

**TEXAS TECH UNIVERSITY  
HEALTH SCIENCES CENTER**



**Annual Financial Report  
Fiscal Year 2014**



# TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

## Annual Financial Report

UNAUDITED

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*August 31, 2014*

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TEXAS TECH UNIVERSITY  
HEALTH SCIENCES CENTER

Office of the President

November 11, 2014

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

Ms. Ursula Parks  
Director, Legislative Budget Board

To Agency Heads Addressed:

We are pleased to submit the annual financial report of the Texas Tech University Health Sciences Center for the year ended August 31, 2014, 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) 743-7382.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tedd L. Mitchell".

Tedd L. Mitchell, M.D.  
President



TEXAS TECH UNIVERSITY  
HEALTH SCIENCES CENTER™  
Finance and Administration

Office of Accounting Services

November 11, 2014

Tedd L. Mitchell, M.D.  
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, 2014.

The accompanying *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

## Annual Financial Report UNAUDITED

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### *Organizational Data* *August 31, 2014*

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#### BOARD OF REGENTS

##### Term Expires

Mickey L. Long ( <b>Chair</b> ).....	January 31, 2015.....	Midland
Larry K. Anders ( <b>Vice Chair</b> ) .....	January 31, 2017.....	Dallas
Nancy Neal.....	January 31, 2015.....	Lubbock
John Walker.....	January 31, 2015.....	Houston
Debbie Montford .....	January 31, 2017.....	San Antonio
John D. Steinmetz .....	January 31, 2017.....	Lubbock
John Esparza.....	January 31, 2019.....	Austin
L. Frederick (Rick) Francis.....	January 31, 2019.....	El Paso
Tim Lancaster.....	January 31, 2019.....	Abilene
Coby Ray ( <b>Student Regent</b> ).....	May 31, 2015.....	San Angelo

#### FISCAL OFFICERS

Robert L. Duncan .....	Chancellor
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*

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**FINANCIAL STATEMENTS**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**  
**Annual Financial Report**  
*UNAUDITED*

***Comparative Statement of Net Position***  
*As of August 31, 2014 and 2013*

	<i>2014</i>	<i>Restated 2013</i>
<b>ASSETS</b>		
Current Assets:		
Unrestricted Cash and Cash Equivalents	\$ (4,033,865.93)	\$ 118,829,774.14
Restricted Cash and Cash Equivalents	68,985,967.76	82,072,540.81
Balance of Legislative Appropriations	44,689,649.46	36,142,465.24
Receivables:		
Federal	1,954,920.63	2,268,423.05
Interest and Dividends	287,710.12	135,077.04
Patient	14,804,095.09	20,463,738.98
Student	476,166.31	434,075.73
Contracts	13,621,948.53	20,533,135.69
Pledged Gifts	1,707,059.99	3,775,597.39
Other	419,555.87	740,426.20
Due from Other State Agencies	6,932,576.08	6,179,593.31
Due from Other Component Units	123,514.64	18,208.32
Inventories	1,110,587.31	949,746.78
Prepaid Items	3,119,976.59	4,122,446.85
Loans and Notes	521,393.88	453,891.68
Total Current Assets	<u>\$ 154,721,256.33</u>	<u>\$ 297,119,141.21</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 273,012.92	\$ 267,050.05
Pledged Gifts Receivable	1,512,815.13	12,894,633.13
Loans and Notes	3,489,328.24	3,037,582.71
Restricted Investments	76,656,535.68	103,999,102.15
Unrestricted Investments	345,362,023.13	269,093,088.35
Capital Assets:		
Non-Depreciable or Non-Amortizable	12,109,377.21	14,796,771.28
Depreciable or Amortizable	479,442,277.39	648,766,192.21
less Accumulated Depreciation and Amortization	<u>(270,625,716.38)</u>	<u>(313,249,355.79)</u>
Total Non-Current Assets	<u>\$ 648,219,653.32</u>	<u>\$ 739,605,064.09</u>
TOTAL ASSETS	<u>\$ 802,940,909.65</u>	<u>\$ 1,036,724,205.30</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**  
**Annual Financial Report**  
*UNAUDITED*

***Comparative Statement of Net Position***  
*As of August 31, 2014 and 2013*

	<u>2014</u>	<i>Restated</i> <u>2013</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables:		
Accounts	\$ 17,406,275.57	\$ 20,535,717.55
Payroll	29,481,022.89	34,698,470.66
Due to Other State Agencies	80,665.88	179,423.25
Due to Other Component Units	209,223.47	181,789.28
Unclaimed Property Due to the State Treasury	15,364.25	54,468.72
Unearned Revenue	15,565,467.80	17,178,202.30
Capital Lease Obligation	9,617.05	120,402.59
Notes Payable	-	1,131,245.63
Revenue Bonds Payable	4,979,718.88	9,519,322.38
Claims and Judgments	1,051,550.26	1,060,964.04
Employees' Compensable Leave	2,367,906.32	2,946,730.38
Funds Held for Others	300,587.37	503,674.06
Other Current Liabilities	97,279.25	219,941.13
Total Current Liabilities	<u>\$ 71,564,678.99</u>	<u>\$ 88,330,351.97</u>
Non-Current Liabilities:		
Unclaimed Property Due to the State Treasury	\$ 25,829.96	\$ 42,734.97
Capital Lease Obligation	-	17,064.05
Revenue Bonds Payable	41,837,860.49	101,717,928.62
Claims and Judgments	12,092,828.02	13,085,223.14
Employees' Compensable Leave	17,364,646.38	21,609,356.16
Other Noncurrent Liabilities	7,450.00	7,450.00
Total Non-Current Liabilities	<u>\$ 71,328,614.85</u>	<u>\$ 136,479,756.94</u>
TOTAL LIABILITIES	<u>\$ 142,893,293.84</u>	<u>\$ 224,810,108.91</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	\$ 174,006,844.73	\$ 237,590,735.42
Restricted for:		
Capital Projects	10,062,673.86	8,790,208.84
Funds Held as Permanent Investments		
Nonexpendable	53,330,902.25	89,527,853.49
Other	104,694,976.93	108,846,627.78
Unrestricted	317,952,218.04	367,158,670.86
TOTAL NET POSITION	<u>\$ 660,047,615.81</u>	<u>\$ 811,914,096.39</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 802,940,909.65</u>	<u>\$ 1,036,724,205.30</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

UNAUDITED

***Comparative Statement of Revenues, Expenses, and Changes in Net Position***  
***For the Years Ended of August 31, 2014 and 2013***

	<i>2014</i>	<i>2013</i>
<b>OPERATING REVENUES</b>		
Tuition and Fee Revenue - Pledged	\$ 43,449,899.81	\$ 46,599,606.60
Discounts and Allowances	(5,045,760.19)	(5,597,870.31)
Tuition and Fee Revenue	1,652,556.75	1,549,537.75
Net Professional Fees - Pledged	893,841.80	1,084,113.08
Net Professional Fees	209,893,542.52	253,303,265.90
Uncollectibles	(18,809,131.52)	(23,630,068.07)
Auxiliary Enterprises - Pledged	710,885.09	862,015.39
Other Sales and Services	3,202,540.26	3,068,254.39
Other Sales and Services - Pledged	6,739,899.04	6,749,633.40
Federal Grant Revenue	13,723,370.05	16,312,326.01
Federal Grant Revenue - Pledged	3,706,827.82	4,938,273.97
Federal Pass-Through Revenue	948,902.68	1,245,160.58
Federal Contract Revenue	3,383,893.99	3,463,814.32
State Grant and Contract Revenue	2,645,829.88	2,052,686.80
State Grant and Contract Revenue - Pledged	278,298.07	441,110.16
State Grant and Contract Pass-Through Revenue	4,839,971.91	7,711,299.87
Local Grant and Contract Revenue	17,303,553.95	44,384,921.67
Local Grant and Contract Revenue - Pledged	1,197,251.49	1,232,541.87
Private Grant and Contract Revenue	83,660,277.43	113,610,546.86
Private Grant and Contract Revenue - Pledged	2,431,580.01	2,615,384.42
Other Revenue	17,293,667.14	17,633,820.48
Total Operating Revenues	\$ 394,101,697.98	\$ 499,630,375.14
<b>OPERATING EXPENSES</b>		
Salaries and Wages	\$ 300,591,087.82	\$ 386,992,726.45
Payroll Related Costs	71,340,259.04	87,179,137.64
Professional Fees and Services	46,310,270.94	54,161,351.70
Federal Grant Pass-Through Expense	135,627.38	717,101.38
State Grant Pass-Through Expense	238,538.00	283,553.94
Travel	4,828,220.54	5,666,839.14
Materials and Supplies	27,883,589.81	31,870,484.01
Communications and Utilities	13,132,881.60	15,711,233.88
Repairs and Maintenance	10,088,167.75	12,476,306.77
Rentals and Leases	2,537,302.27	4,414,595.95
Printing and Production	1,349,559.95	1,560,844.13
Depreciation and Amortization	20,180,171.82	30,178,375.21
Bad Debt Expense (Recovery)	(171,750.96)	185,766.21
Interest Expense	4,702.47	5,295.61
Scholarships	3,454,486.03	4,202,385.71
Claims and Judgments	2,092,000.00	740,050.00
Other Expenses	37,573,745.22	48,966,517.10
Total Operating Expenses	\$ 541,568,859.68	\$ 685,312,564.83
Operating Loss	\$ (147,467,161.70)	\$ (185,682,189.69)

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

UNAUDITED

***Comparative Statement of Revenues, Expenses, and Changes in Net Position***  
***For the Years Ended of August 31, 2014 and 2013***

	<i>2014</i>	<i>2013</i>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Legislative Appropriations Revenue	\$ 208,357,689.17	\$ 168,622,777.78
Federal Grant Revenue	1,662,303.00	1,550,263.00
Federal Pass-Through Revenue	-	-
State Pass-Through Revenue	37,500.00	45,000.00
Gifts	4,517,759.19	16,945,567.16
Gifts - Pledged	3,080,921.87	248,585.72
Interest and Investment Income	14,967,887.75	10,899,640.91
Interest and Investment Income - Pledged	3,802,784.45	2,100,959.14
Interest Expense	(2,158,821.52)	(6,994,886.13)
Gain (Loss) Sale of Capital Assets	(284,925.46)	(195,950.10)
Net Increase in Fair Value of Investments	14,305,638.47	5,247,382.15
Other Revenues	2,782,230.08	4,802,123.59
Other Revenues - Pledged	845,445.25	226,081.74
Total Non-Operating Revenues (Expenses)	\$ 251,916,412.25	\$ 203,497,544.96
 <b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>		
Capital Contributions	405,705.81	182,273.13
Legislative Appropriations Revenue for Capital (HEAF)	16,973,569.00	16,973,569.00
Increases from Interagency Transfers of Capital Assets	98,836.00	61,766.09
Decreases from Interagency Transfers of Capital Assets	(127,253,122.44)	(453,933.14)
Net Transfers from Angelo State University	19,849.00	-
Net Transfers to Texas Tech University Health Sciences Center El Paso	(145,240,961.94)	-
Net Transfers from Texas Tech University	1,245,972.98	1,292,302.66
Net Transfers from Texas Tech Foundation Inc.	1,960,850.71	3,005,071.82
Net Transfers to Texas Tech University System Administration	(2,584,254.42)	(2,692,236.00)
Transfers to Other State Agencies	(231,588.83)	(281,475.07)
Legislative Transfers Out (System Administration Support)	(1,710,587.00)	(1,667,837.00)
Capital Contributions and Transfers	\$ (256,315,731.13)	\$ 16,419,501.49
TOTAL CHANGE IN NET POSITION	\$ (151,866,480.58)	\$ 34,234,856.76
Net Assets, September 1st	\$ 811,914,096.39	\$ 777,679,239.63
Net Assets, August 31st	\$ 660,047,615.81	\$ 811,914,096.39

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**  
**Annual Financial Report**  
*U N A U D I T E D*

***Comparative Matrix of Operating Expenses by Function***  
***For the Years Ended August 31, 2014 and 2013***

<i>OPERATING EXPENSES</i>	<i>INSTRUCTION</i>	<i>RESEARCH</i>	<i>PUBLIC SERVICE</i>	<i>PATIENT CARE</i>	<i>ACADEMIC SUPPORT</i>	<i>STUDENT SERVICES</i>
Salaries and Wages	\$ 132,469,327.24	\$ 20,087,829.70	\$ 46,880,712.64	\$ 33,140,494.01	\$ 41,785,913.96	\$ 4,899,423.08
Payroll Related Costs	24,609,776.43	4,493,316.44	12,610,757.74	9,521,302.42	12,047,986.45	1,463,077.24
Professional Fees and Services	158,264.76	309,134.72	38,640,946.20	1,248,514.71	3,285,434.22	342,959.84
Travel	736,050.53	431,722.12	706,934.88	51,622.23	2,186,048.68	351,785.53
Supplies and Materials	764,466.43	3,269,990.28	11,615,075.30	6,545,596.53	3,868,319.23	1,401,107.99
Communications and Utilities	286,400.08	69,174.52	260,211.57	181,236.51	4,066,928.48	391,503.36
Maintenance and Repair	131,854.82	593,971.31	419,439.69	264,776.87	1,984,805.79	257,614.19
Rentals and Leases	23,195.93	60,161.35	473,778.10	296,623.50	1,417,568.72	128,347.71
Printing and Production	122,974.22	109,616.50	123,160.40	120,573.31	591,980.60	108,790.23
Interest Expense	219.95	178.58	388.22	510.20	1,303.14	115.26
Claims and Judgments	-	-	-	-	2,092,000.00	-
Other Expenses	1,861,300.74	4,507,204.07	3,023,388.39	943,894.91	18,775,504.48	1,848,567.14
Bad Debt Expense (Recovery)	-	-	-	-	-	(171,750.96)
Scholarships and Fellowships	61,293.95	69,944.91	6,624.17	-	225,047.26	11,000.00
Federal Grant Pass-Through Expense	-	8,091.76	127,535.62	-	-	-
State Grant Pass-Through Expense	-	-	238,538.00	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
<b>For the Year Ended August 31, 2014</b>	<b><u>\$ 161,225,125.08</u></b>	<b><u>\$ 34,010,336.26</u></b>	<b><u>\$ 115,127,490.92</u></b>	<b><u>\$ 52,315,145.20</u></b>	<b><u>\$ 92,328,841.01</u></b>	<b><u>\$ 11,032,540.61</u></b>
<b>For the Year Ended August 31, 2013</b>	<b><u>\$ 234,774,882.19</u></b>	<b><u>\$ 51,141,957.42</u></b>	<b><u>\$ 112,079,551.09</u></b>	<b><u>\$ 62,818,871.45</u></b>	<b><u>\$ 119,561,368.14</u></b>	<b><u>\$ 12,295,297.99</u></b>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**  
**Annual Financial Report**  
*U N A U D I T E D*

***Comparative Matrix of Operating Expenses by Function***  
***For the Years Ended August 31, 2014 and 2013***

<i>OPERATING EXPENSES</i>	<i>INSTITUTIONAL SUPPORT</i>	<i>OPERATION &amp; MAINTENANCE OF PLANT</i>	<i>SCHOLARSHIPS &amp; FELLOWSHIPS</i>	<i>AUXILIARY ENTERPRISES</i>	<i>DEPRECIATION &amp; AMORTIZATION</i>	<i>TOTAL EXPENSES</i>
Salaries and Wages	\$ 15,890,736.47	\$ 5,270,856.27	\$ 8,400.00	\$ 157,394.45	-	\$ 300,591,087.82
Payroll Related Costs	4,431,687.41	2,106,108.78	550.53	55,695.60	-	71,340,259.04
Professional Fees and Services	540,496.95	1,782,477.19	-	2,042.35	-	46,310,270.94
Travel	320,269.83	40,328.98	-	3,457.76	-	4,828,220.54
Supplies and Materials	185,350.09	217,725.53	-	15,958.43	-	27,883,589.81
Communications and Utilities	676,282.35	7,189,806.11	-	11,338.62	-	13,132,881.60
Maintenance and Repair	1,025,838.17	5,221,643.29	-	188,223.62	-	10,088,167.75
Rentals and Leases	120,699.14	15,970.99	-	956.83	-	2,537,302.27
Printing and Production	131,063.25	30,915.59	-	10,485.85	-	1,349,559.95
Interest Expense	967.72	1,019.40	-	-	-	4,702.47
Claims and Judgments	-	-	-	-	-	2,092,000.00
Other Expenses	2,413,184.97	4,149,608.53	-	51,091.99	-	37,573,745.22
Bad Debt Expense	-	-	-	-	-	(171,750.96)
Scholarships and Fellowships	46,000.00	-	3,034,575.74	-	-	3,454,486.03
Federal Grant Pass-Through Expense	-	-	-	-	-	135,627.38
State Grant Pass-Through Expense	-	-	-	-	-	238,538.00
Depreciation and Amortization	-	-	-	-	20,180,171.82	20,180,171.82
	<u>\$ 25,782,576.35</u>	<u>\$ 26,026,460.66</u>	<u>\$ 3,043,526.27</u>	<u>\$ 496,645.50</u>	<u>\$ 20,180,171.82</u>	<u>\$ 541,568,859.68</u>
	<u>\$ 27,128,617.11</u>	<u>\$ 32,102,843.54</u>	<u>\$ 2,681,188.81</u>	<u>\$ 549,611.88</u>	<u>\$ 30,178,375.21</u>	<u>\$ 685,312,564.83</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

U N A U D I T E D

*Comparative Statement of Cash Flows*

*For the Year Ended August 31, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collections from Student Tuition and Fees	\$ 37,943,172.19	\$ 43,413,334.48
Collections from Grants and Contracts	132,949,230.01	190,321,889.51
Collections from Patients and Insurers	189,785,029.22	228,783,757.89
Collections of Loan Program Proceeds	3,004,394.13	2,674,000.78
Collections from Auxiliary Enterprises	730,108.92	888,653.68
Collections from Other Operating Activities	27,174,935.64	27,463,221.99
Cash Outflows		
Payments to Suppliers	(108,078,197.46)	(126,930,204.63)
Payments to Employees for Salaries	(303,387,288.89)	(386,844,007.60)
Payments to Employees for Benefits	(71,644,981.34)	(83,282,664.04)
Payments for Loans Provided to Students	(3,347,150.78)	(2,925,745.77)
Payments for Unemployment Benefits	(331,383.98)	(262,793.99)
Payments for Other Operating Activities	<u>(42,440,144.58)</u>	<u>(52,065,492.99)</u>
Net Cash Used for Operating Activities	<u>\$ (137,642,276.92)</u>	<u>\$ (158,766,050.69)</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Legislative Appropriations	\$ 199,600,735.95	\$ 182,904,842.37
Proceeds from Net Transfers from Angelo State University	19,849.00	-
Proceeds from Net Transfers from Texas Tech University	1,245,972.98	1,292,302.66
Proceeds from Net Transfers from Texas Tech Foundation, Inc.	1,960,850.71	3,005,071.82
Proceeds from Agency Transactions	60,203,239.00	63,463,750.00
Proceeds from Non-Capital Gifts	9,152,758.88	6,831,335.88
Proceeds from Non-Capital Grants	1,699,803.00	1,595,263.00
Proceeds from Other Non-Capital Financing Activities	3,050,549.84	4,148,086.20
Cash Outflows		
Payments for Net Transfers to Texas Tech University System	(4,294,841.42)	(4,360,073.00)
Payments for Net Transfers to Texas Tech University Health Sciences Center El Paso	(137,983,906.29)	-
Payments for Transfers to Other State Agencies	(231,588.83)	(281,475.07)
Payments for Other Uses	<u>(60,203,239.00)</u>	<u>(63,463,750.00)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 74,220,183.82</u>	<u>\$ 195,135,353.86</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**



**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

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*Comparative Statement of Cash Flows*

*For the Year Ended August 31, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Cash Flows from Capital and Related Financing Activities		
Cash Inflows		
Proceeds from Sale of Capital Assets	\$ 63,587.03	\$ 54,785.19
Proceeds from Capital Debt Issuances	-	1,000,000.00
Proceeds from Legislative Appropriations for Capital	16,973,569.00	16,973,569.00
Cash Outflows		
Payments for Purchases of Capital Assets	(17,889,595.46)	(25,509,402.32)
Payments for Capital Debt Refinancing	-	-
Payments for Principal on Capital Debts	(4,374,358.61)	(8,749,459.71)
Payments for Interest on Capital Debts	(2,165,370.94)	(5,082,389.61)
Payments for Capital Lease	<u>(31,038.59)</u>	<u>(175,154.65)</u>
Net Cash Used for Capital and Related Financing Activities	<u>\$ (7,423,207.57)</u>	<u>\$ (21,488,052.10)</u>
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ 62,244,176.56	\$ 111,720,584.26
Proceeds from Interest and Dividends on Investments	9,239,542.35	14,462,331.43
Cash Outflows		
Payments for Purchases of Investments	<u>(136,582,668.49)</u>	<u>(148,808,257.70)</u>
Net Cash Used for Investing Activities	<u>\$ (65,098,949.58)</u>	<u>\$ (22,625,342.01)</u>
TOTAL NET CASH FLOWS	<u>\$ (135,944,250.25)</u>	<u>\$ (7,744,090.94)</u>
Cash and Cash Equivalents, September 1st	<u>\$ 201,169,365.00</u>	<u>\$ 208,913,455.94</u>
Cash and Cash Equivalents, August 31st	<u>\$ 65,225,114.75</u>	<u>\$ 201,169,365.00</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

U N A U D I T E D

*Comparative Statement of Cash Flows*

*For the Year Ended August 31, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (147,467,161.70)	\$ (185,682,189.69)
Adjustments		
Depreciation Expense	20,180,171.82	30,178,375.21
Bad Debt Expense	-	-
Decrease (Increase) in Receivables	(3,505,459.93)	(8,134,209.29)
Decrease (Increase) in Due from Other Agency	(130,286.02)	(1,636,263.13)
Decrease (Increase) in Merchandise Inventories	(205,121.55)	(19,075.25)
Decrease (Increase) in Prepaid Expenses	261,173.32	162,557.83
Decrease (Increase) in Loans and Notes Receivable	(519,247.73)	(45,589.40)
Increase (Decrease) in Payables	(5,186,474.28)	6,894,163.11
Increase (Decrease) in Due to Other Agency	40,107.95	142,123.59
Increase (Decrease) in Deferred Revenue	(1,837,300.84)	1,037,907.15
Increase (Decrease) in Compensable Leave	1,785,140.42	(427,695.74)
Increase (Decrease) in Claims Payable	(1,001,808.90)	(1,235,055.08)
Increase (Decrease) in Other Liabilities	(56,009.48)	(1,100.00)
Net Cash Used for Operating Activities	<u>\$ (137,642,276.92)</u>	<u>\$ (158,766,050.69)</u>
Non-Cash Transactions		
Donations of Capital Assets	\$ 405,705.81	\$ 182,273.13
Net Increase (Decrease) in Fair Value of Investments	14,305,638.47	5,247,382.15
Disposal of Capital Assets	(348,512.49)	(250,735.29)

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT**

**TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER**

Annual Financial Report

*UNAUDITED*

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**NOTES TO FINANCIAL STATEMENTS**

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# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 1

#### Summary of Significant Accounting Policies

##### **REPORTING ENTITY**

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 includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

This *Annual Financial Report* includes the results of operations of TTUHSC, a separate institution established pursuant to Texas Education Code, Chapter 110. On May 18, 2013, the Texas Tech University Health Sciences Center at El Paso (TTUHSC at El Paso) was established as a separate component unit of the State of Texas under Texas Senate Bill 120. The results of operations for TTUHSC at El Paso are incorporated within amounts reported for TTUHSC for fiscal year 2013 for this *Annual Financial Report*. Conversely, amount reported for fiscal year 2014 represent the results of operation for TTUHSC only and do not include results of operations for TTUHSCPEP.

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

TTUHSC includes within this report all components as determined by an analysis of the relationship to TTUHSC.

##### **Blended Component Units**

Texas Tech Physician Associates (TTPA) is reported as a blended component unit of TTUHSC in this *Annual Financial Report*. TTPA balances and activities are blended with TTUHSC balances and activities since the sole purpose of TTPA is to financially support TTUHSC. Refer to Note 19 for more detailed information regarding TTPA balances and activities.

Texas Tech Foundation, Inc. (TTFI) is a component unit of the consolidated Texas Tech University System since it serves the fundraising needs of all entities of the Texas Tech University System. No balances or activities associated with TTFI are included in this *Annual Financial Report*.

Due to the significant changes to statewide requirements embedded in 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 financial report is considered for audit by the state auditor as part of the audit of the state's *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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, 2014.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

<b>NOTE 1 (continued)</b> <b>Summary of Significant Accounting Policies</b>
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TTUHSC offers graduate and undergraduate programs in five schools: the School of Allied Health Sciences, the School of Medicine, the 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 clinical operations.

#### **BASIS OF ACCOUNTING**

During the course of normal operations, the fiscal records of TTUHSC are maintained using a modified accrual basis of accounting, and most internal financial reports utilize this basis. However, financial balances and amounts are converted to the full accrual basis in compliance with Governmental Accounting Standards Board (GASB) statements 34 and 35 for most external reporting, including this *Annual Financial Report*. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized when an obligation has been incurred.

For reporting purposes, TTUHSC is considered as a special-purpose government engaged only in business-type activities. Business type activities are those activities that are financed in whole or in part by fees charged to external parties for goods and services, and whose focus is on determining operating income, changes in net position, and cash flows. Accordingly, TTUHSC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

#### **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.

##### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as all cash on hand, demand deposits in banks, reimbursements due from the State Treasury, local balances of legislative appropriations (held in the State Treasury), and short-term highly liquid investments with original maturities of 90 days or less. TTUHSC utilizes bank deposits and eligible investment pools as cash equivalents in its Short/Intermediate Term Investment Fund. TTUHSC currently utilizes TexPool and TexStar as eligible investment pools.

##### **Investments**

Investments are reported at fair value in this *Annual Financial Report*. 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. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the accompanying *Comparative Statement of Revenues, Expenses, and Changes in Net Position*.

##### **Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements, including proceeds from revenue bonds and other revenues set aside for statutory or contractual requirements. Cash and cash equivalents that are held for endowments or for special programs are reported as restricted since they are not

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 1 (continued) Summary of Significant Accounting Policies

##### **Restricted Assets (continued)**

available for current operations, but are instead associated with programs that are restricted by an external party. 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.

##### **Inventories and Prepaid Items**

Inventories include both consumable inventories and merchandise inventories on hand for resale. Consumable inventories include supplies and postage that are on hand and available for consumption. Merchandise inventories include materials, supplies, 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, the cost of these items is expensed when the inventories or prepaid items are used or consumed.

##### **Receivables**

The most significant categories of TTUHSC receivables are patient receivables, contract receivables and pledged gift receivables. Patient receivables are reported net of allowances for contractual, uncollectible and similar adjustments. Gift receivables are accounted for at their estimated net realizable value, which consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges.

Allowances for uncollectible balances 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. Details regarding Current and Non-current receivables are presented in Note 24.

##### **Capital Assets**

Assets such as furniture, equipment and vehicles with an aggregate cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), and facilities and other improvements (\$100,000). 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 acquisition. 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.

Capital assets are depreciated over the estimated useful life of the asset using the straight line method based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Depreciation is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation expense is not allocated to functional categories for this *Annual Financial Report*.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

<b>NOTE 1 (continued)</b> <b>Summary of Significant Accounting Policies</b>
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#### **Capital Assets (continued)**

capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

#### **Payables**

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending. Major categories of TTUHSC accounts payable include general accounts payable and payroll payable. Details regarding payable balances can be found in Note 24.

#### **Compensable Leave**

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the *Comparative Statement of Net Position*. Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time, which 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 a limited annual leave balance.

#### **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 since such leave is not paid out to terminating employees.

#### **Capital Lease Obligations**

Capital lease obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately as either current or noncurrent in the *Comparative Statement of Net Position*. 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.

#### **Notes and Loans Payable**

Notes payable represents amounts owed for commercial paper that was issued during the current period. Notes payable balances are explained further in Note 5.

#### **Bonds Payable**

TTUHSC has a number of bond issues outstanding which are supported either directly or indirectly by tuition revenue. These payables are reported as current liabilities for amounts due within one year and non-current liabilities for amounts due thereafter in the *Comparative Statement of Net Position*. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains/ (losses) on bond refunding activities. Detailed information regarding bonds payable can be found in Note 6.



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 1 (continued) Summary of Significant Accounting Policies

##### **Net Position**

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position is divided into three categories as described below.

##### **Invested In Capital Assets, Net Of Related Debt:**

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

##### **Restricted Net Position:**

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

##### **Unrestricted Net Position:**

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

##### **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 the *Comparative Statement of Revenues, Expenses and Changes in Net Position* included in this *Annual Financial Report*.

##### **RESTATEMENT OF PRIOR YEAR AMOUNTS**

For comparison purposes, certain amounts for the year ended August 31, 2013 have been reclassified on the *Comparative Statement of Cash Flows*. Cash flows related to TTUHSC's Federal Direct Loan program have been reclassified from Cash Flows from Operating Activities to Cash Flows from Non-Capital Financing Activities. As a result, Collections from Loan Program Proceeds and Payments for Loans Provided to Students have each been reduced by \$61,743,746, with offsetting increases reported as Proceeds from Agency Transactions and Payments for Other Uses in the related sections of the *Comparative Statement of Cash Flows*. This presentation has no effect on the net cash flows provided by or used in either section of the financial statement. In addition, the balance of Cash and Cash Equivalents as of August 31, 2013 is unaffected by this change.

#### NOTE 2 Capital Assets

Capital assets are categorized as (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, (8) Facilities and Other Improvements, or (9) Computer Software. Non-depreciable capital assets include Land and Land Improvements, Construction in Progress, and Other Capital Assets (representing primarily artwork). All other capital asset categories are either depreciated or amortized.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

#### NOTE 2 (continued) Capital Assets

Capital asset changes for the year ended August 31, 2014 are summarized in the following table.

Capital Asset Category	Balance 09/01/13	Adjust-ments	Reclassifications			Additions	Deletions	Balance 08/31/14
			Comple-ted CIP	Increases – Interagency Transfers	Decreases – Interagency Transfers			
<b>Non-Depreciable or Non-Amortizable Assets:</b>								
Land and Land Improvements	\$ 11,670,513.26	\$ -	\$ -	\$ -	\$ (3,728,230.85)	\$ 2,724,249.00	\$ -	\$ 10,666,531.41
Construction In Progress	1,093,342.84	-	-	-	(936,784.37)	22,820.69	-	179,379.16
Other	2,032,915.18	-	-	-	(799,530.00)	30,081.46	-	1,263,466.64
<b>Total Non-Depreciable or Non-Amortizable Assets</b>	<b>\$ 14,796,771.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,464,545.22)</b>	<b>\$ 2,777,151.15</b>	<b>\$ -</b>	<b>\$ 12,109,377.21</b>
<b>Depreciable Assets:</b>								
Buildings and Improvements	\$ 470,641,708.54	\$ -	\$ -	\$ -	\$ (135,875,017.72)	\$ 7,217,302.42	\$ -	\$ 341,983,993.24
Infrastructure	6,013,239.72	-	-	-	-	996,134.77	-	7,009,374.49
Furniture and Equipment	111,820,747.76	-	-	76,315.44	(35,976,765.91)	5,257,153.37	(2,003,810.72)	79,173,639.94
Vehicles	2,353,569.99	-	-	-	(851,199.02)	439,995.65	(132,486.11)	1,809,880.51
Facilities and Other Improvements	12,380,287.60	-	-	-	(4,210,567.53)	111,805.00	-	8,281,525.07
Other	35,705,752.00	-	-	-	(3,517,894.00)	422,267.69	(98,451.00)	32,511,674.69
<b>Total Depreciable Assets at Cost</b>	<b>\$ 638,915,305.61</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,315.44</b>	<b>\$ (180,431,444.18)</b>	<b>\$ 14,444,658.90</b>	<b>\$ (2,234,747.83)</b>	<b>\$ 470,770,087.94</b>
<b>Less Accumulated Depreciation for:</b>								
Buildings and Improvements	\$ (211,223,764.17)	\$ -	\$ -	\$ -	\$ 39,535,360.37	\$ (10,543,907.08)	\$ -	\$ (182,232,310.88)
Infrastructure	(2,340,869.06)	-	-	-	-	(265,769.64)	-	(2,606,638.70)
Furniture and Equipment	(62,426,465.96)	-	-	(76,315.44)	15,851,684.68	(6,619,693.78)	1,941,429.31	(51,329,361.19)
Vehicles	(1,478,298.32)	-	-	-	396,254.30	(195,671.84)	130,644.42	(1,147,071.44)
Facilities and Other Improvements	(4,882,824.90)	-	-	-	1,082,679.95	(401,811.49)	-	(4,201,956.44)
Other	(24,379,046.11)	-	-	-	2,632,560.95	(1,315,153.22)	-	(23,061,638.38)
<b>Total Accumulated Depreciation</b>	<b>\$ (306,731,268.52)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (76,315.44)</b>	<b>\$ 59,498,540.25</b>	<b>\$ (19,342,007.05)</b>	<b>\$ 2,072,073.73</b>	<b>\$ (264,578,977.03)</b>
<b>Depreciable Assets - Net</b>	<b>\$ 332,184,037.09</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (120,932,903.93)</b>	<b>\$ (4,897,348.15)</b>	<b>\$ (162,674.10)</b>	<b>\$ 206,191,110.91</b>
<b>Amortizable Assets:</b>								
Computer Software	\$ 9,850,886.60	\$ -	\$ -	\$ 98,836.00	\$ (1,602,901.05)	\$ 1,073,491.22	\$ (748,123.32)	\$ 8,672,189.45
<b>Total Amortizable Assets</b>	<b>\$ 9,850,886.60</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,836.00</b>	<b>\$ (1,602,901.05)</b>	<b>\$ 1,073,491.22</b>	<b>\$ (748,123.32)</b>	<b>\$ 8,672,189.45</b>
<b>Less Accumulated Amortization for:</b>								
Computer Software	\$ (6,518,087.27)	\$ -	\$ -	\$ -	\$ 747,227.76	\$ (838,164.77)	\$ 562,284.93	\$ (6,046,739.35)
<b>Total Accumulated Amortization</b>	<b>\$ (6,518,087.27)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 747,227.76</b>	<b>\$ (838,164.77)</b>	<b>\$ 562,284.93</b>	<b>\$ (6,046,739.35)</b>
<b>Amortizable Assets - Net</b>	<b>\$ 3,332,799.33</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,836.00</b>	<b>\$ (855,673.29)</b>	<b>\$ 235,326.45</b>	<b>\$ (185,838.39)</b>	<b>\$ 2,625,450.10</b>
<b>Capital Assets - Net</b>	<b>\$ 350,313,607.70</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,836.00</b>	<b>\$ (127,253,122.44)</b>	<b>\$ (1,884,870.55)</b>	<b>\$ (348,512.49)</b>	<b>\$ 220,925,938.22</b>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### 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 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. Other assets include securities gifted to TTUHSC with donor instructions to maintain in their original form and bond proceeds invested in external investment pools.

#### **DEPOSITS OF CASH IN BANK**

The carrying amount of deposits as of August 31, 2014 and 2013 is presented in the below table.

Proprietary Funds	<u>As of 8/31/14</u>	<u>As of 8/31/13</u>
CASH IN BANK - CARRYING VALUE	\$ (33,615,446.42)	\$ 29,091,076.16
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>\$ (33,615,446.42)</u>	<u>\$ 29,091,076.16</u>
Proprietary Funds Current Assets Cash in Bank	\$ (102,872,011.83)	\$ (52,323,544.32)
Proprietary Funds Current Assets Restricted Cash in Bank	68,983,552.49	81,147,570.43
Proprietary Funds Non-Current Assets Restricted Cash in Bank	<u>273,012.92</u>	<u>267,050.05</u>
Cash in Bank per AFR	<u>\$ (33,615,446.42)</u>	<u>\$ 29,091,076.16</u>

The amounts in the previous table consist of all cash in local banks. The amounts are included on the *Comparative Statement of Net Position* as part of the current unrestricted and restricted "Cash and Cash Equivalents" and non-current restricted "Cash and Cash Equivalents."

As of August 31, 2014 and 2013, the total bank balance was (\$36,346,642.75) and \$31,925,594.89 respectively.

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### *Notes to the Financial Statements*

*August 31, 2014*

#### 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. TTUHSC's policy is to require collateralization of bank balances in excess of FDIC protection. TTUHSC did not have any funds considered to be uninsured or uncollateralized as of August 31, 2014 or 2013.

#### **INVESTMENTS**

The carrying value and fair value of investments as of August 31, 2014 and 2013 is summarized below:

<b>Proprietary Funds</b>	<b>As of 8/31/14</b>	<b>As of 8/31/13</b>
U.S. Government		
U.S. Treasury Securities	\$ 53,675,664.22	\$ 32,393,775.93
U.S. Treasury TIPS	7,781,476.79	6,979,482.50
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	83,904,018.40	60,584,895.75
Corporate Obligations	429,735.75	-
Corporate Asset and Mortgage Backed Securities	803,298.98	393,759.65
Equity	10,061,997.94	19,094,031.48
International Obligations (Gov't and Corp)	2,244,491.89	925,594.77
Fixed Income Money Market and Bond Mutual Fund	115,271,389.44	116,966,446.70
Mutual Funds	12,515,882.75	18,598,122.38
Other Commingled Funds	30,961,396.35	42,728,184.04
Other Commingled Funds (TexPool)	28,173,198.77	71,613,114.60
International Other Commingled Funds	33,413,167.66	34,952,762.26
Real Estate	4,183,493.71	5,641,701.98
Domestic Derivatives	222,214.53	-
Externally Managed Investments		
Domestic	118,108,570.37	105,446,471.09
International	334,146.63	2,319,847.16
Miscellaneous	158,320.82	156,174.83
<b>Total Investments</b>	<b>\$ 502,242,465.00</b>	<b>\$ 518,794,365.12</b>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

**NOTE 3 (continued)**  
**Deposits, Investments and Repurchase Agreements**

The carrying value and fair value of investments are classified as follows in the accompanying *Comparative Statement of Net Position*.

	As of 08/31/14	As of 08/31/13
<b>Proprietary Funds</b>		
<b>Non-Current Investments</b>	\$ 422,018,558.81	\$373,092,190.50
<b>Items in Cash and Equivalents</b>		
Repurchase Agreements	-	-
Money Market Funds	52,050,707.42	73,171,220.76
Texpool & TexSTAR Investments	28,173,198.77	72,530,953.86
<b>Total Investments</b>	\$ 502,242,465.00	\$518,794,365.12

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. As of August 31, 2014, TTUHSC's credit quality distribution for securities with credit risk exposure was as follows.

Fund	GAAP	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ 83,904,018.40	\$ -	\$ -	\$ -	\$ -	\$ -
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	-	-	-	-	-	-
		Corporate Obligations	-	-	-	-	-	429,735.75
		Corporate Asset and Mortgage Backed Securities	803,298.98	-	-	-	-	-
05	9999	International Obligations (Gov't and Corp)	-	37,034.12	430,717.99	1,154,117.73	187,415.07	435,206.98
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money and Bond Mutual Fund	52,050,707.42	-	-	-	-	63,220,682.02

The following table summarizes the credit rating of investments as of August 31, 2013.

Fund	GAAP	Investment Type	AAA	AA	A	BBB	BB	Unrated
01	0001	U.S. Government Agency Obligations	\$ 60,584,895.75	\$ -	\$ -	\$ -	\$ -	\$ -
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	-	-	-	-	-	-
		Corporate Obligations	-	-	-	-	-	-
		Corporate Asset and Mortgage Backed Securities	393,759.65	-	-	-	-	-
01	0001	International Obligations (Gov't and Corp)	-	23,787.79	78,583.00	507,596.17	110,701.13	204,926.68
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
01	0001	Fixed Income Money and Bond Mutual Fund	73,171,220.76	-	-	-	-	43,795,225.94

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### Notes to the Financial Statements

August 31, 2014

#### 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, 2014, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Other Commingled Funds	International Externally Managed Investments
05	9999	Argentine peso	2,894.67	236,228.69	-
05	9999	Australian dollar	-	-	32.10
05	9999	Bermudan dollar	43,742.55	-	-
05	9999	Brazilian real	265,302.66	2,390,120.92	-
05	9999	Bulgarian lev	8,726.44	-	-
05	9999	Canadian dollar	6,977.76	394,195.89	-
05	9999	Cayman dollar	68,572.15	-	-
05	9999	CFA Franc	-	-	-
05	9999	Chilean Peso	35,072.73	87,819.74	-
05	9999	Chinese yuan	6,103.42	2,818,757.72	-
05	9999	Colombian peso	246,091.77	-	-
05	9999	Czech koruna	9,388.56	176,590.63	-
05	9999	Danish krone	-	66,051.00	-
05	9999	Dominican peso	-	-	-
05	9999	Egyptian pound	-	244,748.42	-
05	9999	Euro	116,513.15	5,447,980.27	210,402.61
05	9999	Hong Kong dollar	16,604.00	931,939.09	-
05	9999	Hungarian forint	-	5,373.68	-
05	9999	Indian rupee	190,268.30	1,605,687.48	58,328.51
05	9999	Indonesian rupiah	7,314.93	339,987.59	-
05	9999	Iraqi dinar	-	-	-
05	9999	Israeli shekel	1,748.68	-	-
05	9999	Japanese yen	-	3,177,083.26	-
05	9999	Jordanian dinar	-	-	-
05	9999	Kazakhstani tenge	14,914.74	49,637.24	-
05	9999	Latvian lats	-	-	-
05	9999	Lithuanian litas	-	-	-
05	9999	Malaysian ringgit	102,407.55	459,195.79	-
05	9999	Mexican peso	475,321.15	1,274,485.72	4,002.22
05	9999	New Zealand dollar	-	-	-
05	9999	Nigerian naira	89,193.67	-	-
05	9999	Norwegian krone	-	44,034.00	4,002.22
05	9999	Pakistani rupee	-	-	-
05	9999	Panamanian balboa	1,069.59	-	-
05	9999	Peruvian nuevo sol	108,504.98	68,728.49	-
05	9999	Phillippino peso	696.08	153,294.66	-
05	9999	Polish zloty	-	128,257.25	-
05	9999	Pound sterling	49,073.48	3,096,131.67	45,372.32
05	9999	Qatari riyal	-	131,938.55	-
05	9999	Romanian leu	4,346.24	-	-
05	9999	Russian ruble	44,946.30	318,763.06	-
05	9999	Singapore dollar	7,368.24	234,848.00	-
05	9999	South African rand	161,870.01	1,305,419.62	-
05	9999	South Korean won	2,809.78	2,751,560.36	-
05	9999	Swedish krona	21,120.01	297,168.23	-
05	9999	Swiss franc	-	1,484,083.81	12,006.65
05	9999	Taiwan dollar	-	2,466,559.58	-
05	9999	Thai baht	118.85	302,140.97	-
05	9999	Turkish lira	123,151.69	573,838.21	-
05	9999	UAE dirham	12,257.76	350,518.07	-
05	9999	Uruguay peso	-	-	-
05	9999	Venzuelan bolivar	-	-	-
		Total	\$ 2,244,491.89	\$ 33,413,167.66	\$ 334,146.63

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 3 (continued) Deposits, Investments and Repurchase Agreements

The exposure to foreign currency risk as of August 31, 2013, is as follows.

<u>Fund Type</u>	<u>GAAP Fund</u>	<u>Foreign Currency</u>	<u>International Obligation</u>	<u>International Other Commingled Funds</u>	<u>International Externally Managed Investments</u>
01	0001	Argentine peso	-	279,157.74	-
01	0001	Australian dollar	-	80,113.92	32.52
01	0001	Bermudan dollar	-	-	-
01	0001	Brazilian real	144,381.71	2,262,096.75	-
01	0001	Bulgarian lev	-	-	-
01	0001	Canadian dollar	-	307,347.64	-
01	0001	Cayman dollar	-	-	-
01	0001	CFA Franc	-	-	-
01	0001	Chilean Peso	97,478.12	204,526.83	-
01	0001	Chinese yuan	-	2,396,695.23	65.03
01	0001	Colombian peso	199,761.02	-	-
01	0001	Czech koruna	-	270,128.38	-
01	0001	Danish krone	-	62,917.39	-
01	0001	Dominican peso	-	-	-
01	0001	Egyptian pound	-	150,489.35	-
01	0001	Euro	95,522.84	6,880,615.09	2,221,474.19
01	0001	Hong Kong dollar	-	959,680.89	-
01	0001	Hungarian forint	-	-	-
01	0001	Indian rupee	-	1,186,557.48	98,275.42
01	0001	Indonesian rupiah	-	619,226.18	-
01	0001	Iraqi dinar	-	-	-
01	0001	Israeli shekel	-	-	-
01	0001	Japanese yen	-	3,679,541.70	-
01	0001	Jordanian dinar	-	-	-
01	0001	Kazakhstani tenge	-	98,172.88	-
01	0001	Latvian lats	-	-	-
01	0001	Lithuanian litas	-	-	-
01	0001	Malaysian ringgit	-	203,894.03	-
01	0001	Mexican peso	-	1,442,520.61	-
01	0001	Moroccan dirham	-	-	-
01	0001	New Zealand dollar	-	-	-
01	0001	Norwegian krone	109,571.87	-	-
01	0001	Pakistani rupee	-	86,511.41	-
01	0001	Panamanian balboa	-	-	-
01	0001	Peruvian nuevo sol	-	86,620.63	-
01	0001	Phillippino peso	66,802.09	237,251.12	-
01	0001	Polish zloty	-	277,727.36	-
01	0001	Pound sterling	-	-	-
01	0001	Qatari riyal	-	3,568,151.81	-
01	0001	Romanian leu	-	-	-
01	0001	Russian ruble	125,129.63	369,990.92	-
01	0001	Singapore dollar	-	275,263.59	-
01	0001	South African rand	86,947.49	1,180,354.40	-
01	0001	South Korean won	-	2,252,723.15	-
01	0001	Swedish krona	-	298,354.19	-
01	0001	Swiss franc	-	2,150,312.89	-
01	0001	Taiwan dollar	-	1,743,698.91	-
01	0001	Thai baht	-	444,259.66	-
01	0001	Turkish lira	-	706,738.66	-
01	0001	UAE dirham	-	191,121.47	-
01	0001	Uruguay peso	-	-	-
01	0001	Venezuelan bolivar	-	-	-
		Total	<u>\$ 925,594.77</u>	<u>\$ 34,952,762.26</u>	<u>\$ 2,319,847.16</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 3 (continued) Deposits, Investments and Repurchase Agreements

##### Derivative Investing

TTUHSC's Investment Policy Statement for the LTIF allows investments in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index.

TTUHSC entered into futures contracts, options, and swaps as efficient substitutes for traditional securities to reduce portfolio risks created by other securities, or in fully hedged positions to take advantage of market anomalies. The derivatives entered into during fiscal year 2014 all had as its underlying securities market indices, in order to gain and reduce market exposure in an efficient manner. The contracts are valued daily and TTUHSC's net equity in the contracts, representing unrealized gain or loss, is reported on the *Statement of Net Position* as derivative instruments.

These instruments involve market and/or credit risk in excess of the amount recognized in the *Statement of Net Position*. Risks arise from the possibility that counterparties will be unable to meet the terms of their contracts and from movement in index values. Futures contracts have reduced counterparty credit risk since they are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees them against default. Counterparty risk for swaps and options is mitigated by master netting agreements between TTUHSC and its counterparties, and by the posting of collateral on a daily basis.

TTUHSC's gross counterparty exposure, as of August 31, 2014, is as presented below.

	Assets Notional	Liabilities Notional	Assets Fair Value as of 08/31/14	Liabilities Fair Value as of 08/31/14	Counterparty Rating
Futures	\$ 20,620,015.66	\$ 1,278,134.08	\$ 174,966.51	\$ 35,849.08	A
Options	11,820,551.25	7,150,849.60	453,816.16	366,948.62	A
Total Return Swaps	1,920,930.31	-	-	3,770.43	A

#### NOTE 4 Short Term Debt

The following changes occurred in short-term liabilities as of August 31, 2014:

Category	Balance as of 09/01/13	Additions	Reductions	Other Changes	Balance as of 08/31/14	Amounts Due Within One Year	Amounts Due Thereafter
Notes Payable - Commercial Paper	\$ 1,131,245.63	\$ -	\$ -	\$ (1,131,245.63)	\$ -	\$ -	\$ -



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

**NOTE 4 (continued)**  
**Short Term Liabilities**

**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. 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 0.04% to 0.14%.

**NOTE 5**  
**Long Term Liabilities**

The following changes occurred in long-term liabilities for the year ended August 31, 2014:

Category	Balance as of 09/01/13	Additions	Reductions	Other Changes	Balance as of 08/31/14	Amounts Due Within One Year	Amounts Due Thereafter
Claims and Judgments	\$ 14,146,187.18	\$ -	\$ (1,001,808.90)	\$ -	\$ 13,144,378.28	\$ 1,051,550.26	\$ 12,092,828.02
Capital Lease Obligation	137,466.64	-	(31,038.59)	(96,811.00)	9,617.05	9,617.05	0.00
Compensable Leave	24,556,086.54	1,785,140.42	-	(6,608,674.26)	19,732,552.70	2,367,906.32	17,364,646.38
Revenue Bonds Payable	<u>111,237,251.00</u>	<u>-</u>	<u>(4,374,358.61)</u>	<u>(60,045,313.02)</u>	<u>46,817,579.37</u>	<u>4,979,718.88</u>	<u>41,837,860.49</u>
<b>Total Long Term Liabilities</b>	<b><u>\$ 150,076,991.36</u></b>	<b><u>\$ 1,785,140.42</u></b>	<b><u>\$ (5,407,206.10)</u></b>	<b><u>\$ (66,750,798.28)</u></b>	<b><u>\$ 79,704,127.40</u></b>	<b><u>\$ 8,408,792.51</u></b>	<b><u>\$ 71,295,334.89</u></b>

**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.

**CAPITAL LEASE OBLIGATION**

Refer to Note 8 for detailed information on capital lease balances, transactions and lease terms.

**COMPENSABLE LEAVE**

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2014. Past experience has demonstrated that approximately 12% of TTUHSC compensable leave balances will mature within one year. Therefore, the non-current portion of the liability as of August 31, 2014 was estimated at \$17,364,646.38 out of a total liability of \$19,732,552.70. Funding for future leave balance payments will be from the same source as annualized salary expense.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 5 (continued) Long Term Liabilities

##### NOTES PAYABLE

Current and prior fiscal year notes payable activity and balances which were previously reported in Note 5 as long-term liabilities have been moved to Note 4 and reported as short-term debt. This reclassification was necessary due to the timing of the bond issue that is to be used to refund a portion of the outstanding commercial paper debt. This bond issue is not expected to occur until February 2015.

##### REVENUE BONDS PAYABLE

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

#### NOTE 6 Bonded Indebtedness

##### GENERAL INFORMATION

Detailed supplemental bond information is disclosed in Schedules 2A through 2F. Several bond issues were outstanding as of August 31, 2014, as summarized in the paragraphs that follow. These bonds were issued prior to TTUHSCEP becoming a separate institution. Thus, summary of purpose for each bond issue may include information related to both TTUHSC and TTUHSCEP.

##### REVENUE FINANCING SYSTEM BONDS, 9<sup>th</sup> 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 (\$25,885,000.00) have been issued

Revenue Source: Debt service source of revenue is Fund 0001 Appropriation

##### REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 10<sup>th</sup> 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, 7<sup>th</sup> Series 2001

Issued: February 1, 2006; all authorized bonds (\$15,974,524.01) have been issued

Revenue Source: Debt service source of revenue is Fund 0001 Appropriation

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### **NOTE 6 (continued)** **Bonded Indebtedness**

##### 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, 2009; all authorized bonds (\$26,827,818.83) have been issued which includes \$22,180,000 of new bonds for the projects.

Revenue Source: Debt service source of revenue is Fund 0001 Appropriation

##### REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 14th SERIES 2012A

Purpose: For a partial current refunding of \$975,000 of Revenue Financing System Bonds Series 2001 and for a partial advanced refunding of \$39,000,000 of Revenue Financing System Bonds Series 2003.

Issued: February 1, 2012; all authorized bonds (\$15,745,000.00) have been issued.

Revenue Source: Debt service source of revenue is Fund 0001 Appropriation

##### PLEDGED FUTURE REVENUES

On October 21, 1993, the governing board of the Texas Tech University System (System) established a Revenue Financing System to provide a financing structure for revenue supported indebtedness of System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition and fees, and any other revenues or income, including interest or other income, and balances lawfully available to 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.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 6 (continued) Bonded Indebtedness

The following table provides the pledged future revenue information for TTUHSC's revenue bonds.

For the Year Ended:	Business-Type Activities 08/31/14	Business-Type Activities 08/31/13
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 56,435,909.89	\$ 136,460,384.89
Term of Commitment Year Ending 08/31	2029	2029
Percentage of Revenues Pledged	100%	100%
Current Year Pledged Revenue	\$ 73,676,361.34	\$ 80,920,835.98
Current Year Principal and Interest Paid	\$ 6,538,726.25	\$ 13,206,281.64
Pledged Revenue Sources:		
Tuition and Fees, TRB State Appropriations, Auxiliary Revenues, Other Sales and Services Revenues, Investment Income, Unrestricted Contracts/Grants Revenues		

#### DEFEASED BONDS OUTSTANDING

TTUHSC had no defeased bonds outstanding as of August 31, 2014.

#### NOTE 7 Derivatives

The System Investment Policy Statement for the LTIF allows investment in certain derivative securities. Derivatives are financial instruments whose values are derived in whole or in part from the value of any one or more underlying assets or index of asset values. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. These include future contracts, options, and swaps.

The following table summarizes Texas Tech University Health Sciences Center's derivative activity as reported in the financial statements.

Investment Derivatives	<u>Changes in Fair Value</u>		<u>Fair Value at August 31, 2014</u>		
	Classification	Amount	Classification	Amount	Notional
Futures	Investment Revenue	\$139,117.43	Investments	\$139,117.43	\$19,341,881.58
Options	Investment Revenue	86,867.54	Investments	86,867.54	4,669,701.65
Total Return Swaps	Investment Revenue	(3,770.44)	Investments	(3,770.44)	1,920,930.32

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 7 (continued) Derivatives

##### FAIR VALUE

Derivative instruments are recorded at fair value. Futures contracts are marked-to-market daily and valued at closing market prices on valuation date. A daily variation margin between the daily value of the contracts and the value on the previous day is recorded and settled in cash with the broker the following morning. Options and swaps are valued using broker quotes, proprietary pricing agents or appropriate pricing models with primarily externally verifiable model inputs.

##### INVESTMENT DERIVATIVES

Investment derivatives expose the university to certain investment related risks. The university discloses more detail about derivatives in Note 3.

#### NOTE 8 Leases

##### OPERATING LEASES

TTUHSC leases some buildings and equipment under operating lease 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 \$2,068,514.09 for the year ended August 31, 2014. The table below provides the estimated minimum lease payments for operating leases for the next five fiscal years.

For years ending August 31	Minimum Lease Payments
2015	\$ 1,119,610.74
2016	808,952.31
2017	543,935.34
2018	491,483.55
2019	435,042.10

TTUHSC has operating lease income of \$1,135,189.16 for the year ended August 31, 2014. Leased space comprises approximately 5.75% of the total building space. The net carrying value of the assets associated with these leases was \$5,374,547.96 as of August 31, 2014. The net carrying value consists of historical cost of the leased buildings of \$13,572,671.11 less related accumulated depreciation of \$8,198,123.15. There were no reported contingent rental revenues. The table below provides the estimated minimum lease income for the next five fiscal years.

For years ending August 31	Minimum Lease Income
2015	\$ 1,133,377.32
2016	1,133,377.32
2017	1,133,377.32
2018	1,133,377.32
2019	1,133,377.32

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 8 (continued) Leases

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.

#### CAPITAL LEASES

TTUHSC has entered into four long-term capital leases for the purchase of durable medical and office equipment located in Lubbock, Texas. The terms of each of the leases require monthly payments over the next 4-8 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 \$84,048.42. As of August 31, 2014, the assets are recorded at a carrying value of \$42,314.49, which is net of accumulated depreciation in the amount of \$41,733.93. The asset and liability balances associated with these leases are included in the *Comparative Statement of Net Position* 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*.

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

Year Ending August 31	Principal	Interest	Total
2015	9,617.05	335.09	9,952.14
	<u>\$ 9,617.05</u>	<u>\$ 335.09</u>	<u>\$ 9,952.14</u>
Minimum Lease Payments			\$ 9,952.14
Less: The amount representing interest at TTUHSC's incremental borrowing rate of interest			<u>\$ (335.09)</u>
Present Value of Minimum Lease Payments			<u>\$ 9,617.05</u>

#### NOTE 9 Pension Plans

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 Teacher Retirement System of Texas (TRS) program and is available to certain eligible employees. ORP is a defined contribution pension plan that provides for the purchase of annuity and custodial mutual fund contracts. Current contributory percentages for employees who participated before September 1, 1995 are 8.5% provided by the State, and 6.65% provided by each participant, of annual participant compensation. The state's contribution is comprised of 6.4% from the ORP appropriation and 2.1% from other sources. The 6.4% contribution is mandatory, with the other contributions being at the discretion of the

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### *Notes to the Financial Statements* *August 31, 2014*

#### **NOTE 9 (continued)** **Pension Plans**

governing board of TTUHSC, which has approved the additional contributions for TTUHSC employees. Current contributory percentages for employees who participated after August 31, 1995, are 6.6% provided by the State, and 6.65% provided by each participant, of annual participant compensation. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

ORP contributions made by plan members and the employer for the years ending August 31, 2014 are detailed in the following table.

For the Year Ended:	08/31/14	08/31/13
Member Contributions	\$ 6,947,771.98	\$ 9,811,092.19
Employer Contributions	<u>7,472,845.01</u>	<u>10,135,488.09</u>
Total ORP Contributions	<u>\$ 14,420,616.99</u>	<u>\$ 19,946,580.28</u>

#### **NOTE 10** **Deferred Compensation (administering agencies only)**

Per the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Note 10 is not applicable to TTUHSC for the year ended August 31, 2014.

#### **NOTE 11** **Post-Employment Health Care and Life Insurance Benefits (administering agencies only)**

Per the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Note 11 is not applicable to TTUHSC for the year ended August 31, 2014.

#### **NOTE 12** **Interfund Activity and Balances**

As explained in Note 1, TTUHSC has interfund activities and transactions within its internal funds and with other State agencies. At year-end, amounts to be received and/or paid related to these interfund activities and transactions are reported as: Due from Other Agencies or Due to Other Agencies, Transfers In or Transfers Out, Legislative Transfers In or Legislative Transfers Out.

As of August 31, 2014, TTUHSC had outstanding Due to/from Other Agencies with other component units of the Texas Tech University System and other State agencies. TTUHSC had a net Due from Other Agencies balance with the University of Texas Investment Management Company (UTIMCO) which represents undistributed earnings from investment assets of the Permanent Health Fund for Higher Education. In addition, TTUHSC had a net Due to Other Agencies balance with TTU which represents payments for shared services. Remaining Due to/from Other Agencies balances are primarily for federal and state pass through agreements.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### *Notes to the Financial Statements* August 31, 2014

<b>NOTE 12 (continued)</b>
<b>Interfund Balances / Activity</b>

Detail about these Due To/From Other Agencies balances for the years ended August 31, 2014 and 2013 are shown in the following tables.

Agency Name	Agency Nbr	D23 Fund	As of 08/31/14	
			Due from	Due to
University of Texas System	720	0810	\$ 5,658,168.49	\$ -
University of Texas System	720	9999	-	22,952.39
Governor - Fiscal	300	9999	44,829.33	-
Commission of State Emergency Communications	477	9999	108,179.49	-
Department of State Health Services	537	9999	361,021.89	-
Cancer Prevention & Research Institute of Texas	542	9999	706,548.18	-
Texas A&M Agrilife Extension Service	555	9999	882.00	-
University of Texas - Austin	721	9999	43,115.22	-
University of Texas Southwestern Medical Center	729	9999	9,831.48	-
University of Texas Health HSC-Houston	744	9999	-	-
West Texas A&M University	757	0001	-	48,442.06
West Texas A&M University	757	9999	-	9,271.43
Subtotal - Due from Other Agencies			\$ 6,932,576.08	\$ 80,665.88
Texas Tech University	733	0001	\$ -	\$ 204,833.64
Texas Tech University	733	9999	\$ 123,514.64	\$ 4,389.83
Subtotal - Due from Other Component Units			\$ 123,514.64	\$ 209,223.47
Total Due from/to Other Agencies			\$ 7,056,090.72	\$ 289,889.35

Agency Name	Agency Nbr	D23 Fund	As of 08/31/13	
			Due from	Due to
University of Texas System	720	0810	\$ 4,271,338.93	\$ -
University of Texas System	720	9999	-	92,360.44
Governor - Fiscal	300	9999	18,888.25	-
Commission of State Emergency Communications	477	9999	142,280.30	-
Department of State Health Services	537	9999	279,497.80	-
Cancer Prevention & Research Institute of Texas	542	9999	1,431,123.18	-
University of Texas - Austin	721	9999	27,623.06	-
West Texas A&M University	757	0001	-	32,901.19
West Texas A&M University	757	9999	-	21,002.24
University of Texas - El Paso	724	9999	7,191.93	-
University of Texas HSC - San Antonio	745	9999	1,649.86	-
University of Texas HSC - Houston	744	9999	-	33,159.38
Subtotal - Due from Other Agencies			\$ 6,179,593.31	\$ 179,423.25
Texas Tech University	733	0001	\$ -	\$ 174,868.32
Texas Tech University	733	9999	\$ 18,208.32	\$ 6,920.96
Subtotal - Due from Other Component Units			\$ 18,208.32	\$ 181,789.28
Total Due from/to Other Agencies			\$ 6,197,801.63	\$ 361,212.53



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

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

Also, for the year ended August 31, 2014, TTUHSC had various Transfers In and Transfers Out from and to other components of the Texas Tech University System and other State agencies. The transfer out to TTUHSC is comprised of transfers of net assets and transfers pursuant to normal operations for the year ended August 31, 2014. The net transfers in from TTU are primarily for servicing of outstanding bonded indebtedness for which appropriations are shared. Net transfers in from the Texas Tech Foundation Inc. (TTFI) are comprised of earnings from endowments held by TTFI. The majority of the net transfers out to TTUSA are to support system administrative functions. The transfers to the Texas Higher Education Coordinating Board are for 2% Medical Loan and B-On-Time set-asides. Details about these Transfers In and Transfers Out for the years ended August 31, 2014 and 2013 are shown in the following tables.

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/14	
			Transfers In	Transfers Out
Texas Higher Education Coordinating Board	781	5103	-	190,210.12
Texas Higher Education Coordinating Board	781	5144	-	41,378.71
Total Transfers In/Out Other State Agencies			\$ -	\$ 231,588.83
Texas Tech University System Administration	768	0001	3,456.61	2,587,711.03
Texas Tech University Health Sciences Center at El Paso	774	9999	5,605,194.49	150,846,156.43
Texas Tech University	733	9999	1,359,698.97	113,725.99
Texas Tech Foundation, Inc. (HSC)	768	9999	1,930,466.94	13,177.23
Texas Tech Foundation, Inc. (TTU/TTUS)	768	9999	43,561.00	-
Angelo State University	737	9999	19,849.00	-
Total Transfers In/Out Component Units			\$ 8,962,227.01	\$ 153,560,770.68

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/13	
			Transfers In	Transfers Out
Texas Higher Education Coordinating Board	781	0542	\$ -	\$ 53,991.26
Texas Higher Education Coordinating Board	781	0542	-	50.70
Texas Higher Education Coordinating Board	781	5103	-	172,482.33
Texas Higher Education Coordinating Board	781	5144	-	54,950.78
Total Transfers In/Out Other State Agencies			\$ -	\$ 281,475.07
Texas Tech University System Administration	768	0001	-	2,692,236.00
Texas Tech University	733	9999	1,345,397.60	53,094.94
Texas Tech Foundation, Inc.	768	9999	3,498,966.23	493,894.41
Total Transfers In/Out Component Units			\$ 4,844,363.83	\$ 3,239,225.35

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

<b>NOTE 12 (continued)</b>
<b>Interfund Balances / Activity</b>

For the years ended August 31, 2014 and 2013, TTUHSC recorded a Legislative Transfer Out to TTUSA for system administration support. Details about TTUHSC's Legislative Transfers Out for the years ended August 31, 2014 and 2013 are shown in the following tables.

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/14	
			Legislative Transfers In	Legislative Transfers Out
Texas Tech University System Administration	768	0001	\$ -	\$ 1,710,587.00
Total Legislative Transfers Out			\$ -	\$ 1,710,587.00

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/13	
			Legislative Transfers In	Legislative Transfers Out
Texas Tech University System Administration	768	0001	\$ -	\$ 1,667,837.00
Total Legislative Transfers Out			\$ -	\$ 1,667,837.00

TTUHSC also recorded a decrease for the year ended August 31, 2014 in net position due to transfers out of capital assets to other State agencies. This Interagency Capital Asset transfer activity is included in Note 2 and is summarized in the following tables for the years ended August 31, 2014 and 2013.

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/14	
			Interagency Capital Asset Transfers In	Interagency Capital Asset Transfers Out
University of Texas at El Paso	724			\$ 15,985.03
Texas Tech University Health Sciences Center at El Paso	774		98,836.00	126,761,158.77
Texas Tech University	733		-	475,978.64
Total Transfers from/to Other State Agencies			\$ 98,836.00	\$ 127,253,122.44

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/13	
			Interagency Capital Asset Transfers In	Interagency Capital Asset Transfers Out
Texas Tech University	733		\$ 61,766.09	\$ 453,933.14
Total Transfers from/to Other State Agencies			\$ -	\$ -

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* August 31, 2014

#### NOTE 13 Continuance Subject to Review

TTUHSC is not subject to the Texas Sunset Act.

#### NOTE 14 Adjustments to Fund Balances and Net Position

Amounts reflected in the accompanying *Statement of Net Position* have been restated for the year ended August 31, 2013 to reflect endowment net appreciation as Other Expendable rather than Nonexpendable restricted net assets. The following table summarizes the effects of this change.

Description	As Reported 08/31/13	Correction	As Reported 08/31/14
Net Position - Restricted for Funds Held as Permanent Investments			
Nonexpendable	\$104,940,797.68	\$ (15,412,944.19)	\$ 89,527,853.49
Net Position - Restricted for Other	93,433,683.59	15,412,944.19	108,846,627.78
	<u>\$198,374,481.27</u>	<u>\$ -</u>	<u>\$198,374,481.27</u>

#### NOTE 15 Contingencies and Commitments

##### PENDING LITIGATION

At August 31, 2014, 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.

##### INVESTMENT FUNDS

TTUHSC entered into capital commitments with investment managers for future funding of investment funds as shown in the table below. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers.

Description	As of 08/31/14	As of 08/31/13
Total Unfunded Commitments	\$ 16,877,811.14	\$ 20,825,217.35
Fair Value - Domestic	118,108,570.37	105,446,471.09
Fair Value - International	334,146.63	2,319,847.16

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 15 Contingencies and Commitments

##### **REBATABLE ARBITRAGE**

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

As of August 31, 2014, TTUHSC had no outstanding bond issues with an associated outstanding rebatable arbitrage liability.

##### **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 \$5,493,014.17 as of August 31, 2014. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2014, the amount of legislative appropriations for capital from the state available for these commitments totaled \$3,807,304.35.

##### **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, 2014 was \$59,591,151.

#### NOTE 16 Subsequent Events

Texas Tech University System intends to issue Revenue Financing Bonds totaling \$111,239,000 in February of 2015. Some portion of TTUHSC's existing bonded indebtedness will be refunded with the new issue. However, the amount of the any possible refunding cannot be reasonably determined for incorporation in this *Annual Financial Report*.

#### NOTE 17 Risk Management

TTUHSC has self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. The plan is managed by the Office of General Counsel, and the associated liability is adjusted annually based on actuarially estimated incurred but not reported (IBNR) liability to reflect the anticipated future claims related to past medical services. TTUHSC recorded an IBNR liability as of August 31, 2014 and 2013, of \$13,144,378.28 and \$14,146,187.18 respectively.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 17 (continued) Risk Management

Balances are reported as Claims and Judgments in the accompanying *Comparative Statement of Net Position* and activity is summarized in the table below.

Fiscal Year	Balance as of Sept 1	Additions	Reductions	Balance as of Aug 31
2014	<u>\$ 14,146,187.18</u>	<u>\$ 1,290,162.94</u>	<u>\$ (2,291,971.54)</u>	<u>\$ 13,144,378.58</u>
2013	<u>\$ 15,381,242.26</u>	<u>\$ 47,102.00</u>	<u>\$ (1,282,157.08)</u>	<u>\$ 14,146,187.18</u>

Texas Tech Physician Associates, a blended component unit, had no accrued IBNR at August 31, 2014.

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 exempted 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.

TTUHSC has self-insured arrangements for Unemployment Compensation Fund coverage with the Texas State Comptroller of Public Accounts. The *General Appropriations Act* of the 82<sup>nd</sup> 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 of unemployment claims paid for any employees. Such reimbursements are paid from non-state 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 years 2014 and 2013 amounted to \$234,663.58 and \$234,661.75 4 respectively. No material outstanding claims were pending as of August 31, 2014.

For workers compensation, TTUHSC is required by State law to be a participant in the Worker's Compensation Program and Pool managed by the State Office of Risk Management (SORM). SORM assesses fees based upon claims cost, claim count, payroll and FTE. TTUHSC then remits the assessed fees, from both appropriated and unappropriated fund types, to SORM. Total payments to SORM for fiscal years ended 2014 and 2013 amounted to \$675,644.23 and \$754,971.63 respectively. SORM assumes the responsibility for paying all workers compensation claims for current and former employees of TTUHSC.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 18 Management Discussion and Analysis

On May 18, 2013, the Texas Tech University Health Sciences Center at El Paso (TTUHSCEP) was established as a separate component unit of the State of Texas under Texas Senate Bill 120, and is one of five entities included in the Texas Tech University System. TTUHSCEP expects to receive appropriated funds for the 2016-2017 Biennium under the General Appropriations Act. The results of operations for TTUHSCEP are incorporated within amounts reported for TTUHSC for the year ended August 31, 2013 for the purposes of this *Annual Financial Report*. However, the results of operations for TTUHSCEP are not included in amounts reported for TTUHSC for the year ended August 31, 2014. Further, the net financial position for TTUHSC for the year ended August 31, 2014 reflects a net asset transfer to TTUHSCEP in the amount of \$214,353,136.62. This amount is comprised of \$125,811,966.25 of capital assets, \$81,284,114.72 of cash and equivalents, and \$7,257,055.65 of other net assets. Additionally, this financial report contains certain allocations for reporting purposes between TTUHSCEP and TTUHSC that are reflected as net transfers.

#### NOTE 19 The Financial Reporting Entity

TTUHSC is an agency of the State of Texas, and is one of five components of the Texas Tech University System. 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 Physician Associates (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 is exempt from tax under Internal Revenue Code § 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC and, thus, TTUHSC can impose its will on TTPA. Further, TTPA was created for the purpose of entering into prepaid capitation agreements for physician and other medical services. Therefore, although it is a legally separate entity, TTPA is reported as a component unit since its sole purpose is to financially support TTUHSC. Independent financial statements for TTPA can be obtained from Provider Payer Relations, 3601 4<sup>th</sup> Street, Mail Stop 8300, Lubbock, Texas 79430.

Condensed financial statements for TTPA are presented in the below tables. Balances and amounts shown in these tables are included in balance and amounts shown on the financial statement in this *Annual Financial Report*.

Texas Tech Physician Associates Condensed Statement of Net Position		
	As of 08/31/14	As of 08/31/13
Total Assets	\$ 4,047,780.61	\$ 4,160,789.22
Total Liabilities	\$ 1,644,631.46	\$ 1,640,910.79
Net Position:		
Unrestricted	\$ 2,403,149.15	\$ 2,519,878.43
Total Net Position	\$ 2,403,149.15	\$ 2,519,878.43
Total Liabilities and Net Position	\$ 4,047,780.61	\$ 4,160,789.22

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 19 (continued) The Financial Reporting Entity

<b>Texas Tech Physician Associates</b>		
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>		
	For the Year Ended	
	08/31/14	08/31/13
Operating Revenues		
Professional Fees	\$ 8,676,335.30	\$ 25,439,034.13
Federal Contracts	208,636.00	186,821.06
Private Contracts and Grants	39,991.46	28,321.75
Operating Expenses		
Public Service	(550,191.65)	(425,522.34)
Operating Income (Loss)	\$ 8,374,771.11	\$ 25,228,654.60
Non-operating Revenue (Expense)		
Investment Income	\$ 30,589.16	\$ 45,796.57
Total Non-operating Revenues and Expenses	\$ 30,589.16	\$ 45,796.57
Other Revenues, Expenses, Gains, Losses and Transfers		
Transfers to Components	\$ (8,522,089.55)	\$ (25,306,538.69)
Total Change in Net Position	\$ (116,729.28)	\$ (32,087.52)
Beginning Net Position	\$ 2,519,878.43	\$ 2,551,965.95
Ending Net Position	\$ 2,403,149.15	\$ 2,519,878.43

<b>Texas Tech Physician Associates</b>		
<b>Condensed Statement of Cash Flows</b>		
	For the Year Ended	
	08/31/14	08/31/13
Net Cash Provided by Operating Activities	\$ 8,368,935.23	\$ 25,208,820.91
Net Cash Used for Non-capital Financing Activities	\$ (8,522,089.55)	\$ (25,306,538.69)
Net Cash Provided by Capital and Related Financing Activities	\$ -	\$ -
Net Cash Provided by Investing Activities	\$ 30,589.16	\$ 45,796.57
Total Net Cash Flows	\$ (122,565.16)	\$ (51,921.21)
Cash and Cash Equivalents, September 1st	\$ 4,112,964.78	\$ 4,164,885.99
Cash and Cash Equivalents, August 31st	\$ 3,990,399.62	\$ 4,112,964.78

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

**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 Reports of State Agencies and Universities*, Note 21 is not applicable for the year ended August 31, 2014.

**NOTE 22**  
**Donor Restricted Endowments**

TTUHSC endowments are categorized as either true endowments or funds functioning as endowments. As of August 31, 2014, 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 has experienced varying performance since its inception. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by TTUHSC.

Donor Restricted		Amounts of Net Appreciation*	
Endowments	Reported in Net Position	8/31/2014	8/31/2013
True Endowments	Restricted for Expendable	\$ 24,277,218.17	\$ 15,412,944.19

\*There was a positive fair market value adjustment totaling \$9,062,543.76 for fiscal 2014.

The TTUS spending policy for endowments reflects an objective to distribute as much of the total return as is consistent with overall investment objectives while protecting the inflation adjusted value of the endowment principal for future users. The following factors are considered in the spending policy: the duration and preservation of the LTIF, the purposes of the TTUS and the LTIF, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the System and the overall investment policy. The distribution of spendable earnings shall not exceed 6% nor be less than 4% of the average net asset value of the LTIF over the preceding 12 quarters.

**NOTE 23**  
**Extraordinary and Special Items**

TTUHSC had no special or extraordinary items during the year ended August 31, 2014.



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report

UNAUDITED

### *Notes to the Financial Statements*

*August 31, 2014*

#### NOTE 24

#### Disaggregation of Receivable and Payable Balances

#### RECEIVABLES

Components of receivables as of August 31, 2014, and net receivable balances as of August 31, 2014 and 2013 are summarized in the following tables.

Description	As of 08/31/14			As of 08/31/13
	Gross Receivables	Allowances	Net Receivables	Net Receivables
Federal Receivable	\$ 1,954,920.63	\$ -	\$ 1,954,920.63	\$ 2,268,423.05
Interest and Dividends Receivable	287,710.12	-	287,710.12	135,077.04
Patient Accounts Receivable	32,824,593.76	(18,020,498.67)	14,804,095.09	20,463,738.98
Student Accounts Receivable	630,827.72	(154,661.41)	476,166.31	434,075.73
Contract Accounts Receivable	13,621,948.53	-	13,621,948.53	20,533,135.69
Pledged Gifts Receivable	1,759,855.66	(52,795.67)	1,707,059.99	3,775,597.39
Other	568,838.98	(149,283.11)	419,555.87	740,426.20
Subtotal - Current	51,648,695.40	(18,377,238.86)	33,271,456.54	48,350,474.08
Pledged Gifts Receivable	1,559,603.22	(46,788.09)	1,512,815.13	12,894,633.13
Subtotal - Non-Current	1,559,603.22	(46,788.09)	1,512,815.13	12,894,633.13
Total Receivables	\$ 53,208,298.62	\$ (18,424,026.95)	\$ 34,784,271.67	\$ 61,245,107.21

Description	As of 08/31/14			As of 08/31/13
	Gross Receivable	Allowances	Net Receivable	Net Receivable
Loans and Notes Receivable				
Current	\$ 616,116.82	\$ (94,722.94)	\$ 521,393.88	\$ 453,891.68
Non-Current	4,123,243.33	(633,915.09)	3,489,328.24	3,037,582.71
Total Loans and Notes Receivable	4,739,360.15	(728,638.03)	4,010,722.12	3,491,474.39

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report UNAUDITED

### *Notes to the Financial Statements* *August 31, 2014*

#### NOTE 24 (continued) Disaggregation of Receivable and Payable Balances

#### PAYABLES

Short-term payables as of August 31, 2014 and 2013 were comprised of the elements noted in the following table.

Description	Short Term Payables as of	
	08/31/14	08/31/13
Vendor Accounts Payable	\$ 14,196,160.76	\$ 16,347,323.73
Patient Refunds Payable	3,210,114.81	4,188,393.82
Payroll Payable	29,481,022.89	34,698,470.66
Subtotal - Current Payables	<u>\$ 46,887,298.46</u>	<u>\$ 55,234,188.21</u>
Accrued Interest Payable	\$ 97,279.25	\$ 219,941.13
Subtotal - Other Current Liabilities	<u>\$ 97,279.25</u>	<u>\$ 219,941.13</u>
Total Short Term Payables	<u>\$ 46,984,577.71</u>	<u>\$ 55,454,129.34</u>

#### 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). Management does not believe there is significant credit risk associated with the listed payers, other than the self-pay and medically indigent category. Further, patient receivable balances are monitored and reserves and allowances associated with these receivables are adjusted accordingly. Patient accounts receivables are reported in this *Annual Financial Report* net of allowances for bad debts, contractual adjustments, and charity care.

Concentrations of gross patient accounts receivable as of August 31, 2014 and 2013 are depicted in the following table:

Description	Gross Patient Receivables as of	
	08/31/14	08/31/13
Medicare	\$ 5,600,145.72	\$ 7,226,729.06
Medicaid	7,409,001.23	10,502,894.49
Managed Care, including Blue Cross	5,596,830.24	8,959,894.46
Commerical	3,578,069.78	5,306,506.51
Self Pay and Medically Indigent	10,590,859.32	15,713,379.35
Other	49,687.47	276,037.12
Total Gross Patient Accounts Receivable	<u>\$ 32,824,593.76</u>	<u>\$ 47,985,440.99</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report

UNAUDITED

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### *Notes to the Financial Statements*

*August 31, 2014*

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<p style="text-align: center;"><b>NOTE 25</b> <b>Termination Benefits</b></p>
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TTUHSC had no reportable termination benefits during the year ended August 31, 2014.

<p style="text-align: center;"><b>NOTE 26</b> <b>Segment Information</b></p>
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TTUHSC had no reportable segments during the year ended August 31, 2014.

<p style="text-align: center;"><b>NOTE 27</b> <b>Service Concession Arrangements</b></p>
--

TTUHSC had no reportable service concession arrangements during the year ended August 31, 2014.

<p style="text-align: center;"><b>NOTE 28</b> <b>Deferred Outflows and Deferred Inflows of Resources</b></p>
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TTUHSC had no deferred outflows and deferred inflows of resources the year ended August 31, 2014.

<p style="text-align: center;"><b>NOTE 29</b> <b>Trouble Debt Restructuring</b></p>
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TTUHSC had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2014.

<p style="text-align: center;"><b>NOTE 30</b> <b>Non-Exchange Financial Guarantees</b></p>
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TTUHSC had no outstanding non-exchange financial guarantees for the year ended August 31, 2014.

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**TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER**

Annual Financial Report

*UNAUDITED*

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**SUPPORTING SCHEDULES**

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# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report

U N A U D I T E D

### *Schedule 2A: Miscellaneous Bond Information*

*For the Fiscal Year Ended August 31, 2014*

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Date	
Rev Fin Sys Bonds 9th Series 2003	25,885,000.00	4.00% - 5.25%	2006	2/15/2023	8/15/2013
Rev Fin Sys Ref & Imp Bonds Series 2006	15,974,524.01	4.00% - 5.00%	2006	2/15/2029	2/15/2016
Rev Fin Sys Ref & Imp Bonds Series 2009	26,827,818.83	3.00% - 5.00%	2009	2/15/2028	2/15/2019
Rev Fin Sys Ref & Imp Bonds 14th Series 2012A	15,745,000.00	2.00% - 5.00%	2012	8/15/2022	8/15/2021
	<u>\$ 84,432,342.84</u>				

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

UNAUDITED

*Schedule 2B: Changes in Bonded Indebtedness*

*For the Fiscal Year Ended August 31, 2014*

<u>Description of Issue</u>	<u>Bonds Outstanding 9/01/2013</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded or Extinguished</u>	<u>Bonds Outstanding 08/31/2014</u>
Rev Fin Sys Bonds 9th Series 2003	1,410,000.00	-	1,340,000.00	-	70,000.00
Rev Fin Sys Ref & Imp Bonds Series 2006	15,173,260.96	-	1,306,822.15	-	13,866,438.81
Rev Fin Sys Ref & Imp Bonds Series 2009	17,791,724.55	-	1,532,536.46	-	16,259,188.09
Rev Fin Sys Ref & Imp Bonds 14th Series 2012A	14,100,000.00	-	195,000.00	-	13,905,000.00
	<u>\$ 48,474,985.51</u>	<u>\$ -</u>	<u>\$ 4,374,358.61</u>	<u>\$ -</u>	<u>\$ 44,100,626.90</u>



**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

UNAUDITED

*Schedule 2B: Changes in Bonded Indebtedness*

*For the Fiscal Year Ended August 31, 2014*

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 08/31/2014	Amounts Due Within One Year
Rev Fin Sys Bonds 9th Series 2003	-	-	-	70,000.00	5,000.00
Rev Fin Sys Ref & Imp Bonds Series 2006	-	-	-	13,866,438.81	1,373,998.79
Rev Fin Sys Ref & Imp Bonds Series 2009	1,059,543.24	-	-	17,318,731.33	1,669,869.75
Rev Fin Sys Ref & Imp Bonds 14th Series 2012A	1,657,409.23	-	-	15,562,409.23	1,930,850.34
	<u>\$ 2,716,952.47</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,817,579.37</u>	<u>\$ 4,979,718.88</u>

Note: The 2009 12th Series amount due within one year includes bond premium amortization of \$75,681.66. The 2012A 14th Series amount due within one year includes bond premium amortization of \$360,850.34

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report

U N A U D I T E D

### *Schedule 2C: Debt Service Requirements*

*For the Fiscal Year Ended August 31, 2014*

Description of Issue	Year	Principal	Interest
Revenue Bonds	2015	\$ 5,000.00	\$ 3,456.25
Revenue Financing System Bonds	2016	5,000.00	3,193.75
9th Series 2003	2017	5,000.00	2,931.25
	2018	10,000.00	2,537.50
	2019	10,000.00	2,012.50
	2020-2023	35,000.00	3,375.00
		\$ 70,000.00	\$ 17,506.25
Revenue Bonds	2015	\$ 1,373,998.79	\$ 611,924.67
Revenue Financing System Refunding and	2016	1,434,306.15	541,717.05
Improvement Bonds - 10th Series 2006	2017	1,518,546.49	467,895.73
	2018	1,582,381.41	396,702.05
	2019	1,651,709.32	328,373.22
	2020-2024	4,446,350.62	784,018.69
	2025-2029	1,859,146.03	240,665.63
		\$ 13,866,438.81	\$ 3,371,297.04
Revenue Bonds	2015	\$ 1,594,188.09	\$ 773,104.70
Revenue Financing System Refunding and	2016	820,000.00	712,750.00
Improvement Bonds - 12th Series 2009	2017	865,000.00	670,625.00
	2018	910,000.00	626,250.00
	2019	955,000.00	579,625.00
	2020-2024	5,555,000.00	2,112,375.00
	2025-2028	5,560,000.00	573,000.00
		\$ 16,259,188.09	\$ 6,047,729.70
Revenue Bonds	2015	\$ 1,570,000.00	\$ 604,862.50
Revenue Financing System Refunding and	2016	1,620,000.00	557,762.50
Improvement Bonds - 14th Series 2012A	2017	1,665,000.00	509,162.50
	2018	1,745,000.00	425,912.50
	2019	1,835,000.00	338,662.50
	2020-2022	5,470,000.00	462,387.50
		\$ 13,905,000.00	\$ 2,898,750.00

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

Annual Financial Report

U N A U D I T E D

***Schedule 2D: Analysis of Funds Available for Debt Service***

*For the Fiscal Year Ended August 31, 2014*

Pledged and Other Sources and Related Expenditures for FY 2014				
Net Available for				
Debt Service				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Rev Fin Sys Bonds 9th Series 2003			1,340,000.00	38,762.50
Rev Fin Sys Ref & Imp Bonds Series 2006			1,306,822.15	678,945.19
Rev Fin Sys Ref & Imp Bonds Series 2009			1,532,536.46	835,947.45
Rev Fin Sys Ref & Imp Bonds 14th Series 2012A			195,000.00	610,712.50
	\$ 73,676,361.34	\$ -	\$ 4,374,358.61	\$ 2,164,367.64

(a) Beginning Balances as of 09/01/2013 of \$135,693,237.08 are not included in *Total Pledged and Other Sources*

(b) Expenditures associated with pledged sources totaled \$42,608,781.37

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report

U N A U D I T E D

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### *Schedule 3: Reconciliation of Cash in the State Treasury*

*As of August 31, 2014*

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	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local Revenue (Fund 0239)	\$ 16,348,440.09	\$ -	\$ 16,348,440.09
Permanent Health Fund - Other Campuses (Fund 0821)	<u>3,597,578.83</u>	<u>-</u>	<u>3,597,578.83</u>
TOTAL CASH IN THE STATE TREASURY	<u>\$ 19,946,018.92</u>	<u>\$ -</u>	<u>\$ 19,946,018.92</u>

**TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER**

Annual Financial Report

*UNAUDITED*

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**SUPPLEMENTAL SCHEDULES**

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**TEXAS TECH FOUNDATION, INC. for TTUHSC**  
Annual Financial Report  
UNAUDITED

***Comparative Statement of Net Position***  
*As of August 31, 2014 and 2013*

	<u>2014</u>	<i>Restated</i> <u>2013</u>
<b>ASSETS</b>		
Current Assets:		
Restricted Cash and Cash Equivalents	\$ 799,990.82	\$ 802,800.93
Receivables:		
Interest and Dividends	526.30	255.74
Pledged Gifts	610,816.58	14,717,389.82
Total Current Assets	<u>\$ 1,411,333.70</u>	<u>\$ 15,520,446.49</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 2,426,390.59	\$ 2,651,942.94
Pledged Gifts Receivable	359,582.85	8,379,712.58
Investments	51,376,855.70	86,062,997.22
Total Non-Current Assets	<u>\$ 54,162,829.14</u>	<u>\$ 97,094,652.74</u>
TOTAL ASSETS	<u>\$ 55,574,162.84</u>	<u>\$ 112,615,099.23</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables	\$ -	\$ -
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Non-Current Liabilities:		
Other Non-Current Liabilities	\$ -	\$ -
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Restricted for:		
Funds Held as Permanent Investments		
Nonexpendable	\$ 46,818,910.54	\$ 90,724,145.47
Other	8,755,252.30	21,890,953.76
Unrestricted	-	-
TOTAL NET POSITION	<u>\$ 55,574,162.84</u>	<u>\$ 112,615,099.23</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 55,574,162.84</u>	<u>\$ 112,615,099.23</u>

**TEXAS TECH FOUNDATION, INC. for TTUHSC**

## Annual Financial Report

UNAUDITED

***Comparative Statement of Revenues, Expenses, and Changes in Net Position******For the Year Ended of August 31, 2014 and 2013***

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Other Revenues	\$ -	\$ -
Total Operating Revenues	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>		
Other Expenses	\$ 931.41	\$ -
Total Operating Expenses	<u>\$ 931.41</u>	<u>\$ -</u>
Operating Loss	<u>\$ (931.41)</u>	<u>\$ -</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gifts	\$ (10,148,677.58)	\$ (6,815,632.08)
Interest and Investment Income (Loss)	4,923,820.15	3,907,253.42
Net Increase in Fair Value of Investments	1,093,993.55	3,716,112.07
Total Non-Operating Revenues and Gains	<u>\$ (4,130,863.88)</u>	<u>\$ 807,733.41</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>		
Net Transfers from Texas Tech University TTF	\$ -	\$ 48,642.88
Net Transfers to Texas Tech University Health Sciences Center	(1,917,289.71)	(2,974,025.82)
Net Transfers to Texas Tech University Health Sciences Center at El Paso TTF	<u>(50,991,851.39)</u>	<u>-</u>
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>\$ (52,909,141.10)</u>	<u>\$ (2,925,382.94)</u>
 TOTAL CHANGE IN NET POSITION	 <u>\$ (57,040,936.39)</u>	 <u>\$ (2,117,649.53)</u>
 Net Assets, September 1st	 <u>\$ 112,615,099.23</u>	 <u>\$ 114,732,748.76</u>
 Net Assets, August 31st	 <u>\$ 55,574,162.84</u>	 <u>\$ 112,615,099.23</u>



# TEXAS TECH FOUNDATION, INC. for TTUHSC

## Annual Financial Report

U N A U D I T E D

### *Comparative Statement of Cash Flows*

*For the Year Ended August 31, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash Outflows		
Payments for Other Operating Activities	\$ (931.41)	\$ -
Net Cash Used for Operating Activities	<u>\$ (931.41)</u>	<u>\$ -</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Non-Capital Gifts	\$ 3,734,468.91	\$ 3,944,861.08
Proceeds From Transfers from Texas Tech University TTF	-	48,642.88
Cash Outflows		
Payments for Transfers to Texas Tech University Health Sciences Center El Paso I	138,786.97	-
Payments for Transfers to Texas Tech University Health Sciences Center	<u>(1,917,289.71)</u>	<u>(2,974,025.82)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 1,955,966.17</u>	<u>\$ 1,019,478.14</u>
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ (1,771,769.57)	\$ 1,800,831.49
Proceeds from Interest and Dividends on Investments	1,948,904.37	3,691,102.21
Cash Outflows		
Payments for Purchases of Investments	<u>(2,360,532.02)</u>	<u>(5,655,555.44)</u>
Net Cash Provided by Investing Activities	<u>\$ (2,183,397.22)</u>	<u>\$ (163,621.74)</u>
TOTAL NET CASH FLOWS	<u>\$ (228,362.46)</u>	<u>\$ 855,856.40</u>
Cash and Cash Equivalents, September 1st	<u>\$ 3,454,743.87</u>	<u>\$ 2,598,887.47</u>
Cash and Cash Equivalents, August 31st	<u><u>\$ 3,226,381.41</u></u>	<u><u>\$ 3,454,743.87</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (931.41)	\$ -
Adjustments	<u>-</u>	<u>-</u>
Net Cash Used for Operating Activities	<u><u>\$ (931.41)</u></u>	<u><u>\$ -</u></u>
Non-Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	\$ 1,093,993.55	\$ 3,716,112.07

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