u>
	<u>\$ 281,258.78</u>	<u>\$ 22,232.75</u>	<u>\$ 303,491.53</u>
Minimum Lease Payments			\$ 303,491.53
Less: The amount representing interest at TTUHSC's incremental borrowing rate of interest			\$ <u>(22,232.75)</u>
Present Value of Minimum Lease Payments			\$ <u>281,258.78</u>

NOTE 8
Operating Leases

TTUHSC leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights and, therefore, the related assets and liabilities are not reported in this *Annual Financial Report*. Total rental expense under these agreements was \$3,792,377.80 for the year ended August 31, 2010. The table below provides the estimated minimum lease payments for operating leases for TTUHSC for the next five fiscal years.

For years ending August 31	Minimum Lease Payments
2011	\$ 3,906,149.13
2012	4,023,333.61
2013	4,144,033.62
2014	4,268,354.62
2015	4,396,405.26

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Notes to the Financial Statements

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NOTE 8 (continued)

Operating Leases

TTUHSC has operating lease income of \$195,249.19 for the year ended August 31, 2010. The table below provides the estimated minimum lease income for TTUHSC for the next five fiscal years.

For years ending August 31	Minimum Lease Income
2011	\$ 201,106.67
2012	207,139.87
2013	213,354.06
2014	219,754.68
2015	226,347.32

TTUHSC structures all leases to allow for cancellation within the current period. Most of the cancellation clauses are based on a 30-day notice condition or on the condition of continuing appropriations. However, there is little or no historical precedence for lease cancellations at TTUHSC.

NOTE 9

Retirement Plans

The State of Texas has joint contributory retirement plans for substantially all regular employees. One of the primary plans in which TTUHSC participates is administered by the Teacher Retirement System (TRS) of Texas. The TRS program was established by the Texas Legislature and can only be amended by legislative action. The TRS program is a cost sharing, multiple-employer, defined benefit pension plan. The contributory percentages currently provided by the state and by each participant are 6.644% and 6.40%, respectively, of annual participant compensation.

The TRS program covers retirement, proportional retirement, disability annuities, and death and survivor benefits. A participant is vested after five years of creditable service and is entitled to any benefit for which eligibility requirements have been met. The normal service retirement age is 65 with five years of service or when the sum of the participant's age and years of service is at least 80 years. For unreduced benefits, persons beginning service on or after September 1, 2007, will be subject to a minimum age of 60 to qualify under the retirement rule of 80. The reduced service requirement age is 55 with five years of service or any age below 50 with 30 years of service. The standard life annuity benefit formula is 2.3 percent of the average of the five highest annual salaries multiplied by the years of service. At normal retirement age, the minimum standard monthly annuity is the greater of \$150 or the formula standard annuity. Total payments shall in no case be less than accumulated contributions at the time of retirement.

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Notes to the Financial Statements *August 31, 2010*

NOTE 9 (continued) Retirement Plans

Contributions made by the state on behalf of TTUHSC for the TRS program amounted to \$5,382,831.48 for the year ended August 31, 2010, \$4,696,785 for the year ended August 31, 2009, and \$4,169,599 for the year ended August 31, 2008.

TRS does not separately account for each of its component governmental agencies, since TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the TRS *Comprehensive Annual Financial Report* submitted to the state and available from the TRS website.

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the TRS program. ORP is a defined contribution pension plan that provides for the purchase of annuity and custodial mutual fund contracts. The contributory percentages currently provided by the state and by each participant for employees who participated before September 1, 1995 are 8.50% and 6.65%, respectively, of annual participant compensation. The state's contribution is comprised of 6.4% from the ORP appropriation and 2.1% from other funding sources. The 6.4% contribution is mandatory with the other contributions being at the discretion of the governing board of TTUHSC. The governing board has approved the additional contributions for employees of TTUHSC. The contributory percentages currently provided by the state and by each participant for employees entering the program after August 31, 1995 are 6.4% and 6.65%, respectively, of annual participant compensation.

Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

Contributions of state appropriations on behalf of TTUHSC for the ORP amounted to \$3,630,407.62 for the year ended August 31, 2010, \$3,453,301 for the year ended August 31, 2009, and \$4,257,107 for the year ended August 31, 2008.

Total contributions to the ORP made by plan members and the employer are detailed in the following table.

For the Year Ended August 31, 2010	
Member Contributions	\$ 9,058,260.82
Employer Contributions	<u>9,486,893.50</u>
Total ORP Contributions	<u>\$ 18,545,154.32</u>

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Notes to the Financial Statements *August 31, 2010*

NOTE 10 Deferred Compensation

TTUHSC employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the *Texas Government Code Annotated*, § 609.001. A deferred compensation plan called Texa\$aver, administered by the Employees Retirement System, is available to all employees for income deferral.

The State's 457 plan complies with the Internal Revenue Code (IRC) § 457. Deductions, purchased investments, and earnings attributed to the 457 Plan are the property of the State and subject only to the claims of the State's general creditors. Participant rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the 457 account for each participant. The State has no liability under the 457 Plan, and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

GASB statement 32, effective for financial statements for periods beginning after December 31, 1998, states that new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999.

As of August 31, 2010, there were 226 TTUHSC participants in this deferred compensation plan.

NOTE 11 Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees, in accordance with state statutes. Substantially all of the employees may become eligible for the health and life insurance benefits if they reach normal retirement age while working for the State. Currently, there are 170 retirees who are eligible for these benefits. Similar benefits for active employees are provided through a self-funded plan and fully insured plans.

Depending upon the status of the employee at the time of retirement, the State or TTUHSC recognizes the cost of providing these benefits. The cost of retiree post-employment benefits is recognized when paid. This contribution paid all of the "employee/retiree only" premiums and a portion of the premiums for those employees/retirees selecting dependent coverage. The employee/retiree was required to pay a portion of the cost of dependent coverage. For the fiscal year ended August 31, 2010, the cost of providing those benefits for the retirees was \$2,269,139 for the State and \$909,157 for TTUHSC.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires accrual-based measurement, recognition and disclosure of other post-employment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. TTUHSC's benefit liability is included in that of the Employees Retirement System. As a result, this liability will be reported in the Employees Retirement System financial statements.

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Notes to the Financial Statements August 31, 2010

NOTE 12
Interfund Activity and Balances

As of August 31, 2010, TTUHSC had outstanding interfund receivables/payables from other component units of the Texas Tech University System and other state agencies. TUHSC had an outstanding interfund receivable from the University of Texas Investment Management Company (UTIMCO) as of August 31, 2010, representing undistributed earnings from the investment assets of the Permanent Health Fund for Higher Education. In addition, TTUHSC had a net interfund payable to Texas Tech University which represents payments for shared services. The interfund receivables/payables from other state agencies are for federal pass through agreements. Details about these interfund receivables/payables are shown in the following table.

Texas Tech University Health Sciences Center Due from/to Other State Agencies and Other Component Units				
Agency Name	Agency Nbr	D23 Fund	Due from	Due to
University of Texas System	720	0810	\$ 5,151,072.47	\$ -
Texas Workforce Commission	320	9999	305,872.23	-
Department of State Health Services	537	9999	730,627.54	-
University of Texas Health Science-Houston	744	9999	22,985.87	-
University of Texas Health Science-San Antonio	745	9999	25,720.44	-
Texas Higher Education Coordinating Board	781	9999	1,375,536.73	-
Texas A&M Health Science Center	709	9999	-	24,407.52
Texas Woman's University	731	9999	-	28,491.81
University of Texas at Tyler	750	9999	-	1,951.45
Texas State University - San Marcos	754	9999	-	7,482.00
Stephen F Austin State University	755	9999	-	27,292.09
West Texas A&M University	757	9999	-	77,064.50
Subtotal - Due from Other State Agencies			<u>\$ 7,611,815.28</u>	<u>\$ 166,689.37</u>
Texas Tech University	733	0001	-	228,794.65
Texas Tech University	733	9999	61,001.47	469.37
Subtotal - Due from Other Component Units			<u>\$ 61,001.47</u>	<u>\$ 229,264.02</u>
Total Due from/to Other State Agencies			<u>\$ 7,672,816.75</u>	<u>\$ 395,953.39</u>

Also, for the year ended August 31, 2010, TTUHSC had various transfers to and from other components of the Texas Tech University System and other state agencies. The majority of the net transfers in from TTU are for servicing of outstanding bonded indebtedness for which appropriations are shared. The majority of the net transfers out to TTUSA are to support system administrative functions. The transfer to the Texas Department of

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Notes to the Financial Statements *August 31, 2010*

NOTE 12 (continued)
Interfund Balances / Activity

State Health is for the UPL program amount due to Covenant Medical Center. The transfers to the Texas Higher Education Coordinating Board are for 2% Medical Loan and B-On-Time set-asides. Details about these transfers are shown in the following table.

Texas Tech University Health Sciences Center Transfers from/to Other State Agencies				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Department of State Health Services	529	0001	\$ -	\$ 3,027,599.19
Texas Higher Education Coordinating Board	781	0542	-	80,842.43
Texas Higher Education Coordinating Board	781	5103	-	75,993.13
Total Transfers to Other State Agencies			<u>\$ -</u>	<u>\$ 3,184,434.75</u>
Texas Tech University System Administration	768	0001	22,279.00	1,838,140.00
Texas Tech University	733	9999	2,021,490.07	325,416.00
Texas Tech Foundation, Inc.	768	9999	1,148,762.54	-
Total Transfers from/to Other State Agencies			<u>\$ 3,192,531.61</u>	<u>\$ 2,163,556.00</u>

For the year ended August 31, 2010, TTUHSC recorded a Legislative transfer out to TTUSA for system administration support. Details of that transfer are shown in the following table.

Texas Tech University Health Sciences Center Interfund Balances/Activity				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Tech University System Administration	768	0001	\$ -	\$ 1,667,837.00
Total Legislative Transfers from/to Other State Agencies			<u>\$ -</u>	<u>\$ 1,667,837.00</u>

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Notes to the Financial Statements *August 31, 2010*

NOTE 12 (continued) **Interfund Balances / Activity**

For the year ended August 31, 2010, TTUHSC recorded an increase in net assets due to transfers in of capital assets from other State agencies. Interagency capital asset transfer activity is summarized in the following table.

Texas Tech University Health Sciences Center Interagency Capital Asset Transfers			
Agency Name	Agency Nbr	Increase Net Assets	Decrease Net Assets
Texas Tech University	733	\$ 85,388.90	\$ 193,076.51
University of Texas HSC - San Antonio	745	<u>25,698.01</u>	<u>-</u>
Total Transfers from/to Other State Agencies		<u>\$ 111,086.91</u>	<u>\$ 193,076.51</u>

NOTE 13 **Continuance Subject to Review**

TTUHSC is not subject to the Texas Sunset Act.

NOTE 14 **Adjustments to Fund Balances and Net Assets**

TTUHSC had no material prior-period adjustments for the year ended August 31, 2010.

NOTE 15 **Contingencies and Commitments**

PENDING LITIGATION

At August 31, 2010, various lawsuits and claims involving TTUHSC were pending. While the ultimate liability with respect to litigation and other claims asserted against TTUHSC cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance, is not likely to have a material impact on TTUHSC.

REBATABLE ARBITRAGE

As of August 31, 2010, the Revenue Financing System and Improvement Bonds, Series 2006, was the only outstanding bond issue of TTUHSC which had an associated outstanding rebatable arbitrage liability amounting to \$45,981.17. This liability is payable on the fifth anniversary of the bond issue which will occur in 2011. These rebatable excesses were earned during periods when unrestricted yield was allowed on these funds. As required by the Internal Revenue Code, TTUHSC will restrict earnings on these funds to a yield less than the yield of the bond issue after this unrestricted yield period ends.

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NOTE 15 (continued) Contingencies and Commitments

CONSTRUCTION CONTRACT COMMITMENTS

Numerous large contracts have been entered into for the purposes of planning, constructing, and equipping building additions and other projects. Outstanding commitment amounts totaled \$8,964,042.06 as of August 31, 2010. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2010, the amount of legislative appropriations for capital from the state available for these commitments totaled \$3,878,348.50.

DIRECT LENDING

TTUHSC participates in the federal Direct Loan Program, which provides loans from the federal government to qualifying students and their families for educational purposes. While TTUHSC helps students to obtain these loans, the institution is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers. The amount of direct loans issued during the year ended August 31, 2010 was \$47,543,718.00.

NOTE 16 Subsequent Events

TTUHSC had no material subsequent events after August 31, 2010.

NOTE 17 Risk Management

TTUHSC has self-insured arrangements for coverage in the areas of unemployment compensation and medical malpractice. The medical malpractice plan had an actuarially determined accrued incurred but not reported (IBNR) liability at August 31, 2010, of \$18,333,201.40. Texas Tech Physician Associates, a blended component unit, had no accrued IBNR at August 31, 2010. A reconciliation of IBNR is provided in the table in Note 5.

The TTUHSC medical malpractice self insurance plan, an occurrence based plan, was established in 1985. Claim limits associated with the plan are \$400,000 per occurrence and \$1,200,000 aggregate per annum for services provided by faculty physicians (unless lower limits are set by law, in which case the lower limits set by law apply), \$100,000 per occurrence and \$300,000 aggregate per annum for services provided by resident physicians, and \$25,000 per occurrence and \$75,000 aggregate per annum for services provided by students.

As of September 1, 2003, providers of health care (physicians) are no longer excepted from the statutory limits of liability set for public servants as set out in § 108.002 of the Texas Civil Practices and Remedies Code. Public servants are limited in liability to \$100,000 to a single person and \$300,000 for a single occurrence. There is also a \$250,000 per person and \$500,000 per occurrence statutory limit in place for tort claims against TTUHSC as an institution.

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August 31, 2010

NOTE 17 (continued)

Risk Management

The State of Texas provides coverage for workers compensation and unemployment benefits from appropriations made to other state agencies for TTUHSC employees. The *General Appropriations Act* of the 81th Texas Legislature provides that TTUHSC must reimburse the General Revenue Fund, from TTUHSC appropriations, one-half of the unemployment benefits expected to be paid for former and current employees. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. TTUHSC must also reimburse the General Revenue Fund for all of the cost for unemployment compensation for any employees paid from funds held in local bank accounts or from local balances of legislative appropriations held in the State Treasury. Total payments for Unemployment Compensation for fiscal year 2010 amounted to \$336,179.56. No material outstanding claims were pending as of August 31, 2010.

For workers compensation, TTUHSC remits an assessed amount from both appropriated and unappropriated fund types to the State Office of Risk Management (SORM). Total payments to SORM for fiscal year 2010 amounted to \$771,281.97. SORM assumes the responsibility for paying all workers compensation claims for current and former employees of TTUHSC.

NOTE 18

Management Discussion and Analysis

INTRODUCTION

This discussion and analysis provides an overview of the financial position and activities of TTUHSC for the year ended August 31, 2010. This discussion and analysis has been prepared by management and should be reviewed in conjunction with the financial statements and accompanying notes.

USING THE FINANCIAL STATEMENTS

Included in this *Annual Financial Report* are three basic financial statements: (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows.

FINANCIAL HIGHLIGHTS

- TTUHSC continues to experience growth in enrollment totaling 8.8% between the fall 2008 term and the fall 2009 term. The most notable portions of this one-year growth were in the Graduate School of Nursing (up 45.7%) and the School of Pharmacy (up 10.9%). Annual enrollment increases over the last ten years have averaged 6.7%.
- Capital asset additions totaled \$42.3 million for the year ended August 31, 2010.

CONDENSED FINANCIAL INFORMATION

In the summary financial statements presented on the next few pages, three years of comparative data are provided. Prior year amounts have, in certain instances, been restated or reclassified to conform to current year presentation.

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Notes to the Financial Statements *August 31, 2010*

NOTE 18 (continued) Management Discussion and Analysis

Summary Schedule of Net Assets

Net assets are the difference between assets and liabilities and represent the equity component of the institution. Over time, increases or decreases in net assets are one indicator of the improvement or decline of the organization's financial health when considered with non-financial factors such as enrollment, patient levels, and the condition of facilities.

The following table shows the balances in asset, liability, and net asset categories as of August 31, 2010, 2009, and 2008 (amounts in thousands).

	2010	2009	2008
Assets			
Current Assets	\$ 271,742	\$ 303,118	\$ 292,864
Non-Current Investments	266,706	221,594	248,313
Other Non-Current Assets	5,388	7,132	8,223
Capital Assets, Net of Accumulated Depreciation	356,416	337,121	307,607
Total Assets	<u>\$ 900,252</u>	<u>\$ 868,965</u>	<u>\$ 857,007</u>
Liabilities			
Current Liabilities	\$ 81,054	\$ 78,219	\$ 78,100
Non-Current Liabilities	164,187	168,708	152,444
Total Liabilities	<u>\$ 245,241</u>	<u>\$ 246,927</u>	<u>\$ 230,544</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 221,090	\$ 194,344	\$ 183,440
Restricted	154,420	144,046	150,241
Unrestricted	279,501	283,648	292,782
Total Net Assets	<u>\$ 655,011</u>	<u>\$ 622,038</u>	<u>\$ 626,463</u>

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Notes to the Financial Statements *August 31, 2010*

NOTE 18 (continued) Management Discussion and Analysis

Current Assets and Current Liabilities

Current assets consist primarily of cash and cash equivalents, short-term investments, balances in legislative appropriations and various student, patient, and contract receivables. Current liabilities consist primarily of trade accounts payable, payroll payable, deferred revenues and the current portions of compensable leave payable and claims payable. The institution's current ratio (current assets to current liabilities) of 3.35 reflects strong liquidity and a notable short-term ability to meet upcoming obligations.

Non-Current Investments

Non-current investments include both long-term and restricted short-term holdings. Most of these investments relate to endowment funds or securities held in reserve for estimated future medical malpractice claims.

Net Assets

Net assets invested in capital assets, net of related debt, represent capital assets net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Restricted non-expendable net assets include permanent endowment funds that are subject to externally imposed restrictions governing their use.

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the reported unrestricted net assets have been committed for future program budgets related to academic, patient and research programs and initiatives, as well as capital projects.

The following table summarizes the composition of net assets at August 31, 2010, 2009, and 2008 (in thousands).

	2010	2009	2008
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 221,090	\$ 194,344	\$ 183,440
Restricted			
Capital Projects	9,944	19,313	9,583
Funds Held as Permanent Investments	95,738	91,288	107,275
Other	48,738	33,445	33,383
Unrestricted	279,501	283,648	292,782
Total Net Assets	\$ 655,011	\$ 622,038	\$ 626,463

Summary Schedule of Revenues, Expenses, and Changes in Net Assets

The following table summarizes the revenues, expenses, and changes in net assets for the years ended August 31, 2010, 2009, and 2008 (in thousands).

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August 31, 2010

NOTE 18 (continued) Management Discussion and Analysis

	2010	2009	2008
Operating Revenues			
Net Student Tuition and Fees	\$ 30,363	\$ 22,369	\$ 19,789
Net Professional Fees	224,167	218,866	216,976
Grant and Contract Revenues	165,191	155,430	135,509
Net Sales and Services of Auxiliary Enterprises	607	556	464
Other	8,385	6,014	3,978
Total Operating Revenues	428,713	403,235	376,716
Operating Expenses			
Instruction	(221,494)	(217,145)	(234,339)
Research	(41,855)	(28,456)	(19,657)
Public Service	(121,505)	(121,795)	(115,511)
Patient Care	(50,558)	-	-
Academic Support	(100,803)	(125,338)	(85,017)
Student Services	(10,465)	(9,127)	(8,766)
Institutional Support	(24,492)	(22,135)	(20,173)
Operation and Maintenance of Plant	(30,767)	(30,589)	(23,120)
Scholarships & Fellowships	(2,078)	-	-
Auxiliary Enterprises	(325)	(271)	(330)
Depreciation	(22,241)	(19,748)	(15,221)
Total Operating Expenses	(626,583)	(574,604)	(522,134)
Total Operating Loss	\$ (197,870)	\$ (171,369)	\$ (145,418)
Non-Operating Revenues and Expenses			
Legislative Appropriations Revenue	184,355	164,502	184,654
Grant and Contract Revenue	9,303	-	-
Net Gift Income	373	3,788	4,065
Net Investment Income	20,515	(13,083)	3,998
Interest Expense on Capital Asset Financing	(5,928)	(5,715)	(5,240)
Other	6,561	(82)	295
Total Non-Operating Revenues and Expenses	215,179	149,410	187,772
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	\$ 17,309	\$ (21,959)	\$ 42,354
Other Revenues, Expenses, Gains, Losses and Transfers			
Capital Contributions and Recoveries	4,714	2,114	9,705
Legislative Appropriations Revenue for Capital	14,855	14,855	17,849
Net Transfers to Other State Agencies	(3,905)	566	(7,840)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	15,664	17,535	19,714
Change in Net Assets	\$ 32,973	\$ (4,424)	\$ 62,068
Beginning Net Assets	\$ 622,038	\$ 626,462	\$ 564,394
Ending Net Assets	\$ 655,011	\$ 622,038	\$ 626,462

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2010*

NOTE 18 (continued) Management Discussion and Analysis

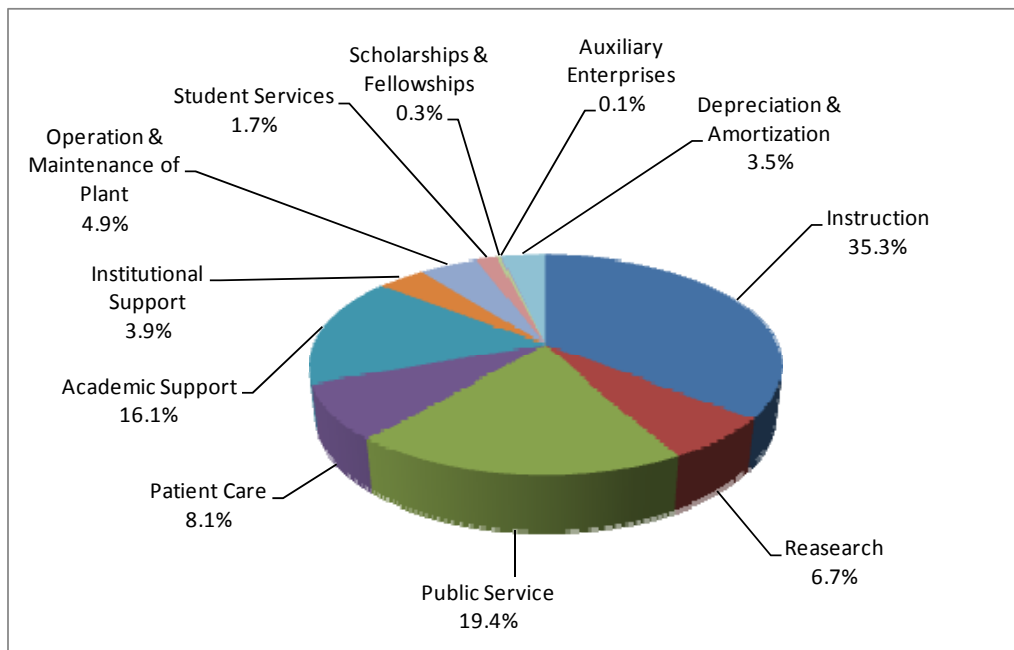
Operating Revenues

Student tuition and fees, a primary source of funding for academic programs, are reflected net of associated discounts and allowances. Student tuition and fee revenue increased for 2010. This increase primarily resulted from overall increases in enrollment and slight increases in tuition rates.

Professional fee revenues are principally generated within the practice plans from patients or through contractual arrangements with governmental payers and private insurers. As such, professional fees revenues are subject to fluctuation due to changes in standard reimbursement rates for medical services. As a result of a decision by the Comptroller's office, beginning in 2007, revenue received for TDCJ operations is reported as professional fees rather than grant and contract revenue.

Operating Expenses

The following illustration presents the composition of operating expenses by programmatic function for the year ended August 31, 2010.



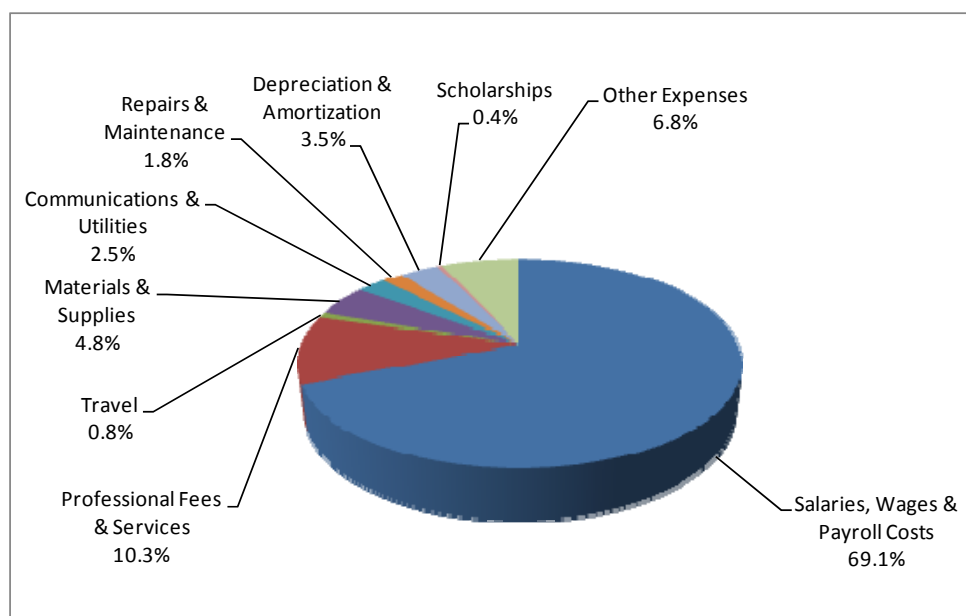
TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements *August 31, 2010*

NOTE 18 (continued) Management Discussion and Analysis

The illustration below presents the composition of operating expenses by natural classification for the year ended August 31, 2010.



Non-Operating Revenues and Expenses

Numerous recurring revenues are considered non-operating, as required by generally accepted accounting principles. The largest element of recurring non-operating revenue is legislative appropriations from the state, which increased for the year ended August 31, 2010. Realized gains and losses from the sale of investments, along with unrealized changes in the fair market value of investments, are factored into the reported amount for net investment income. Overall net investment income increased for 2010.

The institution's endowment investment policies are designed to maximize long-term total return while income distribution policies are designed to preserve the value of the endowments and to generate a predictable stream of distributable income.

Other Revenues, Expenses, Gains, and Losses

Capital contributions for 2010 were comprised primarily of special-purpose gifts for facilities expansion and renovation. Capital contributions and recoveries increased for 2010. The legislative appropriations for capital represent distributions from the Higher Education Assistance Fund (HEAF).

Change in Net Assets

Net assets increased for the year ended August 31, 2010, primarily due to increased state appropriations.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements

August 31, 2010

NOTE 18 (continued) Management Discussion and Analysis

CAPITAL ASSETS AND RELATED DEBT

Significant additional resources continue to be invested in capital assets at TTUHSC. Capital asset additions for the year ended August 31, 2010 amounted to \$42.3 million. Capital asset additions were funded by a variety of sources, including private donations and proceeds from debt issuances authorized and funded by the Texas Legislature.

As of August 31, 2010, total capital assets and related accumulated depreciation amounted to \$594.3 million and \$237.8 million, respectively. Related debt balances included \$134.7 million of bonds and notes payable, current and non-current. As of August 31, 2010, TTUHSC had a bond rating of AA from Standard and Poor's.

Additional detailed information regarding capital assets and related debt is included in earlier notes in this *Annual Financial Report*.

ECONOMIC OUTLOOK

Future successes are largely dependent upon cost containment, the ability to recruit and retain the highest quality students, faculty, and staff, and ongoing financial and political support from state government.

General appropriations received during the year ended August 31, 2010, were \$184.4 million. General appropriations to TTUHSC, as approved by the 81st Texas Legislature, are expected to be \$189.6 million for the year ending August 31, 2011. The increase in annual funding includes \$9.0 million of additional funding provided in fiscal year 2011 for costs related to the Paul L. Foster School of Medicine in El Paso.

During 2008, the *Liaison Commission on Medical Education* awarded preliminary accreditation to the Paul L. Foster School of Medicine in El Paso. The school admitted its first class of four year medical students in fiscal year 2010. The school has received significant support from donors, the El Paso community and the State Legislature.

Private gift contributions are a significant factor in the growth of academic, research, and patient care units and are an important supplement to the fundamental support provided by the state and through collections from students and patients. Economic pressures affecting donors may also affect the future level of support afforded TTUHSC from corporate and individual giving.

TTUHSC will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate operations from temporary market volatility.

NOTE 19 The Financial Reporting Entity

TTUHSC is a component unit of the State of Texas. The accompanying financial statements reflect inclusion of one blended component unit described in detail in Note 1. TTUHSC has no other related organizations, joint ventures or jointly governed organizations.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements *August 31, 2010*

NOTE 20 Stewardship, Compliance, and Accountability

TTUHSC has no material stewardship, compliance or accountability issues.

NOTE 21 Not Applicable

Per the Reporting Requirements for Annual Financial Report of State Agencies and Universities, Note 21 is not applicable for the year ended August 31, 2010.

NOTE 22 Donor Restricted Endowments

TTUHSC endowments are categorized as either true endowments or funds functioning as endowments. As of August 31, 2010, TTUHSC had no term endowments. Expenditure of true endowment funds is not permitted without the express consent of the donor. Most TTUHSC endowments are held in perpetuity. In many cases, a portion of the endowment earnings are expendable for student financial assistance or other purposes as designated by the donor or associated agreement. In other cases, endowment earnings are fully reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF), described in more detail in Note 3. The LTIF allows for quarterly spendable income distributions amounting to 1.125% of the 12-quarter rolling average unitized balance. Spendable income can be supported by both realized earnings and by unrealized earnings.

The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the table below.

Endowment Category	Net Appreciation	Statement of Net Assets Reporting Section
True Endowments	<u>\$9,109,659.09</u>	Restricted / Nonexpendable

NOTE 23 Extraordinary and Special Items

TTUHSC had no special or extraordinary items during the year ended August 31, 2010.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Notes to the Financial Statements August 31, 2010

NOTE 24
Disaggregation of Receivable and Payable Balances

RECEIVABLES

Components of receivables as of August 31, 2010, including current and non-current receivables, are summarized in the following table.

Description	Gross Receivables	Allowances	Net Receivables
Federal Receivable	\$ 1,927,536.40	\$ -	\$ 1,927,536.40
Interest and Dividends Receivable	242,710.02	-	242,710.02
Patient Accounts Receivable	43,190,606.03	(26,036,616.89)	17,153,989.14
Student Accounts Receivable	147,279.59	(54,620.16)	92,659.43
Contract Accounts Receivable	13,371,400.79	(46,529.60)	13,324,871.19
Pledged Gifts Receivable	5,231,934.35	(156,958.03)	5,074,976.32
Loans and Notes Receivable	3,478,237.29	(492,985.84)	2,985,251.45
Other	1,427,911.36	(148,033.34)	1,279,878.02
Total Receivables	\$ 69,017,615.83	\$ (26,935,743.86)	\$ 42,081,871.97

Contractual Arrangements and Concentrations of Credit Risk

TTUHSC provides care to patients covered by various third party payers such as Medicare, Medicaid, and private insurance companies and health maintenance organizations (HMOs).

TTUHSC provides primary, secondary, and tertiary health care services to counties in west Texas, eastern New Mexico and the Oklahoma panhandle region as well as border regions in southwest Texas. Patient care centers are located in the Texas cities of Abilene, Amarillo, El Paso, Lubbock, Midland and Odessa.

Concentrations of gross patient accounts receivable are depicted in the table on the following page. Management does not believe there are significant credit risks associated with the listed payers, other than the self pay and medically indigent category. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivables are reported in this *Annual Financial Report* net of allowances for bad debts, contractual adjustments, and charity care.

Description	Gross Receivables
Medicare	\$ 5,729,500.61
Medicaid	8,485,404.92
Managed Care, including Blue Cross	7,525,610.63
Commerical	3,831,998.28
Self Pay and Medically Indigent	17,244,602.34
Other	373,489.25
Total Gross Patient Accounts Receivable	\$ 43,190,606.03

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2010*

NOTE 24 Disaggregation of Receivable and Payable Balances

PAYABLES

Short-term payables as of August 31, 2010, were comprised of the elements noted in the following table.

Description	Balance
Vendor Accounts Payable	\$ 18,815,842.37
Patient Refunds Payable	2,393,875.94
Payroll Payable	29,553,701.00
Accrued Interest Payable	<u>304,869.11</u>
Total Gross Patient Accounts Receivable	<u>\$ 51,068,288.42</u>

NOTE 25 Termination Benefits

TTUHSC had no reportable termination benefits during the year ended August 31, 2010.

NOTE 26 Segment Information

TTUHSC had no reportable segments during the year ended August 31, 2010.

NOTE 27 Medical Patient Revenues

Patient charges for the medical practice plan are reported net of contractual adjustments and bad debt. Components of gross medical patient charges for the year ended August 31, 2010 are summarized below.

Description	Gross Receivables
Gross Medical Patient Charges	\$ 336,351,850.69
less Contractual Adjustments	(183,887,305.70)
less Bad Debt	<u>(30,049,205.14)</u>
Net Medical Patient Charges	<u>\$ 122,415,339.85</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

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Notes to the Financial Statements

August 31, 2010

<p>NOTE 27 (continued) Medical Patient Revenues</p>

Certain charges processed through the medical patient accounting system (IDX) are not classified in this *Annual Financial Report* as professional fees and instead are reported as revenues from local and private grants and contracts. Also, some professional fees reported in this *Annual Financial Report* are not processed through the medical patient accounting system and include fees collected in the practice plans for allied health sciences, nursing, and pharmacy.

TTUHSC provides care to patients who meet defined criteria under the charity care policy at amounts less than established rates. A patient is classified as an eligible charity patient based on federal poverty guidelines. Because TTUHSC does not pursue collection of amounts determined to qualify as charity care, such charges are included in gross patient charges but are not included in net patient charges.

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2010 were \$159,013,041.00. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action.

For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as uncompensated care as defined in Article III of the *General Appropriations Act* of the 81st Texas Legislature.

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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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UNAUDITED

SUPPORTING SCHEDULES

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Schedule 1A: Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2010

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Pass-Through From			Direct Program	Total Pass-Through From and Direct Program
			Agy Nbr	State Agency Amount	Non-State Agency Amount		
U.S. Department of Agriculture							
Special Supplemental Nutrition Program for Women, Infant and Children	10.557			-	-	-	-
Department of State Health Services			537	2,916,784.84	-	-	2,916,784.84
WIC Farmers' Market Nutrition Program (FMNP)							
Department of State Health Services	10.572		537	3,971.80	-	-	3,971.80
TOTAL U.S. DEPARTMENT OF AGRICULTURE				2,920,756.64	-	-	2,920,756.64
U.S. Department of Justice							
U.S. Department of Justice	16.000	2006DDBX0589		-	-	109.91	109.91
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			-	-	20.55	20.55
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			-	-	715.21	715.21
TOTAL U.S. DEPARTMENT OF JUSTICE				-	-	845.67	845.67
National Science Foundation							
Social, Behavioral and Economic Sciences	47.075			-	-	-	-
Texas Tech University			733	8,870.17	-	-	8,870.17
TOTAL NATIONAL SCIENCE FOUNDATION				8,870.17	-	-	8,870.17
U.S. Department of Education							
Rehabilitation Long-Term Training	84.129			-	-	(1,027.22)	(1,027.22)
TOTAL U.S. DEPARTMENT OF EDUCATION				-	-	(1,027.22)	(1,027.22)
U.S. Department of Health and Human Services							
U.S. Department of Health and Human Services	93.000			-	-	-	-
University of Texas Health Science Center at San Antonio		08ET040065F3	745	15,230.28	-	-	15,230.28
Public Health Emergency Preparedness	93.069			-	-	-	-
Department of State Health Services			537	49,211.84	-	-	49,211.84
Model State-Supported Area Health Education Centers	93.107			-	-	590,592.63	590,592.63
Area Health Education Center of the Plains		10LM09002aFHb		-	-	-	-
Midland College		10LM090021FHc		-	-	-	-
Presbyterian Medical Care Misson		10LM090021FHd		-	-	-	-
Project Vida		10LM090021FHe		-	-	-	-
West Central Texas Council of Governments		09LT060012F2HD		-	-	-	-
West Texas A&M University			757	-	-	-	-
Centers of Excellence	93.157			-	-	226,867.86	226,867.86
Project Vida		1D34HP16043-01-00		-	-	-	-
Family Planning Services	93.217			-	-	-	-
Department of State Health Services			537	134,912.00	-	-	134,912.00

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2010

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures
		Agy Nbr	State Agency Amount		
U.S. Department of Agriculture					
Special Supplemental Nutrition Program for Women, Infant and Children	10.557		-	-	-
Department of State Health Services		537	-	2,916,784.84	2,916,784.84
WIC Farmers' Market Nutrition Program (FMNP)					
Department of State Health Services	10.572	537	-	3,971.80	3,971.80
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	2,920,756.64	2,920,756.64
 U.S. Department of Justice					
U.S. Department of Justice	16.000		-	109.91	109.91
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		-	20.55	20.55
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		-	715.21	715.21
TOTAL U.S. DEPARTMENT OF JUSTICE			-	845.67	845.67
 National Science Foundation					
Social, Behavioral and Economic Sciences	47.075		-	-	-
Texas Tech University		733	-	8,870.17	8,870.17
TOTAL NATIONAL SCIENCE FOUNDATION			-	8,870.17	8,870.17
 U.S. Department of Education					
Rehabilitation Long-Term Training	84.129		-	(1,027.22)	(1,027.22)
TOTAL U.S. DEPARTMENT OF EDUCATION			-	(1,027.22)	(1,027.22)
 U.S. Department of Health and Human Services					
U.S. Department of Health and Human Services	93.000		-	-	-
University of Texas Health Science Center at San Antonio		745	-	15,230.28	15,230.28
Public Health Emergency Preparedness	93.069		-	-	-
Department of State Health Services		537	-	49,211.84	49,211.84
Model State-Supported Area Health Education Centers	93.107		-	9,503.88	9,503.88
Area Health Education Center of the Plains			-	102,214.84	102,214.84
Midland College			-	108,140.72	108,140.72
Presbyterian Medical Care Misson			-	99,794.10	99,794.10
Project Vida			-	153,705.92	153,705.92
West Central Texas Council of Governments			-	25,130.02	25,130.02
West Texas A&M University		757	92,103.15	-	92,103.15
Centers of Excellence	93.157		-	159,254.05	159,254.05
Project Vida			-	67,613.81	67,613.81
Family Planning Services	93.217		-	-	-
Department of State Health Services		537	-	134,912.00	134,912.00

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2010

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From					Total Pass- Through From and Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	Non-State Agency Amount	Direct Program	
U.S. Department of Health and Human Services - Continued							
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224			-	-	16,295.89	16,295.89
Advanced Education Nursing Grant Program	93.247			-	-	254,073.47	254,073.47
Poison Control Stabilization and Enhancement Grants	93.253			-	-	101,885.32	101,885.32
Northwest Texas Health Care System		H4BHS07658A0		-	-	-	-
Nursing Faculty Loan Program (NFLP) (Note 3)	93.264			-	-	15,227.00	15,227.00
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			-	-	-	-
American Academy of Pediatrics		08EM080996FN		-	1,257.80	-	1,257.80
Department of State Health Services			537	201,981.96	-	-	201,981.96
Advanced Education Nursing Traineeships	93.358			-	-	70,376.00	70,376.00
ARRA - Scholarships for Disadvantaged Students	93.407			-	-	342,341.13	342,341.13
ARRA - Health Center Integrated Services Development Initiative	93.703			-	-	605,563.85	605,563.85
Basic/Core Area Health Education Centers	93.824			-	-	(1,158.31)	(1,158.31)
West Texas A&M University			757	-	-	-	-
Lung Diseases Research	93.838			-	-	(0.01)	(0.01)
Grants for Training in Primary Care Medicine and Dentistry	93.884			-	-	234,020.73	234,020.73
Health Care and Other Facilities	93.887			-	-	188,100.00	188,100.00
HIV Prevention Activities Health Department Based	93.940			-	-	-	-
Department of State Health Services			537	32,928.80	-	-	32,928.80
Geriatric Education Centers	93.969			-	-	11,238.74	11,238.74
Harrington Regional Medical Center		125509-125507		-	52,619.21	-	52,619.21
University of Texas Health Science Center at San Antonio			745	39,183.85	-	-	39,183.85
Maternal & Child Health Services Block Grant to the States	93.994			-	-	-	-
Department of State Health Services			537	64,858.42	-	-	64,858.42
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SVCS				538,307.15	53,877.01	2,655,424.30	3,247,608.46
Corporation for National and Community Service				-	-	-	-
Retired and Senior Volunteer Program	94.002			-	-	77,069.43	77,069.43
TOTAL CORPORATION FOR NAT'L & COMMUNITY SVC				-	-	77,069.43	77,069.43
RESEARCH AND DEVELOPMENT (R&D) CLUSTER							
U.S. Department of Agriculture							
Grants for Agricultural Research Competitive Research Grants	10.206			-	-	172,170.37	172,170.37
Chris Harwell Elementary School PTA		09LN050066F3L		-	-	-	-
Texas Tech University			733	-	-	-	-
SUBTOTAL- U.S. DEPARTMENT OF AGRICULTURE				-	-	172,170.37	172,170.37

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Schedule 1A: Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2010

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures	
		Agy Nbr	State Agency Amount			Non-State Agency Amount
U.S. Department of Health and Human Services - Continued						
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224		-	-	16,295.89	16,295.89
Advanced Education Nursing Grant Program	93.247		-	-	254,073.47	254,073.47
Poison Control Stabilization and Enhancement Grants	93.253		-	-	84,113.87	84,113.87
Northwest Texas Health Care System			-	17,771.45	-	17,771.45
Nursing Faculty Loan Program (NFLP) (Note 3)	93.264		-	-	15,227.00	15,227.00
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		-	-	-	-
American Academy of Pediatrics			-	-	1,257.80	1,257.80
Department of State Health Services		537	-	-	201,981.96	201,981.96
Advanced Education Nursing Traineeships	93.358		-	-	70,376.00	70,376.00
ARRA - Scholarships for Disadvantaged Students	93.407		-	-	342,341.13	342,341.13
ARRA - Health Center Integrated Services Development Initiative	93.703		-	-	605,563.85	605,563.85
Basic/Core Area Health Education Centers	93.824		-	-	-	-
West Texas A&M University		757	(1,158.31)	-	-	(1,158.31)
Lung Diseases Research	93.838		-	-	(0.01)	(0.01)
Grants for Training in Primary Care Medicine and Dentistry	93.884		-	-	234,020.73	234,020.73
Health Care and Other Facilities	93.887		-	-	188,100.00	188,100.00
HIV Prevention Activities Health Department Based	93.940		-	-	-	-
Department of State Health Services		537	-	-	32,928.80	32,928.80
Geriatric Education Centers	93.969		-	-	11,238.74	11,238.74
Harrington Regional Medical Center			-	-	52,619.21	52,619.21
University of Texas Health Science Center at San Antonio		745	-	-	39,183.85	39,183.85
Maternal & Child Health Services Block Grant to the States	93.994		-	-	-	-
Department of State Health Services		537	-	-	64,858.42	64,858.42
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SVCS			90,944.84	574,370.86	2,582,292.76	3,247,608.46
Corporation for National and Community Service						
Retired and Senior Volunteer Program	94.002		-	-	77,069.43	77,069.43
TOTAL CORPORATION FOR NAT'L & COMMUNITY SVC			-	-	77,069.43	77,069.43
RESEARCH AND DEVELOPMENT (R&D) CLUSTER						
U.S. Department of Agriculture						
Grants for Agricultural Research Competitive Research Grants	10.206		-	-	68,934.33	68,934.33
Chris Harwell Elementary School PTA			-	10,000.00	-	10,000.00
Texas Tech University		733	93,236.04	-	-	93,236.04
SUBTOTAL- U.S. DEPARTMENT OF AGRICULTURE			93,236.04	10,000.00	68,934.33	172,170.37

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2010

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From					Total Pass- Through From and Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	Non-State Agency Amount	Direct Program	
U.S. Department of Defense							
U.S. Department of Defense	12.000						
Texas Tech University		21C088-01	733	139,956.82	-	-	139,956.82
Military Medical Research and Development	12.420			-	-	169,450.42	169,450.42
CureSearch - National Childhood Cancer Foundation		W81XWH-07-1-0580		-	521,624.38	-	521,624.38
T.R.U.E Research Foundation		W81XWH-06-2-0033		-	514,662.43	-	514,662.43
The Scripps Research Institute		W81XWH-05-1-0316		-	45,303.85	-	45,303.85
SUBTOTAL-U.S. DEPARTMENT OF DEFENSE				139,956.82	1,081,590.66	169,450.42	1,390,997.90
National Science Foundation							
Engineering Grants	47.041			-	-	-	-
Texas Tech University			733	39,224.73	-	-	39,224.73
SUBTOTAL-NATIONAL SCIENCE FOUNDATION				39,224.73	-	-	39,224.73
U.S. Department of Health and Human Services							
U.S. Department of Health and Human Services	93.000						
Oklahoma University Health Sciences Center		266200400027		-	6,494.91	-	6,494.91
Environmental Health	93.113			-	-	414,977.24	414,977.24
Oral Diseases and Disorders Research	93.121						-
Selenium Technologies, Ltd		10LMF080117NL		-	33,963.13	-	33,963.13
Allied Health Special Projects	93.191			-	-	452,530.18	452,530.18
Research & Training in Complementary & Alternative Medicine	93.213			-	-	120,703.65	120,703.65
Florida State University		09LM060091NCL		-	-	-	-
Texas Tech University			733	-	-	-	-
University of Georgia Research Foundation		09LM060091N1L		-	-	-	-
Winthrop University Hospital		09LM060091NDL		-	-	-	-
Mental Health Research Grants	93.242			-	-	20,692.78	20,692.78
John Hopkins University		2000864463		-	19,765.79	-	19,765.79
John Hopkins University		1R01MH087233-01A1		-	4,833.57	-	4,833.57
University of Southern California		11EMF100086N1CL		-	-	-	-
University of Texas Health Science Center at San Antonio			745	-	-	-	-
Alcohol Research Programs	93.273			-	-	251,587.31	251,587.31
Mental Health Research Career/Scientist Development Awards	93.281			-	-	-	-
John Hopkins University		200713699		-	27,444.00	-	27,444.00
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			-	-	217,297.78	217,297.78
Trans-NIH Research Support	93.310			-	-	-	-
University of Texas Southwestern Medical Center at Dallas			729	20,844.25	-	-	20,844.25
Nurse Education, Practice and Retention Grants	93.359			-	-	(63.54)	(63.54)

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures
		Agy Nbr	State Agency Amount		
U.S. Department of Defense					
U.S. Department of Defense	12.000				
Texas Tech University		733	-	-	139,956.82
Military Medical Research and Development	12.420		-	-	169,450.42
CureSearch - National Childhood Cancer Foundation			-	-	521,624.38
T.R.U.E Research Foundation			-	-	514,662.43
The Scripps Research Institute			-	-	45,303.85
SUBTOTAL-U.S. DEPARTMENT OF DEFENSE			-	-	1,390,997.90
 National Science Foundation					
Engineering Grants	47.041		-	-	-
Texas Tech University		733	-	-	39,224.73
SUBTOTAL-NATIONAL SCIENCE FOUNDATION			-	-	39,224.73
 U.S. Department of Health and Human Services					
U.S. Department of Health and Human Services	93.000		-	-	-
Oklahoma University Health Sciences Center			-	-	6,494.91
Environmental Health	93.113		-	-	414,977.24
Oral Diseases and Disorder Research	93.121		-	-	-
Selenium Technologies, Ltd			-	-	33,963.13
Allied Health Special Projects	93.191		-	-	452,530.18
Research & Training in Complementary & Alternative Medicine	93.213		-	-	49,117.75
Florida State University			-	40.30	-
Texas Tech University		733	17,761.98	-	-
University of Georgia Research Foundation			-	51,515.84	-
Winthrop University Hospital			-	2,267.78	-
Mental Health Research Grants	93.242				6,758.25
John Hopkins University			-	-	19,765.79
John Hopkins University					4,833.57
University of Southern California			-	7,620.00	-
University of Texas Health Science Center at San Antonio		745	6,314.53	-	-
Alcohol Research Programs	93.273		-	-	251,587.31
Mental Health Research Career/Scientist Development Awards	93.281		-	-	-
John Hopkins University			-	-	27,444.00
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		-	-	217,297.78
Trans-NIH Research Support	93.310		-	-	-
University of Texas Southwestern Medical Center at Dallas		729	-	-	20,844.25
Nurse Education, Practice and Retention Grants	93.359		-	-	(63.54)

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From				Direct Program	Total Pass- Through From and Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	Non-State Agency Amount		
U.S. Department of Health and Human Services - Continued							
National Center for Research Resources	93.389			-	-	58,523.32	58,523.32
John Hopkins University		2000504935		-	6,103.61	-	6,103.61
Oklahoma University Health Sciences Center		5P40RR012317-13		-	105,420.04	-	105,420.04
University of Texas Southwestern Medical Center at Dallas			729	39,161.72	-	-	39,161.72
University of Toledo		08LM050050FL		-	-	-	-
Academic Research Enhancement Award	93.390			-	-	66,915.06	66,915.06
Cancer Cause and Prevention Research	93.393			-	-	348,101.32	348,101.32
Northwestern University		CA129038		-	-	-	-
Cancer Detection and Diagnosis Research	93.394			-	-	132,014.55	132,014.55
Cancer Treatment Research	93.395			-	-	498,035.91	498,035.91
Children's Hospital of Los Angeles		8018-RGF003673-04		-	250,908.24	-	250,908.24
CureSearch - National Childhood Cancer Foundation		18730		-	31,629.00	-	31,629.00
John Wayne Cancer Institute		09LMF090042NL		-	23,299.65	-	23,299.65
MandalMed, Inc.		09LMF090026N		-	36,672.94	-	36,672.94
Receptor Logic		1R41CA132258-01A2		-	54,082.62	-	54,082.62
St. Jude Children's Research Hospital		N01-CM-42216		-	27,980.45	-	27,980.45
The Research Institute at Nationwide Children's Hospital		HHSN261201000001C		-	130,045.83	-	130,045.83
University of California at Irvine		2009-2261		-	943.37	-	943.37
Cancer Biology Research	93.396			-	-	418,050.57	418,050.57
Cancer Control	93.399			-	-	44,105.90	44,105.90
ARRA-Trans-NIH Recovery Act Research Support	93.701			-	-	1,288,892.49	1,288,892.49
Board of Regents of the University of Wisconsin System		11EMF100182N1L		-	-	-	-
Illinois State University		1R21DK083859-02		-	75,291.30	-	75,291.30
Immune Disease Research Institute		1RC1DK087348-01		-	13,492.79	-	13,492.79
Nova Southeastern University		5R21HL096357-03		-	23,903.44	-	23,903.44
Cardiovascular Diseases Research	93.837			-	-	113,223.00	113,223.00
John Hopkins University		2000504083		-	9,760.69	-	9,760.69
Ohio State University Research Foundation		05LM050030FNL		-	9,031.15	-	9,031.15
TUFTS Medical Center		5U01HL077821		-	86,248.02	-	86,248.02
University of Iowa		1000703167		-	10,619.64	-	10,619.64
University of Texas Health Science Center at Houston			744	29,737.87	-	-	29,737.87
Lung Diseases Research	93.838			-	-	101,426.11	101,426.11
Blood Diseases and Resources Research	93.839			-	-	242,501.67	242,501.67
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846			-	-	55,748.57	55,748.57
Diabetes, Digestive & Kidney Diseases Extramural Research	93.847			-	-	224,286.31	224,286.31
Spire Corporation		232269		-	128,564.53	-	128,564.53
Kidney Diseases, Urology and Hematology Research	93.849			-	-	101,770.80	101,770.80

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures
		Agy Nbr	State Agency Amount		
U. S. Department of Health and Human Services - Continued					
National Center for Research Resources	93.389		-	-	40,632.88
John Hopkins University			-	-	6,103.61
Oklahoma University Health Sciences Center			-	-	105,420.04
University of Texas Southwestern Medical Center at Dallas		729	-	-	39,161.72
University of Toledo			-	17,890.44	-
Academic Research Enhancement Award	93.390		-	-	66,915.06
Cancer Cause and Prevention Research	93.393		-	-	311,805.29
Northwestern University			-	36,296.03	-
Cancer Detection and Diagnosis Research	93.394		-	-	132,014.55
Cancer Treatment Research	93.395		-	-	498,035.91
Children's Hospital of Los Angeles			-	-	250,908.24
CureSearch - National Childhood Cancer Foundation			-	-	31,629.00
John Wayne Cancer Institute			-	-	23,299.65
MandalMed, Inc.			-	-	36,672.94
Receptor Logic			-	-	54,082.62
St. Jude Children's Research Hospital			-	-	27,980.45
The Research Institute at Nationwide Children's Hospital			-	-	130,045.83
University of California at Irvine			-	-	943.37
Cancer Biology Research	93.396		-	-	418,050.57
Cancer Control	93.399		-	-	44,105.90
ARRA-Trans-NIH Recovery Act Research Support	93.701		-	-	1,277,171.04
Board of Regents of the University of Wisconsin System			-	11,721.45	-
Illinois State University			-	-	75,291.30
Immune Disease Research Institute			-	-	13,492.79
Nova Southeastern University			-	-	23,903.44
Cardiovascular Diseases Research	93.837		-	-	113,223.00
John Hopkins University			-	-	9,760.69
Ohio State University Research Foundation			-	-	9,031.15
TUFTS Medical Center			-	-	86,248.02
University of Iowa			-	-	10,619.64
University of Texas Health Science Center at Houston		744	-	-	29,737.87
Lung Diseases Research	93.838		-	-	101,426.11
Blood Diseases and Resources Research	93.839		-	-	242,501.67
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		-	-	55,748.57
Diabetes, Digestive & Kidney Diseases Extramural Research	93.847		-	-	224,286.31
Spire Corporation			-	-	128,564.53
Kidney Diseases, Urology and Hematology Research	93.849		-	-	101,770.80

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Pass-Through From			Direct Program	Total Pass- Through From and Direct Program
			Agy Nbr	State Agency Amount	Non-State Agency Amount		
U.S. Department of Health and Human Services - Continued							
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			-	-	615,972.57	615,972.57
John Hopkins University		2000498222		-	23,206.17	-	23,206.17
John Hopkins University		2000504080		-	20,182.73	-	20,182.73
Allergy, Immunology and Transplantation Research	93.855			-	-	1,777,775.38	1,777,775.38
Alnylam Pharmaceuticals		10EMF080093NI		-	-	-	-
Immune Disease Research Institute		10EMF080102N1L		-	-	-	-
Oklahoma University Health Sciences Center		10LM070041N3L		-	-	-	-
University of Colorado Denver		09062030		-	6,834.18	-	6,834.18
University of Colorado Denver		09062014		-	31,267.67	-	31,267.67
University of Pittsburgh		0010712		-	31,852.18	-	31,852.18
University of Texas Southwestern Medical Center at Dallas			729	81,299.75	-	-	81,299.75
Microbiology and Infectious Diseases Research	93.856			-	-	295.96	295.96
Biomedical Research and Research Training	93.859			-	-	422,592.99	422,592.99
Child Health & Human Development Extramural Research	93.865			-	-	352,943.37	352,943.37
Aging Research	93.866			-	-	897,638.23	897,638.23
Texas Agricultural Experiment Station		10AP050109N5L		-	-	-	-
Grants for Training in Primary Care Medicine and Dentistry	93.884			-	-	295.87	295.87
Health Care and Other Facilities	93.887			-	-	398,018.06	398,018.06
Specially Selected Health Projects	93.888			-	-	5,757.16	5,757.16
Coal Miners Respiratory Impairment Treatment Clinics and Services	93.965			-	-	222,356.52	222,356.52
SUBTOTAL-U.S. DEPT OF HLTH & HUMAN SVCS				171,043.59	1,229,841.64	9,864,967.09	11,265,852.32
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER				350,225.14	2,311,432.30	10,206,587.88	12,868,245.32
 CHILD CARE CLUSTER							
U.S. Department of Health of Human Services							
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596			-	-	-	-
Upper Rio Grande Workforce Development Board		09EM070999F3H		-	9,837.97	-	9,837.97
TOTAL CHILD CARE CLUSTER				-	9,837.97	-	9,837.97
 SPECIAL EDUCATION (IDEA) CLUSTER							
U.S. Department of Education							
Special Education Grants to States	84.027			-	-	-	-
Texas Tech University			733	18,283.25	-	-	18,283.25
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER				18,283.25	-	-	18,283.25

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures	
		Agy Nbr	State Agency Amount			Non-State Agency Amount
U. S. Department of Health and Human Services - Continued						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		-	-	615,972.57	615,972.57
John Hopkins University			-	-	23,206.17	23,206.17
John Hopkins University			-	-	20,182.73	20,182.73
Allergy, Immunology and Transplantation Research	93.855		-	-	1,629,228.48	1,629,228.48
Anylam Pharmaceuticals			-	6,589.00	-	6,589.00
Immune Disease Research Institute			-	33,369.98	-	33,369.98
Oklahoma University Health Sciences Center			-	108,587.92	-	108,587.92
University of Colorado Denver			-	-	6,834.18	6,834.18
University of Colorado Denver			-	-	31,267.67	31,267.67
University of Pittsburgh			-	-	31,852.18	31,852.18
University of Texas Southwestern Medical Center at Dallas		729	-	-	81,299.75	81,299.75
Microbiology and Infectious Diseases Research	93.856		-	-	295.96	295.96
Biomedical Research and Research Training	93.859		-	-	422,592.99	422,592.99
Child Health & Human Development Extramural Research	93.865		-	-	352,943.37	352,943.37
Aging Research	93.866		-	-	897,002.77	897,002.77
Texas Agricultural Experiment Station			-	635.46	-	635.46
Grants for Training in Primary Care Medicine and Dentistry	93.884		-	-	295.87	295.87
Health Care and Other Facilities	93.887		-	-	398,018.06	398,018.06
Specially Selected Health Projects	93.888		-	-	5,757.16	5,757.16
Coal Miners Respiratory Impairment Treatment Clinics and Services	93.965		-	-	222,356.52	222,356.52
SUBTOTAL-U.S. DEPT OF HLTH & HUMAN SVCS			24,076.51	276,534.20	10,965,241.61	11,265,852.32
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER			117,312.55	286,534.20	12,464,398.57	12,868,245.32
 CHILD CARE CLUSTER						
U.S. Department of Health of Human Services						
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596		-	-	-	-
Upper Rio Grande Workforce Development Board			-	-	9,837.97	9,837.97
TOTAL CHILD CARE CLUSTER			-	-	9,837.97	9,837.97
 SPECIAL EDUCATION (IDEA) CLUSTER						
U.S. Department of Education						
Special Education Grants to States	84.027		-	-	-	-
Texas Tech University		733	-	-	18,283.25	18,283.25
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER			-	-	18,283.25	18,283.25

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From					Total Pass- Through From and Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	Non-State Agency Amount	Direct Program	
STUDENT FINANCIAL ASSISTANCE CLUSTER							
U.S. Department of Education							
Federal Supplemental Educational Opportunity Grants	84.007			-	-	13,193.00	13,193.00
Federal Family Education Loans (Note 3)	84.032			-	-	47,147,460.00	47,147,460.00
Federal Perkins Loan Program Federal Capital Contributions (Note 3)	84.038			-	-	401,755.00	401,755.00
Federal Pell Grant Program	84.063			-	-	773,707.00	773,707.00
SUBTOTAL-U.S. DEPARTMENT OF EDUCATION				-	-	48,336,115.00	48,336,115.00
U.S. Department of Health and Human Services							
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			-	-	748,699.47	748,699.47
SUBTOTAL-U.S. DEPT OF HLTH & HUMAN SVCS				-	-	748,699.47	748,699.47
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				-	-	49,084,814.47	49,084,814.47
STATE FISCAL STABILIZATION FUND CLUSTER							
U.S. Department of Education							
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397			-	-	-	-
Area Health Education Center of the Plains		ILEW041296		-	-	-	-
Midland College		ALEW041836		-	-	-	-
Presbyterian Medical Care Mission		10052-0		-	-	-	-
Project Vida		ILEW091651		-	-	-	-
The Texas Higher Education Coordinating Board			781	8,516,361.24	-	-	8,516,361.24
West Texas A&M University			757	-	-	-	-
TOTAL STATE FISCAL STABILIZATION FUND CLUSTER				8,516,361.24	-	-	8,516,361.24
WIA CLUSTER							
U.S Department of Labor							
ARRA - WIA Adult Program	17.258						
Dallas-Fort Worth Hospital Council Education		10LN10000Sg		-	-	-	-
Stephen F Austin State University			755	-	-	-	-
Temple Junior College		10LN10000Sh		-	-	-	-
Texas A&M University Health Sciences Center			709	-	-	-	-
Texas State University San Marcos			754	-	-	-	-
Texas Womans University			731	-	-	-	-
Texas Workforce Commission			320	534,160.93	-	-	534,160.93
University of Texas at Tyler			750	-	-	-	-
TOTAL WIA CLUSTER				534,160.93	-	-	534,160.93
TOTAL FEDERAL FINANCIAL ASSISTANCE				12,886,964.52	2,375,147.28	62,023,714.53	77,285,826.33

(Note 2)

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		Agy Nbr	State Agency Amount			Non-State Agency Amount
STUDENT FINANCIAL ASSISTANCE CLUSTER						
U.S. Department of Education						
Federal Supplemental Educational Opportunity Grants	84.007		-	-	13,193.00	13,193.00
Federal Family Education Loans (Note 3)	84.032		-	-	47,147,460.00	47,147,460.00
Federal Perkins Loan Program Federal Capital Contributions (Note 3)	84.038		-	-	401,755.00	401,755.00
Federal Pell Grant Program	84.063		-	-	773,707.00	773,707.00
SUBTOTAL-U.S. DEPARTMENT OF EDUCATION			-	-	48,336,115.00	48,336,115.00
U.S. Department of Health and Human Services						
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		-	-	748,699.47	748,699.47
SUBTOTAL-U.S. DEPT OF HLTH & HUMAN SVCS			-	-	748,699.47	748,699.47
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	-	49,084,814.47	49,084,814.47
STATE FISCAL STABILIZATION FUND CLUSTER						
U.S. Department of Education						
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397					
Area Health Education Center of the Plains			-	243,085.58	-	243,085.58
Midland College			-	183,739.24	-	183,739.24
Presbyterian Medical Care Mission			-	242,260.81	-	242,260.81
Project Vida			-	132,613.73	-	132,613.73
The Texas Higher Education Coordinating Board		781	-	-	7,521,299.04	7,521,299.04
West Texas A&M University		757	193,362.84	-	-	193,362.84
TOTAL STATE FISCAL STABILIZATION FUND CLUSTER			193,362.84	801,699.36	7,521,299.04	8,516,361.24
WIA CLUSTER						
U.S Department of Labor						
ARRA - WIA Adult Program	17.258					
Dallas-Fort Worth Hospital Council Education			-	69,625.58	-	69,625.58
Stephen F Austin State University		755	103,758.67	-	-	103,758.67
Temple Junior College			-	16,081.29	-	16,081.29
Texas A&M University Health Sciences Center		709	73,191.65	-	-	73,191.65
Texas State University San Marcos		754	14,113.43	-	-	14,113.43
Texas Womans University		731	138,457.11	-	-	138,457.11
Texas Workforce Commission		320	-	-	106,552.04	106,552.04
University of Texas at Tyler		750	12,381.16	-	-	12,381.16
TOTAL WIA CLUSTER			341,902.02	85,706.87	106,552.04	534,160.93
TOTAL FEDERAL FINANCIAL ASSISTANCE			743,522.25	1,748,311.29	74,793,992.79	77,285,826.33

(Note 2)

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Note 1 Nonmonetary Assistance

Texas Tech University Health Sciences Center (TTUHSC) did not receive any nonmonetary assistance for the year ended August 31, 2010.

Note 2 Reconciliation

Federal Grant Revenues - Unpledged (SRECNA)	\$ 12,335,798.22
Federal Grant Revenues - Pledged (SRECNA)	3,732,445.59
Federal Grant Pass-Through Revenues (SRECNA)	4,370,603.28
Federal Contract Revenues (SRECNA)	1,994,509.26
Non-Operating Federal Grant Revenues (SRECNA)	786,900.00
Non-Operating Federal Grant Pass-Through Revenues (SRECNA)	<u>8,516,361.24</u>
TOTAL FEDERAL REVENUES (SRECNA)	31,736,617.59
Reconciling Items	
New Loans Processed	47,543,718.00
Federal Vendor Relationship Revenues	(1,994,509.26)
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u><u>\$ 77,285,826.33</u></u>

Note 3a Student Loans

<i>Federal Grantor / CFDA Number / Program Title</i>	<i>New Loans Processed</i>	<i>Administrative Costs Recovered</i>	<i>Total</i>	<i>Ending Balances of Previous Years' Loans</i>
U. S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$ -	\$ -	\$ -	\$ 159,850.46
93.264 Nursing Faculty Loans	15,227.00	-	15,227.00	131,437.04
93.364 Nursing Student Loans	-	-	-	31,911.06
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	<u>15,227.00</u>	<u>-</u>	<u>15,227.00</u>	<u>323,198.56</u>
U. S. Department of Education				
84.032 Federal Family Education Loan Program and Adjustment	47,147,460.00	-	47,147,460.00	-
84.038 Federal Perkins Loan Program	381,031.00	20,724.00	401,755.00	2,277,156.85
TOTAL U. S. DEPARTMENT OF EDUCATION	<u>47,528,491.00</u>	<u>20,724.00</u>	<u>47,549,215.00</u>	<u>2,277,156.85</u>
TOTAL STUDENT LOANS	<u><u>\$ 47,543,718.00</u></u>	<u><u>\$ 20,724.00</u></u>	<u><u>\$ 47,564,442.00</u></u>	<u><u>\$ 2,600,355.41</u></u>

Note 4 Depository Libraries for Government Publications (does not apply to TTUHSC)

Note 5 Unemployment Insurance (does not apply to TTUHSC)

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Schedule 1A: Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010

Note 6 **Rebates from the Special Supplemental Food Program for Women, Infant, and Children** (does not apply to TTUHSC)

Note 7 **Federal Deferred Revenue**

CFDA	Balance 09/01/2009	Net Change	Balance 08/31/2010
10.206	\$ -	\$ 15,219.24	\$ 15,219.24
12.420	\$ 8,991.31	\$ (8,991.31)	\$ -
93.121	-	45,060.87	45,060.87
93.173	-	12,510.00	12,510.00
93.217	-	11,446.21	11,446.21
93.283	11,221.22	50,699.09	61,920.31
93.701	-	1,209.43	1,209.43
93.837	18,919.00	(18,919.00)	-
93.940	-	50,387.05	50,387.05
93.969	14,185.23	(1,063.45)	13,121.78
93.994	3,317.66	(913.21)	2,404.45
	<u>\$ 56,634.42</u>	<u>\$ 156,644.92</u>	<u>\$ 213,279.34</u>

The deferred revenue of \$213,279.34 consists of federal grant payments that have not been earned.

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Schedule 1B: Schedule of State Grant Pass-Throughs from/to State Agencies For the Year Ended August 31, 2010

Agency Number	Agency Name/Grant ID/Grant Description	Amount
477	Commission on State Emergency Communications	
	477.0001 Poison Control Centers	\$ 170,616.55
	<i>TOTAL COMMISSION ON STATE EMERGENCY COMMUNICATIONS</i>	<u>170,616.55</u>
537	Department of State Health Services	
	537.0003 BCCS Grant Odessa FY 2010	61,776.67
	537.0006 Epilepsy Project	201,509.30
	537.0007 Poison Control Network	538,988.69
	537.0011 Obesity	25,762.70
	537.0014 SHS Child W Spec Health Care Needs	19,147.90
	537.0017 Tuberculosis Elimination Program	5,300.00
	537.0020 HIV Testing	2,760.00
	537.0021 FQHC Capital Infrastructure	59,301.70
	537.0022 Radiopharmaceutical Mfg	600,000.00
	537.0024 Family Health Services	44,605.73
	<i>TOTAL DEPARTMENT OF STATE HEALTH SERVICES</i>	<u>1,559,152.69</u>
720	University of Texas System	
	720.0002 Joint Admission Medical Program	148,362.77
	<i>TOTAL UNIVERSITY OF TEXAS SYSTEM</i>	<u>148,362.77</u>
781	Texas Higher Education Coordinating Board	
	781.0001 Family Practice Residency	1,258,955.49
	781.0002 Professional Nursing Aid	29,200.00
	781.0005 Minority Health Research and Education	(12,204.52)
	781.0006 Nursing & Allied Health	(19,987.49)
	781.0008 TEXAS Grant Program	75,600.00
	781.0010 Advanced Research Program	429,220.00
	781.0013 Professional Nursing Shortage Reduction Program	856,267.00
	781.0027 Primary Care Residency Program	390,000.00
	<i>TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD</i>	<u>3,007,050.48</u>
	TOTAL STATE GRANT PASS-THROUGH REVENUES	<u>\$ 4,885,182.49</u>

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Schedule 2A: Miscellaneous Bond Information

For the Fiscal Year Ended August 31, 2010

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
Rev Fin Sys Bonds 7th Series 2001	\$ 19,510,000.00	3.00% - 5.50%	2002	2013	2/15/2012
Rev Fin Sys Bonds 9th Series 2003	64,270,000.00	4.00% - 5.25%	2006	2023	8/15/2013
Rev Fin Sys Ref & Imp Bonds Series 2006	59,694,524.01	4.00% - 5.00%	2006	2029	2/15/2016
Rev Fin Sys Ref & Imp Bonds Series 2009	<u>30,842,818.83</u>	4.00% - 5.00%	2009	2028	2/15/2019
	<u>\$ 174,317,342.84</u>				

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Schedule 2B: Changes in Bonded Indebtedness

For the Fiscal Year Ended August 31, 2010

<u>Description of Issue</u>	<u>Bonds Outstanding 9/01/2009</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded or Extinguished</u>
Rev Fin Sys Bonds 7th Series 2001	3,615,000.00	-	835,000.00	-
Rev Fin Sys Bonds 9th Series 2003	54,310,000.00	-	2,735,000.00	-
Rev Fin Sys Ref & Imp Bonds Series 2006	52,540,013.84	-	1,476,713.20	-
Rev Fin Sys Ref & Imp Bonds Series 2009	28,535,633.15	-	2,364,382.39	-
	<u>\$ 139,000,646.99</u>	<u>\$ -</u>	<u>\$ 7,411,095.59</u>	<u>\$ -</u>

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Schedule 2B: Changes in Bonded Indebtedness

For the Fiscal Year Ended August 31, 2010

Description of Issue	Bonds Outstanding 08/31/2010	Unamortized Premium	Net Bonds Outstanding 08/31/2010	Amounts Due Within One Year
Rev Fin Sys Bonds 7th Series 2001	2,780,000.00	-	2,780,000.00	880,000.00
Rev Fin Sys Bonds 9th Series 2003	51,575,000.00	-	51,575,000.00	2,860,000.00
Rev Fin Sys Ref & Imp Bonds Series 2006	51,063,300.64	-	51,063,300.64	1,709,285.36
Rev Fin Sys Ref & Imp Bonds Series 2009	26,171,250.76	1,587,379.32	27,758,630.08	2,371,027.90
	<u>\$ 131,589,551.40</u>	<u>\$ 1,587,379.32</u>	<u>\$ 133,176,930.72</u>	<u>\$ 7,820,313.26</u>

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Schedule 2C: Debt Service Requirements

For the Fiscal Year Ended August 31, 2010

Description of Issue	Year	Principal	Interest
Revenue Bonds	2011	\$ 880,000.00	\$ 150,700.00
Revenue Financing System Bonds	2012	925,000.00	104,500.00
7th Series 2001	2013	975,000.00	53,625.00
		\$ 2,780,000.00	\$ 308,825.00
Revenue Bonds	2011	\$ 2,860,000.00	\$ 2,564,425.00
Revenue Financing System Bonds	2012	3,005,000.00	2,417,800.00
9th Series 2003	2013	3,165,000.00	2,263,550.00
	2014	3,330,000.00	2,097,012.50
	2015	3,510,000.00	1,917,462.50
	2016-2020	20,590,000.00	6,543,550.00
	2021-2023	15,115,000.00	1,159,125.00
		\$ 51,575,000.00	\$ 18,962,925.00
Revenue Bonds	2011	\$ 1,709,285.36	\$ 2,391,969.13
Revenue Financing System Refunding and	2012	1,794,427.96	2,312,922.72
Improvement Bonds - Series 2006	2013	1,881,326.36	2,221,028.86
	2014	3,046,822.15	2,097,825.15
	2015	3,203,998.79	1,941,554.63
	2016-2020	18,476,804.73	7,211,569.09
	2021-2025	16,349,289.68	3,102,557.30
	2026-2028	4,601,345.61	233,153.34
		\$ 51,063,300.64	\$ 21,512,580.22
Revenue Bonds	2011	\$ 2,282,840.16	\$ 1,180,864.44
Revenue Financing System Refunding and	2012	1,546,866.56	1,104,163.06
Improvement Bonds - Series 2009	2013	1,609,819.49	1,040,679.85
	2014	1,667,536.46	980,305.88
	2015	1,734,188.09	909,446.02
	2016-2020	5,380,000.00	3,687,000.00
	2021-2025	6,905,000.00	2,159,375.00
	2026-2028	5,045,000.00	386,625.00
		\$ 26,171,250.76	\$ 11,448,459.25

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Schedule 2D: Analysis of Funds Available for Debt Service

For the Fiscal Year Ended August 31, 2010

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2010			
	Net Available for			
	Debt Service			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
		Principal	Interest	
Rev Fin Sys Bonds 7th Series 2001		835,000.00	194,537.50	
Rev Fin Sys Bonds 9th Series 2003		2,735,000.00	2,690,625.00	
Rev Fin Sys Ref & Imp Bonds Series 2006		1,476,713.20	2,455,689.17	
Rev Fin Sys Ref & Imp Bonds Series 2009		2,364,382.39	1,273,540.69	
	\$ 60,292,964.50	\$ -	\$ 7,411,095.59	\$ 6,614,392.36

(a) Beginning Balances as of 09/01/2009 of \$58,076,903.19 are not included in *Total Pledged and Other Sources*

(b) Expenditures associated with pledged sources totaled \$31,121,511.56

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Schedule 2E: Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2010

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds, Rev Fin Sys Bonds 7th Series 2001	2006	\$ 10,010,000.00
		<u>\$ 10,010,000.00</u>

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Schedule 3: Reconciliation of Cash in the State Treasury

As of August 31, 2010

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local Revenue (Fund 0239)	\$ 9,470,482.42	\$ -	\$ 9,470,482.42
Permanent Health Fund - El Paso Campus (Fund 0820)	6,556,603.95	-	6,556,603.95
Permanent Health Fund - Other Campuses (Fund 0821)	<u>3,880,302.44</u>	<u>-</u>	<u>3,880,302.44</u>
TOTAL CASH IN THE STATE TREASURY	<u>\$ 19,907,388.81</u>	<u>\$ -</u>	<u>\$ 19,907,388.81</u>

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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

SUPPLEMENTAL SCHEDULES

TEXAS TECH FOUNDATION, INC. for TTUHSC

Annual Financial Report

UNAUDITED

Statement of Net Assets

As of August 31, 2010

ASSETS

Current Assets:

Restricted Cash and Cash Equivalents	\$	10,084,655.53
Receivables:		
Interest and Dividends		15,439.95
Pledged Gifts		1,379,457.65
Other		-
Prepaid Items		482,747.75
Total Current Assets	\$	<u>11,962,300.88</u>

Non-Current Assets:

Pledged Gifts Receivable	\$	10,988,649.43
Investments		80,980,720.17
Total Non-Current Assets	\$	<u>91,969,369.60</u>
TOTAL ASSETS	\$	<u>103,931,670.48</u>

LIABILITIES

Current Liabilities:

Payables:		
Accounts	\$	23,241.15
Total Current Liabilities	\$	<u>23,241.15</u>

Non-Current Liabilities:

Other Non-Current Liabilities	\$	-
Total Non-Current Liabilities	\$	-
TOTAL LIABILITIES	\$	<u>23,241.15</u>

NET ASSETS

Restricted for:

Funds Held as Permanent Investments		
Nonexpendable	\$	76,496,411.65
Other		27,412,017.68
Unrestricted		-
TOTAL NET ASSETS	\$	<u>103,908,429.33</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>103,931,670.48</u>

TEXAS TECH FOUNDATION, INC. for TTUHSC

Annual Financial Report

UNAUDITED

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended of August 31, 2010

OPERATING REVENUES

Other Sales and Services	\$ 55,648.99
Total Operating Revenues	<u>\$ 55,648.99</u>

OPERATING EXPENSES

Professional Fees and Services	\$ 65,318.23
Travel	45,801.17
Materials and Supplies	47,540.35
Communications and Utilities	8,286.38
Repairs and Maintenance	3,076.90
Rentals and Leases	13,404.82
Printing and Production	18,379.45
Interest Expense	5.42
Scholarships	697,557.50
Other Expenses	<u>158,186.50</u>
Total Operating Expenses	<u>\$ 1,057,556.72</u>
Operating Loss	<u>\$ (1,001,907.73)</u>

NON-OPERATING REVENUES (EXPENSES)

Gifts	\$ 7,716,245.34
less Uncollectibles	(63,181.81)
Interest and Investment Income	3,866,999.00
Net Increase in Fair Value of Investments	<u>2,781,065.16</u>
Total Non-Operating Revenues and Gains	<u>\$ 14,301,127.69</u>

CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS

Net Transfers from Texas Tech University	\$ 6,500.00
Net Transfers to Texas Tech University Health Sciences Center	<u>(1,148,762.54)</u>
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>\$ (1,142,262.54)</u>

TOTAL CHANGE IN NET ASSETS \$ 12,156,957.42

Net Assets, September 1, 2009 \$ 91,751,471.91

Net Assets, August 31, 2010 \$ 103,908,429.33

TEXAS TECH FOUNDATION, INC. for TTUHSC

Annual Financial Report

U N A U D I T E D

Statement of Cash Flows

For the Year Ended August 31, 2010

Cash Flows from Operating Activities

Cash Inflows

Collections from Other Operating Activities \$ 55,648.99

Cash Outflows

Payments to Suppliers (353,168.54)

Payments for Other Operating Activities (853,744.00)

Net Cash Used for Operating Activities \$ (1,151,263.55)

Cash Flows from Non-Capital Financing Activities

Cash Inflows

Proceeds from Non-Capital Gifts and Grants 5,610,184.89

Cash Outflows

Payments for Transfers to Texas Tech University Health Sciences Center (1,148,762.54)

Payments for Transfers to Texas Tech University 6,500.00

Net Cash Provided by Non-Capital Financing Activities \$ 4,467,922.35

Cash Flows from Investing Activities

Cash Inflows

Proceeds from Sales and Maturities of Investments \$ 10,526,098.70

Proceeds from Interest and Dividends on Investments 3,421,349.81

Cash Outflows

Payments for Purchases of Investments (17,582,107.13)

Net Cash Provided by Investing Activities \$ (3,634,658.62)

TOTAL NET CASH FLOWS \$ (317,999.82)

Cash and Cash Equivalents, September 1, 2009 \$ 10,402,655.35

Cash and Cash Equivalents, August 31, 2010 \$ 10,084,655.53

Components of Cash and Cash Equivalents, August 31, 2010

Cash in Bank \$ 1,190,109.32

Repurchase Agreements 1,226,194.24

Temporary Investment Fund 498,776.13

TexPool and TexStar Investments 7,169,575.84

Cash and Cash Equivalents, August 31, 2010 \$ 10,084,655.53

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss \$ (1,001,907.73)

Adjustments

Decrease (Increase) in Accounts Receivable 2,000.00

Decrease (Increase) in Prepaid Expenses (168,034.50)

Increase (Decrease) in Accounts Payable 16,678.68

Net Cash Used for Operating Activities \$ (1,151,263.55)