

**TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER**



**Annual Financial Report
Fiscal Year 2015**

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report UNAUDITED

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TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Office of the President

November 10, 2015

Honorable Greg Abbott
Governor of Texas

Honorable Glenn Hegar
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, 2015, 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 Oliphant, Director of Accounting, at (806) 743-7382.

Sincerely,

A handwritten signature in black 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 10, 2015

Tedd L. Mitchen, 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, 2015.

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,

A stylized blue signature consisting of the letters 'rn'.

Melody Oliph
Director of Accounting Services

Approved:

A stylized black signature consisting of the letter 'm'.

Elmo M. Cavin
Executive Vice President for Finance & Administration

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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Organizational Data *August 31, 2015*

BOARD OF REGENTS

Term Expires

Mickey L. Long (Chair).....	January 31, 2021.....	Midland
Debbie Montford (Vice Chair)	January 31, 2017.....	San Antonio
Larry K. Anders	January 31, 2017.....	Dallas
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
Ronnie Hammonds	January 31, 2021.....	Houston
Christopher M. Huckabee	January 31, 2021.....	Fort Worth
Victoria Messer (Student Regent).....	May 31, 2016.....	Canyon

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	Associate Vice President for Business Affairs
Melody Oliphint	Director of Accounting Services

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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, 2015 and 2014

	<i>2015</i>	<i>Restated 2014</i>
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	\$ 40,399,056.59	\$ (4,033,865.93)
Restricted Cash and Cash Equivalents	69,477,001.88	68,985,967.76
Balance of Legislative Appropriations	45,439,474.49	44,689,649.46
Receivables:		
Federal	3,039,320.83	1,954,920.63
Interest and Dividends	385,217.05	287,710.12
Patient	16,112,764.62	14,804,095.09
Student	754,096.39	476,166.31
Contracts	14,586,847.22	13,621,948.53
Pledged Gifts	338,203.66	1,707,059.99
Other	797,249.38	419,555.87
Due from Other State Agencies	9,983,859.74	6,932,576.08
Due from Other Component Units	70,060.97	123,514.64
Inventories	1,002,921.49	1,110,587.31
Prepaid Items	3,314,912.32	3,119,976.59
Loans and Notes	<u>314,266.24</u>	<u>521,393.88</u>
Total Current Assets	<u>\$ 206,015,252.87</u>	<u>\$ 154,721,256.33</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 327,127.62	\$ 273,012.92
Pledged Gifts Receivable	1,767,724.82	1,512,815.13
Loans and Notes	2,315,495.76	3,489,328.24
Restricted Investments	72,906,686.79	76,656,535.68
Unrestricted Investments	267,417,635.05	345,362,023.13
Capital Assets:		
Non-Depreciable or Non-Amortizable	12,250,020.94	12,109,377.21
Depreciable or Amortizable	496,086,359.73	487,689,468.66
less Accumulated Depreciation and Amortization	<u>(287,285,426.89)</u>	<u>(272,066,820.96)</u>
Total Non-Current Assets	<u>\$ 565,785,623.82</u>	<u>\$ 655,025,740.01</u>
TOTAL ASSETS	<u>\$ 771,800,876.69</u>	<u>\$ 809,746,996.34</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, 2015 and 2014

	<i>2015</i>	<i>Restated 2014</i>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts	\$ 17,524,839.87	\$ 17,406,275.57
Payroll	31,444,799.84	29,481,022.89
Due to Other State Agencies	43,299.14	80,665.88
Due to Other Component Units	190,663.52	209,223.47
Unclaimed Property Due to the State Treasury	15,666.20	15,364.25
Unearned Revenue	16,601,173.99	15,565,467.80
Capital Lease Obligation	-	9,617.05
Revenue Bonds Payable	-	4,979,718.88
Claims and Judgments	-	1,051,550.26
Employees' Compensable Leave	2,573,297.54	2,367,906.32
Funds Held for Others	264,223.32	300,587.37
Other Current Liabilities	6,819.29	97,279.25
Total Current Liabilities	\$ 68,664,782.71	\$ 71,564,678.99
Non-Current Liabilities:		
Unclaimed Property Due to the State Treasury	\$ 71,438.52	\$ 25,829.96
Revenue Bonds Payable	-	41,837,860.49
Claims and Judgments	-	12,092,828.02
Employees' Compensable Leave	18,870,848.58	17,364,646.38
Other Noncurrent Liabilities	7,450.00	7,450.00
Total Non-Current Liabilities	\$ 18,949,737.10	\$ 71,328,614.85
TOTAL LIABILITIES	\$ 87,614,519.81	\$ 142,893,293.84
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 221,050,953.78	\$ 180,812,931.42
Restricted for:		
Capital Projects	7,258,850.99	10,062,673.86
Funds Held as Permanent Investments		
Nonexpendable	54,631,041.94	53,330,902.25
Other	92,885,617.37	104,694,976.93
Unrestricted	308,359,892.80	317,952,218.04
TOTAL NET POSITION	\$ 684,186,356.88	\$ 666,853,702.50
TOTAL LIABILITIES AND NET POSITION	\$ 771,800,876.69	\$ 809,746,996.34

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, 2015 and 2014

	<i>2015</i>	<i>Restated 2014</i>
OPERATING REVENUES		
Tuition and Fee Revenue - Pledged	\$ 46,890,310.31	\$ 43,449,899.81
Discounts and Allowances	(5,700,401.44)	(5,045,760.19)
Tuition and Fee Revenue	1,377,591.70	1,652,556.75
Net Professional Fees - Pledged	789,295.22	893,841.80
Net Professional Fees	226,393,545.61	209,893,542.52
Uncollectibles	(22,015,836.33)	(18,809,131.52)
Auxiliary Enterprises - Pledged	746,522.17	710,885.09
Other Sales and Services	3,524,439.86	3,202,540.26
Other Sales and Services - Pledged	6,543,810.61	6,739,899.04
Federal Grant Revenue	13,771,206.32	13,723,370.05
Federal Grant Revenue - Pledged	3,650,985.69	3,706,827.82
Federal Pass-Through Revenue	2,124,053.74	948,902.68
Federal Contract Revenue	3,677,488.92	3,383,893.99
State Grant and Contract Revenue	1,325,651.11	2,645,829.88
State Grant and Contract Revenue - Pledged	282,294.86	278,298.07
State Grant and Contract Pass-Through Revenue	5,794,148.34	4,839,971.91
Local Grant and Contract Revenue	19,630,822.54	17,303,553.95
Local Grant and Contract Revenue - Pledged	1,137,287.00	1,197,251.49
Private Grant and Contract Revenue	91,915,415.10	83,660,277.43
Private Grant and Contract Revenue - Pledged	2,202,789.92	2,431,580.01
Other Revenue	16,793,512.98	17,293,667.14
Total Operating Revenues	\$ 420,854,934.23	\$ 394,101,697.98
OPERATING EXPENSES		
Salaries and Wages	\$ 321,674,837.85	\$ 300,591,087.82
Payroll Related Costs	77,853,093.05	71,340,259.04
Professional Fees and Services	49,245,534.55	46,310,270.94
Federal Grant Pass-Through Expense	227,312.28	135,627.38
State Grant Pass-Through Expense	-	238,538.00
Travel	5,112,175.98	4,828,220.54
Materials and Supplies	29,549,351.43	27,883,589.81
Communications and Utilities	13,442,343.68	13,132,881.60
Repairs and Maintenance	9,697,161.23	10,088,167.75
Rentals and Leases	2,871,473.94	2,537,302.27
Printing and Production	1,399,849.51	1,349,559.95
Depreciation and Amortization	21,225,558.59	20,441,332.86
Bad Debt Expense (Recovery)	184,405.52	(171,750.96)
Interest Expense	4,680.08	4,702.47
Scholarships	3,618,485.90	3,454,486.03
Claims and Judgments	1,284,000.00	2,092,000.00
Other Expenses	38,360,135.98	37,573,745.22
Total Operating Expenses	\$ 575,750,399.57	\$ 541,830,020.72
Operating Loss	\$ (154,895,465.34)	\$ (147,728,322.74)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
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Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended of August 31, 2015 and 2014

	2015	<i>Restated</i> 2014
NON-OPERATING REVENUES (EXPENSES)		
Legislative Appropriations Revenue	\$ 210,148,525.41	\$ 208,357,689.17
Federal Grant Revenue	1,606,148.00	1,662,303.00
Federal Pass-Through Revenue	-	-
State Pass-Through Revenue	51,500.00	37,500.00
Gifts	3,019,378.28	4,517,759.19
Gifts - Pledged	530,382.11	3,080,921.87
Interest and Investment Income	7,925,811.84	14,967,887.75
Interest and Investment Income - Pledged	1,680,769.33	3,802,784.45
Interest Expense	(1,714,270.90)	(2,158,821.52)
Loss on Sale of Capital Assets	(189,218.78)	(284,925.46)
Net (Decrease) Increase in Fair Value of Investments	(11,949,810.33)	14,305,638.47
Other Revenues	2,671,396.98	2,782,230.08
Other Revenues - Pledged	759,376.52	845,445.25
Total Non-Operating Revenues (Expenses)	\$ 214,539,988.46	\$ 251,916,412.25
 CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS		
Capital Contributions	498,890.10	405,705.81
Legislative Appropriations Revenue for Capital (HEAF)	16,973,569.00	16,973,569.00
Increases from Interagency Transfers of Capital Assets	-	98,836.00
Decreases from Interagency Transfers of Capital Assets	(463,968.93)	(127,253,122.44)
Net Transfers from Angelo State University	(6,000.00)	19,849.00
Net Transfers to Texas Tech University Health Sciences Center El Paso	(62,519,669.73)	(145,240,961.94)
Net Transfers from Texas Tech University	1,111,015.45	1,245,972.98
Net Transfers from Texas Tech Foundation Inc.	2,333,605.95	1,960,850.71
Net Transfers to Texas Tech University System Administration	2,246,132.75	(2,584,254.42)
Transfers from Other State Agencies	45,374.00	-
Transfers to Other State Agencies	(217,423.47)	(231,588.83)
Legislative Transfers Out (System Administration Support)	(1,753,337.00)	(1,710,587.00)
Legislative Appropriations Lapsed	(560,056.86)	-
Capital Contributions and Transfers	\$ (42,311,868.74)	\$ (256,315,731.13)
TOTAL CHANGE IN NET POSITION	\$ 17,332,654.38	\$ (152,127,641.62)
Net Assets, September 1st	\$ 666,853,702.50	\$ 818,981,344.12
Net Assets, August 31st	\$ 684,186,356.88	\$ 666,853,702.50

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 Matrix of Operating Expenses by Function
For the Years Ended August 31, 2015 and 2014

OPERATING EXPENSES	INSTRUCTION	RESEARCH	PUBLIC SERVICE	PATIENT CARE	ACADEMIC SUPPORT	STUDENT SERVICES
Salaries and Wages	\$ 144,569,771.46	\$ 20,081,405.84	\$ 49,659,975.25	\$ 36,130,793.24	\$ 42,470,032.77	\$ 5,193,015.50
Payroll Related Costs	26,993,958.09	4,507,575.24	13,901,782.62	10,829,542.59	13,047,991.88	1,519,606.73
Professional Fees and Services	222,823.44	646,701.50	40,073,812.77	2,560,529.67	3,644,464.95	283,057.06
Travel	824,389.86	453,051.64	731,579.38	92,888.00	2,264,317.29	367,649.11
Supplies and Materials	682,222.32	3,233,851.30	13,078,451.54	6,812,615.54	4,232,884.24	1,053,052.50
Communications and Utilities	257,973.37	62,290.43	268,309.92	273,672.45	4,457,621.82	681,507.43
Maintenance and Repair	229,432.17	618,609.88	500,263.92	294,372.06	2,432,244.18	618,272.43
Rentals and Leases	26,034.64	38,815.05	619,175.81	301,372.36	1,085,543.23	94,347.97
Printing and Production	133,295.10	92,798.68	133,365.10	113,970.79	614,918.27	110,449.38
Interest Expense	46.26	69.24	136.21	1,193.29	1,959.78	377.99
Claims and Judgments	-	-	-	-	1,272,000.00	-
Other Expenses	1,834,629.15	5,136,925.07	3,031,996.76	1,394,644.82	18,100,039.61	1,977,121.55
Bad Debt Expense (Recovery)	-	-	-	-	-	184,405.52
Scholarships and Fellowships	64,884.25	171,882.05	7,500.00	-	162,346.86	17,400.00
Federal Grant Pass-Through Expense	-	122,981.18	104,331.10	-	-	-
State Grant Pass-Through Expense	-	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
For the Year Ended August 31, 2015	<u>\$ 175,839,460.11</u>	<u>\$ 35,166,957.10</u>	<u>\$ 122,110,680.38</u>	<u>\$ 58,805,594.81</u>	<u>\$ 93,786,364.88</u>	<u>\$ 12,100,263.17</u>
For the Year Ended August 31, 2014	<u>\$ 161,225,125.08</u>	<u>\$ 34,010,336.26</u>	<u>\$ 115,127,490.92</u>	<u>\$ 52,315,145.20</u>	<u>\$ 92,328,841.01</u>	<u>\$ 11,032,540.61</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
Annual Financial Report
UNAUDITED

Comparative Matrix of Operating Expenses by Function
For the Years Ended August 31, 2015 and 2014

<i>OPERATING EXPENSES</i>	<i>INSTITUTIONAL SUPPORT</i>	<i>OPERATION & MAINTENANCE OF PLANT</i>	<i>SCHOLARSHIPS & FELLOWSHIPS</i>	<i>AUXILIARY ENTERPRISES</i>	<i>DEPRECIATION & AMORTIZATION</i>	<i>TOTAL EXPENSES</i>
Salaries and Wages	\$ 17,950,280.52	\$ 5,459,601.00	\$ 8,400.00	\$ 151,562.27	-	\$ 321,674,837.85
Payroll Related Costs	4,744,236.19	2,256,222.14	585.77	51,591.80	-	77,853,093.05
Professional Fees and Services	213,876.91	1,593,622.93	-	6,645.32	-	49,245,534.55
Travel	343,133.30	31,339.91	-	3,827.49	-	5,112,175.98
Supplies and Materials	205,485.50	239,881.11	-	10,907.38	-	29,549,351.43
Communications and Utilities	503,035.54	6,922,125.15	-	15,807.57	-	13,442,343.68
Maintenance and Repair	719,641.65	4,265,185.40	-	19,139.54	-	9,697,161.23
Rentals and Leases	66,969.86	637,536.44	-	1,678.58	-	2,871,473.94
Printing and Production	151,635.51	38,423.99	-	10,992.69	-	1,399,849.51
Interest Expense	527.00	370.31	-	-	-	4,680.08
Claims and Judgments	12,000.00	-	-	-	-	1,284,000.00
Other Expenses	2,939,756.31	3,867,155.53	-	77,867.18	-	38,360,135.98
Bad Debt Expense	-	-	-	-	-	184,405.52
Scholarships and Fellowships	3,500.00	-	3,190,972.74	-	-	3,618,485.90
Federal Grant Pass-Through Expense	-	-	-	-	-	227,312.28
State Grant Pass-Through Expense	-	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	21,225,558.59	21,225,558.59
	<u>\$ 27,854,078.29</u>	<u>\$ 25,311,463.91</u>	<u>\$ 3,199,958.51</u>	<u>\$ 350,019.82</u>	<u>\$ 21,225,558.59</u>	<u>\$ 575,750,399.57</u>
	<u>\$ 25,782,576.35</u>	<u>\$ 26,026,460.66</u>	<u>\$ 3,043,526.27</u>	<u>\$ 496,645.50</u>	<u>\$ 20,441,332.86</u>	<u>\$ 541,830,020.72</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 Cash Flows
For the Year Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collections from Student Tuition and Fees	\$ 43,479,938.09	\$ 37,943,172.19
Collections from Grants and Contracts	142,400,858.99	132,949,230.01
Collections from Patients and Insurers	203,858,334.97	189,785,029.22
Collections of Loan Program Proceeds	1,922,135.71	3,004,394.13
Collections from Auxiliary Enterprises	775,484.16	730,108.92
Collections from Other Operating Activities	26,145,714.72	27,174,935.64
Cash Outflows		
Payments to Suppliers	(117,666,364.98)	(108,078,197.46)
Payments to Employees for Salaries	(319,138,679.21)	(303,387,288.89)
Payments to Employees for Benefits	(76,534,614.61)	(71,644,981.34)
Payments for Loans Provided to Students	(1,933,651.45)	(3,347,150.78)
Payments for Unemployment Benefits	(166,918.22)	(331,383.98)
Payments for Other Operating Activities	<u>(42,159,253.90)</u>	<u>(42,440,144.58)</u>
Net Cash Used for Operating Activities	<u>\$ (139,017,015.73)</u>	<u>\$ (137,642,276.92)</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Legislative Appropriations	\$ 209,048,412.52	\$ 199,600,735.95
Proceeds from Net Transfers from Angelo State University	-	19,849.00
Proceeds from Net Transfers from Texas Tech University	1,111,015.45	1,245,972.98
Proceeds from Net Transfers from Texas Tech Foundation, Inc.	2,333,605.95	1,960,850.71
Proceeds from Agency Transactions	61,805,869.00	60,203,239.00
Proceeds from Non-Capital Gifts	4,663,707.03	9,152,758.88
Proceeds from Non-Capital Grants	1,657,648.00	1,699,803.00
Proceeds from Other Non-Capital Financing Activities	3,394,409.45	3,050,549.84
Cash Outflows		
Payments for Net Transfers to Angelo State University	(6,000.00)	-
Payments for Net Transfers to Texas Tech University System Administration	(27,640,823.39)	(4,294,841.42)
Payments for Net Transfers to Texas Tech University Health Sciences Center at El Pas	(58,074,728.78)	(137,983,906.29)
Payments for Transfers to Other State Agencies	(172,049.47)	(231,588.83)
Payments for Other Uses	<u>(61,805,869.00)</u>	<u>(60,203,239.00)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 136,315,196.76</u>	<u>\$ 74,220,183.82</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
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Comparative Statement of Cash Flows
For the Year Ended August 31, 2015 and 2014

	<i>2015</i>	<i>2014</i>
Cash Flows from Capital and Related Financing Activities		
Cash Inflows		
Proceeds from Sale of Capital Assets	\$ 77,184.04	\$ 63,587.03
Proceeds from Transfers from Texas Tech University System Administration	2,230.75	-
Proceeds from Legislative Appropriations for Capital	16,973,569.00	16,973,569.00
Cash Outflows		
Payments for Purchases of Capital Assets	(14,775,969.11)	(17,889,595.46)
Payments for Transfers to Texas Tech University System Administration	(310,431.09)	-
Payments for Principal on Capital Debts	(4,543,186.88)	(4,374,358.61)
Payments for Interest on Capital Debts	(1,804,730.86)	(2,165,370.94)
Payments for Capital Lease	(9,617.05)	(31,038.59)
Net Cash Used for Capital and Related Financing Activities	\$ (4,390,951.20)	\$ (7,423,207.57)
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ 97,421,287.77	\$ 62,244,176.56
Proceeds from Interest and Dividends on Investments	9,342,901.69	9,239,542.35
Cash Outflows		
Payments for Purchases of Investments	(54,693,347.95)	(136,582,668.49)
Net Cash Used for Investing Activities	\$ 52,070,841.51	\$ (65,098,949.58)
TOTAL NET CASH FLOWS	\$ 44,978,071.34	\$ (135,944,250.25)
Cash and Cash Equivalents, September 1st	\$ 65,225,114.75	\$ 201,169,365.00
Cash and Cash Equivalents, August 31st	\$ 110,203,186.09	\$ 65,225,114.75

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
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Comparative Statement of Cash Flows
For the Year Ended August 31, 2015 and 2014

	<i>2015</i>	<i>2014</i>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (154,895,465.34)	\$ (147,728,322.74)
Adjustments		
Depreciation Expense	21,225,558.59	20,441,332.86
Bad Debt Expense	-	-
Decrease (Increase) in Receivables	(4,223,361.01)	(3,505,459.93)
Decrease (Increase) in Due from Other Agency	(863,726.32)	(130,286.02)
Decrease (Increase) in Merchandise Inventories	107,665.82	(205,121.55)
Decrease (Increase) in Prepaid Expenses	(194,935.73)	261,173.32
Decrease (Increase) in Loans and Notes Receivable	300,960.12	(519,247.73)
Increase (Decrease) in Payables	2,082,341.25	(5,186,474.28)
Increase (Decrease) in Due to Other Agency	(55,926.69)	40,107.95
Increase (Decrease) in Deferred Revenue	1,035,706.19	(1,837,300.84)
Increase (Decrease) in Compensable Leave	1,723,941.91	1,785,140.42
Increase (Decrease) in Claims Payable	(5,305,685.03)	(1,001,808.90)
Increase (Decrease) in Other Liabilities	45,910.51	(56,009.48)
Net Cash Used for Operating Activities	\$ (139,017,015.73)	\$ (137,642,276.92)
Non-Cash Transactions		
Donations of Capital Assets	\$ 498,890.10	\$ 405,705.81
Net Increase (Decrease) in Fair Value of Investments	(11,949,810.33)	14,305,638.47
Disposal of Capital Assets	(266,402.82)	(348,512.49)
Other	28,441,819.38	-

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART TO THIS FINANCIAL STATEMENT

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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NOTES TO FINANCIAL STATEMENTS

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TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

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 (TTUHSCEP) was established as a separate component unit of the State of Texas under Texas Senate Bill 120. However, TTUHSCEP was not included in the General Appropriations Act for appropriating money to the various agencies of the State of Texas until the 2016-2017 Biennium. Thus, this *Annual Financial Report* includes transfers to TTUHSCEP in support of TTUHSCEP's operations for the years ended August 31, 2015 and 2014.

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 at El Paso (TTUHSCEP), Texas Tech University (TTU) and Texas Tech University System Administration (TTUSA). TTUHSC is under the direction, management, and control of the Texas Tech University System Board of Regents, which acts separately and independently on all matters affecting TTUHSC.

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, 2015.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

NOTE 1 (continued) Summary of Significant Accounting Policies

REPORTING ENTITY (continued)

TTUHSC offers graduate and undergraduate programs in five schools: the School of Health Professions, 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.

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*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

NOTE 1 (continued) Summary of Significant Accounting Policies

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 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*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

NOTE 1 (continued) Summary of Significant Accounting Policies

Capital Assets (continued)

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 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.

Bonds Payable

TTUHSC has a number of bond issues outstanding which are supported either directly or indirectly by tuition revenue. Detailed information regarding bonds payable can be found in Note 5 and Note 6.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

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*.

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.

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the State Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements August 31, 2015

NOTE 2 (continued) Capital Assets

Capital asset changes for the year ended August 31, 2015 are summarized in the following table.

Capital Asset Category	Balance 09/01/14	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/15
			Complete d CIP	Increases – Interagency Transfers	Decreases – Interagency Transfers			
Non-Depreciable or Non-Amortizable Assets:								
Land and Land Improvements	\$ 10,666,531.41	-	\$ -	\$ -	\$ -	\$ 136,001.45	-	\$ 10,802,532.86
Construction In Progress	179,379.16	-	-	-	-	3,500.00	-	182,879.16
Other	1,263,466.64	-	-	-	-	1,142.28	-	1,264,608.92
Total Non-Depreciable or Non-Amortizable Assets	<u>\$ 12,109,377.21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,643.73</u>	<u>\$ -</u>	<u>\$ 12,250,020.94</u>
Depreciable Assets:								
Buildings and Improvements	\$ 341,983,993.24	\$ 8,247,191.27	-	-	-	\$ 7,128,763.32	-	\$ 357,359,947.83
Infrastructure	7,009,374.49	-	-	-	-	-	-	7,009,374.49
Furniture and Equipment	79,173,639.94	-	-	12,759.00	(663,108.29)	5,999,221.24	(5,492,413.55)	79,030,098.34
Vehicles	1,809,880.51	-	-	15,862.00	-	141,803.79	(156,678.90)	1,810,867.40
Facilities and Other Improvements	8,281,525.07	-	-	-	-	632,046.00	-	8,913,571.07
Other	32,511,674.69	(311,758.69)	-	-	-	238,512.00	(136,874.00)	32,301,554.00
Total Depreciable Assets at Cost	<u>\$ 470,770,087.94</u>	<u>\$ 7,935,432.58</u>	<u>\$ -</u>	<u>\$ 28,621.00</u>	<u>\$ (663,108.29)</u>	<u>\$ 14,140,346.35</u>	<u>\$ (5,785,966.45)</u>	<u>\$ 486,425,413.13</u>
Less Accumulated Depreciation for:								
Buildings and Improvements	\$ (182,232,310.88)	\$ (1,441,104.58)	-	-	-	\$ (11,168,399.63)	-	\$ (194,841,815.09)
Infrastructure	(2,606,638.70)	-	-	-	-	(311,425.80)	-	(2,918,064.50)
Furniture and Equipment	(51,329,361.19)	-	-	(12,759.00)	408,410.47	(6,969,887.67)	5,363,898.29	(52,539,699.10)
Vehicles	(1,147,071.44)	-	-	(15,862.00)	-	(177,175.60)	155,665.34	(1,184,443.70)
Facilities and Other Improvements	(4,201,956.44)	-	-	-	-	(409,569.20)	-	(4,611,525.64)
Other	(23,061,638.38)	1,731.99	-	-	-	(1,271,439.31)	-	(24,331,345.70)
Total Accumulated Depreciation	<u>\$ (264,578,977.03)</u>	<u>\$ (1,439,372.59)</u>	<u>\$ -</u>	<u>\$ (28,621.00)</u>	<u>\$ 408,410.47</u>	<u>\$ (20,307,897.21)</u>	<u>\$ 5,519,563.63</u>	<u>\$ (280,426,893.73)</u>
Depreciable Assets - Net	<u>\$ 206,191,110.91</u>	<u>\$ 6,496,059.99</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (254,697.82)</u>	<u>\$ (6,167,550.86)</u>	<u>\$ (266,402.82)</u>	<u>\$ 205,998,519.40</u>
Amortizable Assets:								
Computer Software	\$ 8,672,189.45	-	-	-	\$ (209,271.11)	\$ 993,869.13	\$ (107,599.56)	\$ 9,349,187.91
Other	-	311,758.69	-	-	-	-	-	311,758.69
Total Amortizable Assets	<u>\$ 8,672,189.45</u>	<u>\$ 311,758.69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,271.11)</u>	<u>\$ 993,869.13</u>	<u>\$ (107,599.56)</u>	<u>\$ 9,660,946.60</u>
Less Accumulated Amortization for:								
Computer Software	\$ (6,046,739.35)	-	-	-	-	\$ (896,877.50)	\$ 107,599.56	\$ (6,836,017.29)
Other	-	(1,731.99)	-	-	-	(20,783.88)	-	(22,515.87)
Total Accumulated Amortization	<u>\$ (6,046,739.35)</u>	<u>\$ (1,731.99)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (917,661.38)</u>	<u>\$ 107,599.56</u>	<u>\$ (6,858,533.16)</u>
Amortizable Assets - Net	<u>\$ 2,625,450.10</u>	<u>\$ 310,026.70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,271.11)</u>	<u>\$ 76,207.75</u>	<u>\$ -</u>	<u>\$ 2,802,413.44</u>
Capital Assets - Net	<u>\$ 220,925,938.22</u>	<u>\$ 6,806,086.69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (463,968.93)</u>	<u>\$ (5,950,699.38)</u>	<u>\$ (266,402.82)</u>	<u>\$ 221,050,953.78</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

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.

DEPOSITS OF CASH IN BANK

The carrying amount of deposits as of August 31, 2015 and 2014 is presented in the below table.

Proprietary Funds	<u>As of 8/31/15</u>	<u>As of 8/31/14</u>
CASH IN BANK - CARRYING VALUE	\$ 30,952,573.28	\$ (33,615,446.42)
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>\$ 30,952,573.28</u>	<u>\$ (33,615,446.42)</u>
Proprietary Funds Current Assets Cash in Bank	\$ (38,834,726.63)	\$ (102,872,011.83)
Proprietary Funds Current Assets Restricted Cash in Bank	69,460,172.29	68,983,552.49
Proprietary Funds Non-Current Assets Restricted Cash in Bank	<u>327,127.62</u>	<u>273,012.92</u>
Cash in Bank per AFR	<u>\$ 30,952,573.28</u>	<u>\$ (33,615,446.42)</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, 2015 and 2014, the total bank balance was \$ 41,417,938.68 and (\$36,346,642.75) respectively.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

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, 2015 or 2014.

INVESTMENTS

The carrying value and fair value of investments as of August 31, 2015 and 2014 is summarized below:

Proprietary Funds	As of 8/31/15	As of 8/31/14
U.S. Government		
U.S. Treasury Securities	\$ 49,155,890.36	\$ 53,675,664.22
U.S. Treasury TIPS	7,767,252.29	7,781,476.79
Sallie Mae, etc.)	78,528,641.17	83,904,018.40
Corporate Obligations	260,331.42	429,735.75
Corporate Asset and Mortgage Backed Securities	604,612.07	803,298.98
Equity	6,915,936.01	10,061,997.94
International Obligations (Gov't and Corp)	307,151.24	2,244,491.89
Fixed Income Money Market and Bond Mutual Fund	82,361,402.41	115,271,389.44
Mutual Funds	9,191,246.10	12,515,882.75
Other Commingled Funds	21,099,106.76	30,961,396.35
Other Commingled Funds (TexPool)	11,845,353.31	28,173,198.77
International Other Commingled Funds	16,289,599.32	33,413,167.66
Real Estate	5,143,201.30	4,183,493.71
Domestic Derivatives	(774,786.19)	222,214.53
Externally Managed Investments		
Domestic	103,149,434.73	118,108,570.37
International	93,241.76	334,146.63
Miscellaneous	160,355.72	158,320.82
Total Investments	\$ 392,097,969.78	\$ 502,242,465.00

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Notes to the Financial Statements August 31, 2015

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 08/31/15	As of 08/31/14
Proprietary Funds		
Non-Current Investments	\$ 340,324,321.84	\$422,018,558.81
Items in Cash and Equivalents		
Repurchase Agreements	-	-
Money Market Funds	39,928,294.63	52,050,707.42
Texpool & TexSTAR Investments	11,845,353.31	28,173,198.77
Total Investments	\$ 392,097,969.78	\$502,242,465.00

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, 2015, 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	78,528,641.17					
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)						
		Corporate Obligations					143,874.19	116,457.23
		Corporate Asset and Mortgage Backed Securities	604,612.07					
05	9999	International Obligations (Gov't and Corp)		6,757.33	54,365.77	173,970.46	24,326.38	47,731.30
			AAAf	Aaf	Af			Unrated
05	9999	Fixed Income Money and Bond Mutual Fund	39,928,294.63					42,433,107.80

The following table summarizes the credit rating of investments as of August 31, 2014.

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
			AAAf	Aaf	Af			Unrated
05	9999	Fixed Income Money and Bond Mutual Fund	52,050,707.42	-	-	-	-	63,220,682.02

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Notes to the Financial Statements *August 31, 2015*

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, 2015, is as follows.

Fund Type	Foreign Currency	International Obligation	International Other Commingled Funds	International Externally Managed Investments
05	Argentine peso	\$ -	\$ 85,280.58	\$ -
05	Australian dollar	-	58,674.59	8.93
05	Brazilian real	47,765.64	723,292.28	-
05	British Pound	-	2,023,686.92	10,563.39
05	Canadian dollar	-	238,471.18	-
05	Chilean Peso	58,648.96	36,209.79	-
05	Chinese yuan	-	920,475.34	-
05	Czech koruna	-	101,694.42	-
05	Danish krone	-	24,538.04	-
05	Egyptian pound	-	142,729.01	-
05	Euro	4,837.04	334,561.57	42,369.96
05	Hong Kong dollar	-	352,062.27	-
05	Hungarian forint	-	2,274.39	-
05	Indian rupee	59,858.21	800,932.05	40,299.48
05	Indonesian rupiah	-	122,365.95	-
05	Japanese yen	-	1,416,876.62	-
05	Kazakhstani tenge	-	18,104.90	-
05	Malaysian ringgit	-	177,443.42	-
05	Mexican peso	59,253.58	479,975.24	-
05	Norwegian krone	-	4,907.61	-
05	Peruvian nuevo sol	24,789.77	29,420.46	-
05	Phillippino peso	-	90,659.83	-
05	Polish zloty	-	21,606.71	-
05	Qatari riyal	-	83,893.05	-
05	Russian ruble	-	46,433.28	-
05	Singapore dollar	-	234,151.34	-
05	South African rand	51,998.04	550,598.71	-
05	South Korean won	-	896,673.16	-
05	Swedish krona	-	254,544.67	-
05	Swiss franc	-	1,115,608.70	-
05	Taiwan dollar	-	1,242,536.12	-
05	Thai baht	-	218,086.41	-
05	Turkish lira	-	262,275.05	-
05	UAE dirham	-	178,555.66	-
	Total	\$ 307,151.24	\$ 13,289,599.32	\$ 93,241.76

The total exposure to foreign currency risk as of August 31, 2014 for International Obligations, International Comingled Funds and International Externally Managed Investments was \$925,594.77, \$34,952,762.26 and \$2,319,847.16 respectively.

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Notes to the Financial Statements *August 31, 2015*

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 2015 all had market indices as its underlying securities, 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, 2015, is as presented below.

	Assets	Liabilities	Assets	Liabilities	Counterparty
	Notional	Notional	Fair Value as of 08/31/15	Fair Value as of 08/31/15	Rating
Futures Contracts					
	\$ 10,049,745.83	\$ 3,495,641.73	\$ -	\$ -	A
	<u>\$ 10,049,745.83</u>	<u>\$ 3,495,641.73</u>	<u>\$ -</u>	<u>\$ -</u>	
Options					
	\$ 8,920,904.53	\$ 10,221,379.28	\$ 378,647.61	\$ 690,075.56	A-
	3,243,600.50	1,617,298.00	58,421.28	327,885.92	BBB+
	<u>\$ 12,164,505.03</u>	<u>\$ 11,838,677.28</u>	<u>\$ 437,068.89</u>	<u>\$ 1,017,961.48</u>	
Total Return Swaps					
	\$ 1,727,725.69	\$ -	\$ -	\$ 102,100.86	A
	830,845.95	-	-	91,792.73	A-
	<u>\$ 2,558,571.64</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,893.59</u>	

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Notes to the Financial Statements August 31, 2015

NOTE 3 (continued)
Deposits, Investments and Repurchase Agreements

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

	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
	Notional	Notional	Fair Value as of 08/31/15	Fair Value as of 08/31/15	
Futures Contracts					
	\$ 20,620,015.66	\$ 1,278,134.80	\$ 174,966.51	\$ 35,849.08	A
	<u>\$ 20,620,015.66</u>	<u>\$ 1,278,134.80</u>	<u>\$ 174,966.51</u>	<u>\$ 35,849.08</u>	
Options					
	\$ 11,820,551.25	\$ 7,150,849.60	\$ 453,816.16	\$ 366,948.62	A
	<u>\$ 11,820,551.25</u>	<u>\$ 7,150,849.60</u>	<u>\$ 453,816.16</u>	<u>\$ 366,948.62</u>	
Total Return Swaps					
	\$ 1,920,930.31	\$ -	\$ -	\$ 3,770.43	A
	<u>\$ 1,920,930.31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,770.43</u>	

The exposure to foreign currency risk for derivatives as of August 31, 2015, is as shown in the following table.

Fund		Foreign Currency	Swaps	Options	Futures	Forwards
Type						
01	Euro		\$ -	\$ (10,564.51)	\$ -	\$ -
01	Pound sterling		-	(81,202.18)	-	-
	Total		<u>\$ -</u>	<u>\$ (91,766.69)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4
Short Term Debt

TTUHSC had no reportable short term debt during the years ended August 31, 2015 and 2014.

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Notes to the Financial Statements *August 31, 2015*

NOTE 5 Long Term Liabilities

The following changes occurred in long-term liabilities for the year ended August 31, 2015:

Category	Balance as of 09/01/14	Additions	Reductions	Restatement/ Adjustment	Balance as of 08/31/15	Amounts Due Within One Year	Amounts Due Thereafter
Claims and Judgments	\$ 13,144,378.28	\$ 273,000.00	\$ (5,578,685.03)	\$ (7,838,693.25)	\$ -	\$ -	\$ -
Capital Lease Obligation	9,617.05	-	(9,617.05)	-	-	-	-
Compensable Leave	19,732,552.70	1,723,941.91	-	(12,348.49)	21,444,146.12	2,573,297.54	18,870,848.58
Revenue Bonds Payable	<u>46,817,579.37</u>	-	(4,543,186.88)	(42,274,392.49)	-	-	-
Total Long Term Liabilities	<u>\$ 79,704,127.40</u>	<u>\$ 1,996,941.91</u>	<u>\$ (10,131,488.96)</u>	<u>\$ (50,125,434.23)</u>	<u>\$ 21,444,146.12</u>	<u>\$ 2,573,297.54</u>	<u>\$ 18,870,848.58</u>

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.

The activity related to Claims and Judgments for the fiscal year ended August 31, 2015 is reflected in this *Annual Financial Report*. However, beginning September 1, 2016, TTUSA will oversee the related medical malpractice self-insurance plan described in Note 17. Thus, at the end of the fiscal year, TTUHSC transferred the ending Claims and Judgments balance to TTUSA to facilitate the central administration in the subsequent fiscal year. This transfer is reflected in the Restatement/Adjustment column in the above table.

CAPITAL LEASE OBLIGATION

As of August 31, 2015, no material outstanding TTUHSC leases satisfied the requirements for capitalization.

COMPENSABLE LEAVE

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2015. 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, 2015 was estimated at \$18,870,848.58 out of a total liability of \$21,444,146.12. Funding for future leave balance payments will be from the same source as annualized salary expense.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

NOTE 5 (continued) Long Term Liabilities

REVENUE BONDS PAYABLE

For the fiscal year ended August 31, 2015, payment of principal and interest expense related to Revenue Bonds Payable is reflected in this *Annual Financial Report*. However, beginning September 1, 2016, TTUHSC's share of revenue bonds payable and related activity will be recorded at a consolidated level by TTUSA, with interagency transfers recorded to/from TTUSA for TTUHSC's share of debt service payments and debt proceeds to fund approved projects. Thus, at the end of the fiscal year, TTUHSC transferred its remaining Revenue Bonds Payable balance in the amount of \$42,274,392.49 to TTUSA to facilitate the central administration of Texas Tech University System's Revenue Financing System revenue bonded indebtedness in the subsequent fiscal year. This transfer is reflected in the Restatement/Adjustment column in the previous table.

NOTE 6 Bonded Indebtedness

TTUHSC transferred its remaining revenue bonds payable balance of \$42,274,392.49 as of August 31, 2015 to TTUSA to facilitate the central administration of the Texas Tech University System's Revenue Financing System revenue bonded indebtedness for all TTUSA components beginning on September 1, 2016. Therefore, the supplemental bond information is included in TTUSA's *Annual Financial Report* in Note 6 and in Supporting Schedules 2A through 2F.

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 TTUHSC's derivative activity for the year ended August 31, 2015.

Investment Derivatives	<u>Changes in Fair Value</u>		<u>Fair Value at August 31, 2015</u>		
	Classification	Amount	Classification	Amount	Notional
Futures	Investment Revenue	\$ (166,729.35)	Investments	\$ -	\$ 6,554,104.10
Options	Investment Revenue	(734,967.54)	Investments	(580,892.59)	325,827.75
Total Return Swaps	Investment Revenue	(161,410.89)	Investments	(193,893.59)	2,558,571.64

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Notes to the Financial Statements *August 31, 2015*

NOTE 7 (continued) Derivatives

The following table summarizes TTUHSC's derivative activity for the year ended August 31, 2014.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2014		
	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	(3,770.54)	Investments	(3,770.44)	1,920,930.32

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 \$2,416,519.94 and \$2,068,514.09 for the year ended August 31, 2015 and 2014 respectively.

TTUHSC also leases space to others under operating lease agreements. Leased space comprises approximately 6.31% of the total building space. The net carrying value of the assets associated with these leases was \$5,436,364.04 as of August 31, 2015, and consists of historical cost of \$13,689,191.08 less related accumulated depreciation of \$8,252,827.04. There were no reported contingent rental revenues. Total operating lease income under these agreements was \$1,189,370.58 and \$1,135,189.16 for the years ended August 31, 2015 and 2014 respectively.

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.

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Notes to the Financial Statements *August 31, 2015*

NOTE 8 (continued) Leases

OPERATING LEASES (continued)

The table below provides the estimated minimum lease payments and the estimated minimum lease income for TTUHSC operating leases for the next five fiscal years.

For years ending August 31	Minimum Lease Payments	Minimum Lease Income
2016	\$ 1,963,523.97	\$ 1,161,610.88
2017	1,641,269.93	1,161,610.88
2018	1,399,308.77	1,161,610.88
2019	1,043,632.97	1,161,610.88
2020	984,879.89	1,161,610.88

CAPITAL LEASES

As of August 31, 2015, TTUHSC had no material outstanding leases that satisfy the requirements for capitalization.

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 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.

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Notes to the Financial Statements *August 31, 2015*

NOTE 9 (continued) Pension Plans

ORP contributions made by plan members and the employer for the years ending August 31, 2015 and 2014 are detailed in the following table.

For the Year Ended:	08/31/15	08/31/14
Member Contributions	\$ 7,435,613.66	\$ 6,947,771.98
Employer Contributions	<u>7,970,243.41</u>	<u>7,472,845.01</u>
Total ORP Contributions	\$ <u>15,405,857.07</u>	\$ <u>14,420,616.99</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, 2015.

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, 2015.

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, Interagency Capital Asset Transfers In and Interagency Capital Asset Transfers Out.

DUE FROM/TO OTHER STATE AGENCIES

As of August 31, 2015, 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, 2015

NOTE 12 (continued)
Interfund Activity and Balances

DUE FROM/TO OTHER STATE AGENCIES (continued)

Details about these Due To/From Other Agencies balances for the years ended August 31, 2015 and 2014 are shown in the following table.

Agency Name	Agency Nbr	D23 Fund	<u>As of 08/31/15</u>		<u>As of 08/31/14</u>	
			Due from	Due to	Due from	Due to
Governor - Fiscal	300	9999	\$ 75,726.25	\$ -	\$ 44,829.33	\$ -
Texas Workforce Commission	320	0239	-	178.44	-	-
Texas Workforce Commission	320	9999	14,013.95	-	-	-
Texas Workforce Commission	320	9999	-	89.22	-	-
Commission of State Emergency Communications	477	9999	132,541.87	-	108,179.49	-
Texas Health & Human Services	529	9999	155,272.53	-	-	-
Department of State Health Services	537	9999	246,763.19	-	361,021.89	-
Cancer Prevention & Research Institute of Texas	542	9999	1,422,594.85	-	706,548.18	-
Texas A&M Agrilife Extension Service	555	9999	-	-	882.00	-
University of Texas System	720	0810	7,792,272.16	-	5,658,168.49	-
University of Texas System	720	9999	-	21,081.58	-	22,952.39
University of Texas - Austin	721	9999	58,701.89	-	43,115.22	-
Univeristy of Texas Medical Branch at Galveston	723	9999	-	6,055.04	-	-
University of Texas Southwestern Medical Center	729	9999	8,445.18	-	9,831.48	-
West Texas A&M University	757	0001	-	-	-	48,442.06
West Texas A&M University	757	9999	-	15,894.86	-	9,271.43
Texas Higher Education Coordinating Board	781	9999	32,153.87	-	-	-
Texas Higher Education Coordinating Board	781	9999	-	-	-	-
Comptroller - State Fiscal	902	0210	45,374.00	-	-	-
Subtotal - Due from Other Agencies			<u>\$ 9,983,859.74</u>	<u>\$ 43,299.14</u>	<u>\$ 6,932,576.08</u>	<u>\$ 80,665.88</u>
Texas Tech University	733	0001	-	190,663.52	-	204,833.64
Texas Tech University	733	9999	70,060.97	-	123,514.64	4,389.83
Subtotal - Due from Other Component Units			<u>\$ 70,060.97</u>	<u>\$ 190,663.52</u>	<u>\$ 123,514.64</u>	<u>\$ 209,223.47</u>
Total Due from/to Other Agencies			<u>\$ 10,053,920.71</u>	<u>\$ 233,962.66</u>	<u>\$ 7,056,090.72</u>	<u>\$ 289,889.35</u>

TRANSFERS IN/OUT

For the year ended August 31, 2015, TTUHSC had various Transfers In and Transfers Out from and to other components of the Texas Tech University System and other State agencies. The transfers to the Texas Higher Education Coordinating Board are for 2% Medical Loan and B-On-Time set-asides. The net transfers in from TTU are primarily for servicing of outstanding bonded indebtedness for which appropriations are shared. The transfers with TTUSA are comprised of bonds payable balances as described in Note 5 and 6, self-insurance reserves as described in Note 17, and transfers to support system administrative functions. The net transfer out to TTUHSCEP is comprised of transfers of net assets and transfers pursuant to normal operations for the year ended August 31, 2015. Net transfers in from the Texas Tech Foundation Inc. (TTFI) are comprised of earnings from endowments held by TTFI.

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Notes to the Financial Statements August 31, 2015

NOTE 12 (continued)
Interfund Balances / Activity

TRANSFERS IN/OUT (continued)

Details about these Transfers In and Transfers Out for the years ended August 31, 2015 and 2014 are shown in the following table.

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/15		For the Year Ended 08/31/14	
			Transfers In	Transfers Out	Transfers In	Transfers Out
Texas Higher Education Coordinating Board	781	5103	-	157,250.59	-	190,210.12
Texas Higher Education Coordinating Board	781	5144	-	60,172.88	-	41,378.71
Comptroller - State Fiscal	902	0210	45,374.00	-	-	-
Total Transfers In/Out Other State Agencies			<u>\$ 45,374.00</u>	<u>\$ 217,423.47</u>	<u>\$ -</u>	<u>\$ 231,588.83</u>
TTU	733	9999	1,354,696.25	243,680.80	1,359,698.97	113,725.99
Angelo State University	737	9999	-	6,000.00	19,849.00	-
TTUSA	768	0001	42,276,623.24	40,030,490.49	3,456.61	2,587,711.03
TTUHSCEP	774	9999	9,414,107.01	71,933,776.74	5,605,194.49	150,846,156.43
Texas Tech Foundation, Inc. (HSC)		9999	2,239,745.95	200.00	1,930,466.94	13,177.23
Texas Tech Foundation, Inc. (TTU/TTUS)		9999	94,060.00	-	43,561.00	-
Total Transfers In/Out Component Units			<u>\$55,379,232.45</u>	<u>\$ 112,214,148.03</u>	<u>\$8,962,227.01</u>	<u>\$ 153,560,770.68</u>

LEGISLATIVE TRANSFERS IN/OUT

For the years ended August 31, 2015 and 2014, 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, 2015 and 2014 are shown in the following tables.

Agency Name	Agency Nbr	D23 Fund	For the Year Ended 08/31/15		For the Year Ended 08/31/14	
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out
TTUSA	768	0001	-	\$ 1,753,337.00	-	\$ 1,710,587.00
Total Legislative Transfers Out			<u>\$ -</u>	<u>\$ 1,753,337.00</u>	<u>\$ -</u>	<u>\$ 1,710,587.00</u>

INTERAGENCY CAPITAL ASSET TRANSFERS IN/OUT

TTUHSC also recorded a decrease for the year ended August 31, 2015 in net position due to transfers out of capital assets to other State agencies.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements August 31, 2015

NOTE 12 (continued) Interfund Balances / Activity

INTERAGENCY CAPITAL ASSET TRANSFERS IN/OUT (continued)

The Interagency Capital Asset transfer activity is included in Note 2 and is summarized in the following table for the years ended August 31, 2015 and 2014.

Agency Name	Agency Nbr	For the Year Ended 08/31/15		For the Year Ended 08/31/14	
		Interagency Capital Asset Transfers In	Interagency Capital Asset Transfers Out	Interagency Capital Asset Transfers In	Interagency Capital Asset Transfers Out
		University of Texas at El Paso	724	\$ -	\$ -
TTU	733	-	427,451.02	-	475,978.64
TTUHSCEP	774	-	36,517.91	98,836.00	126,761,158.77
Total Transfers from/to Other State Agencies		<u>\$ -</u>	<u>\$ 463,968.93</u>	<u>\$ 98,836.00</u>	<u>\$ 127,253,122.44</u>

NOTE 13 Continuance Subject to Review

TTUHSC is not subject to the Texas Sunset Act.

NOTE 14 Adjustments to Fund Balances and Net Position

Certain amounts for the year ended August 31, 2014 have been restated in the *Comparative Statement of Net Position*. These restatements are related to a building acquisition and subsequent renovation prior to September 1, 2013. The related expenditures occurred over a number of years and were not capitalized in the year expended due to incorrect expense coding and to expenses properly coded not exceeding capitalization thresholds in the year(s) incurred. In the *Comparable Statement of Net Position*, Depreciable Capital Assets has been increased by \$8,247,191.27 in order to reflect the cost basis of the asset, and Accumulated Depreciation has been increased by \$1,179,943.54 in order to reflect accumulated depreciation prior to FY2014, for a net increase of \$7,067,247.73 to Net Position Invested in Capital Assets, Net of Related Debt. In the *Comparative Statement of Revenues, Expenses, and Changes in Net Position*, Depreciation Expense has been increased by \$261,161.04 in order to reflect the FY 2014 depreciation expense, for a net decrease of \$261,161.04 to Net Position Invested in Capital Assets, Net of Related Debt.

The following table summarizes the effect of this restatement on the accompanying *Comparative Statement of Net Position*.

Description	As Reported 08/31/14	Correction	As Reported 08/31/14
Net Position - Invested in Capital Assets, Net of Related Debt	\$174,006,844.73	\$ 6,806,086.69	\$180,812,931.42

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

NOTE 15 Contingencies and Commitments

PENDING LITIGATION

At August 31, 2015, 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. However, adverse rulings could result in an additional liability to 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 8/31/2015	As of 8/31/2014
Total Unfunded Commitments	\$ 21,185,506.73	\$ 16,877,811.14

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 \$5,884,063.92 as of August 31, 2015. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2015, the amount of legislative appropriations for capital from the state available for these commitments totaled \$3,466,595.72.

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, 2015 and 2014 were \$61,582,835 and \$59,591,151 respectively.

NOTE 16 Subsequent Events

TTUS intends to issue Revenue Financing System commercial paper notes after August 31, 2015 to acquire new proceeds for the design phase of construction projects, which include TTUHSC projects, as approved by the State Legislature for Tuition Revenue Bond repayment. More information regarding the issuance is included in TTUSA's *Annual Financial Report* in Note 16.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements August 31, 2015

NOTE 17
Risk Management

TTUHSC is self-insured for medical malpractice coverage through a medical malpractice self-insurance plan. The plan is managed by the Office of General Counsel. The 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.

The liability associated with the medical malpractice self-insurance plan is adjusted annually based on an actuarially estimated incurred but not reported (IBNR) liability to reflect the anticipated future claims related to past medical services. The activity related to actual claims paid and the IBNR adjustment for the fiscal year ended August 31, 2015 is reflected in this *Annual Financial Report*. However, beginning September 1, 2016, TTUSA will oversee the medical malpractice self-insurance plan. Thus, at the end of the fiscal year, TTUHSC transferred the ending liability and fund balance to TTUSA to facilitate the central administration in the subsequent fiscal year. The table below summarizes the activity associated with this liability for the years ended August 31, 2015 and 2014.

Fiscal Year	Balance as of Sept 1	Additions	Reductions	Adjustment	Balance as of Aug 31
2015	\$ 13,144,378.28	\$ 273,000.00	\$ (5,578,685.03)	\$ (7,838,693.25)	\$ -
2014	\$ 14,146,187.18	\$ 1,290,162.94	\$ (2,291,971.54)	\$ -	\$ 13,144,378.58

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 83rd 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 2015 and 2014 were \$166,764.50 and \$234,663.58 respectively. No material outstanding claims were pending as of August 31, 2015.

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 2015 and 2014 amounted to \$622,221.92 and \$675,644.23 respectively. SORM assumes the responsibility for paying all workers compensation claims for current and former employees of TTUHSC.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

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 the years ended August 31, 2015 and 2014 for TTUHSCEP are reported in a separate *Annual Financial Report* for TTUHSCEP. 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 4th 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 08/31/15	As of 08/31/14
Total Assets	\$ 4,021,731.73	\$ 4,047,780.61
Total Liabilities	\$ 1,679,539.06	\$ 1,644,631.46
Net Position:		
Unrestricted	\$ 2,342,192.67	\$ 2,403,149.15
Total Net Position	\$ 2,342,192.67	\$ 2,403,149.15
Total Liabilities and Net Position	\$ 4,021,731.73	\$ 4,047,780.61

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

NOTE 19 (continued) The Financial Reporting Entity

Texas Tech Physician Associates		
Condensed Statement of Revenues, Expenses and Changes in Net Position		
	For the Year Ended	
	08/31/15	08/31/14
Operating Revenues		
Professional Fees	\$ 10,491,296.70	\$ 8,676,335.30
Federal Contracts	251,520.00	208,636.00
Private Contracts and Grants	97.75	39,991.46
Operating Expenses		
Professional Services and Fees	\$ (553,264.42)	\$ (432,316.76)
Travel	\$ (1,166.85)	\$ (1,161.74)
Materials and Supplies	\$ -	\$ (95.64)
Rentals and Leases	\$ (20.00)	\$ -
Other Expenses	\$ (14,316.53)	\$ (116,617.51)
Operating Income (Loss)	<u>\$ 10,174,146.65</u>	<u>\$ 8,374,771.11</u>
Non-operating Revenue (Expense)		
Investment Income	\$ 39,770.29	\$ 30,589.16
Total Non-operating Revenues and Expenses	<u>\$ 39,770.29</u>	<u>\$ 30,589.16</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Transfers to Components	\$ (10,274,873.42)	\$ (8,522,089.55)
Total Change in Net Position	\$ (60,956.48)	\$ (116,729.28)
Beginning Net Position	<u>\$ 2,403,149.15</u>	<u>\$ 2,519,878.43</u>
Ending Net Position	<u>\$ 2,342,192.67</u>	<u>\$ 2,403,149.15</u>

Texas Tech Physician Associates		
Condensed Statement of Cash Flows		
	For the Year Ended	
	08/31/15	08/31/14
Net Cash Provided by Operating Activities	\$ 10,220,878.75	\$ 8,368,935.23
Net Cash Used for Non-capital Financing Activities	\$ (10,274,873.42)	\$ (8,522,089.55)
Net Cash Provided by Capital and Related Financing Activities	\$ -	\$ -
Net Cash Provided by Investing Activities	<u>\$ 39,770.29</u>	<u>\$ 30,589.16</u>
Total Net Cash Flows	\$ (14,224.38)	\$ (122,565.16)
Cash and Cash Equivalents, September 1st	<u>\$ 3,990,399.62</u>	<u>\$ 4,112,964.78</u>
Cash and Cash Equivalents, August 31st	<u>\$ 3,976,175.24</u>	<u>\$ 3,990,399.62</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2015*

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, 2015.

NOTE 22 Donor Restricted Endowments

TTUHSC endowments are categorized as either true endowments or funds functioning as endowments. As of August 31, 2015, 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 Endowments	Reported in Net Position	Amounts of Net Appreciation*	
		8/31/2015	8/31/2014
True Endowments	Restricted Expendable	<u>\$ 18,602,771.47</u>	<u>\$ 24,277,218.17</u>

*The fair value adjustment was (\$5,644,416.23) and \$9,062,543.76 for fiscal years 2015 and 2014 respectively

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.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements August 31, 2015

NOTE 23 Extraordinary and Special Items
--

TTUHSC had no special or extraordinary items during the year ended August 31, 2015.

NOTE 24 Disaggregation of Receivable and Payable Balances
--

RECEIVABLES

Components of receivables as of August 31, 2015, and net receivable balances as of August 31, 2015 and 2014 are summarized in the following tables.

Description	As of 08/31/15		As of 08/31/14	
	Gross Receivables	Allowances	Net Receivables	Net Receivables
Federal Receivable	\$ 3,039,320.83	\$ -	\$ 3,039,320.83	\$ 1,954,920.63
Interest and Dividends Receivable	385,217.05	-	385,217.05	287,710.12
Patient Accounts Receivable	40,342,954.40	(24,230,189.78)	16,112,764.62	14,804,095.09
Student Accounts Receivable	971,685.19	(217,588.80)	754,096.39	476,166.31
Contract Accounts Receivable	14,586,847.22	-	14,586,847.22	13,621,948.53
Pledged Gifts Receivable	341,619.86	(3,416.20)	338,203.66	1,707,059.99
Other	956,030.95	(158,781.57)	797,249.38	419,555.87
Subtotal - Current	<u>60,623,675.50</u>	<u>(24,609,976.35)</u>	<u>36,013,699.15</u>	<u>33,271,456.54</u>
Pledged Gifts Receivable	<u>1,785,580.63</u>	<u>(17,855.81)</u>	<u>1,767,724.82</u>	<u>1,512,815.13</u>
Subtotal - Non-Current	<u>1,785,580.63</u>	<u>(17,855.81)</u>	<u>1,767,724.82</u>	<u>1,512,815.13</u>
Total Receivables	<u>\$ 62,409,256.13</u>	<u>\$ (24,627,832.16)</u>	<u>\$ 37,781,423.97</u>	<u>\$ 34,784,271.67</u>

Description	As of 08/31/15		As of 08/31/14	
	Gross Receivable	Allowances	Net Receivable	Net Receivable
Loans and Notes Receivable				
Current	\$ 423,780.70	\$ (109,514.46)	\$ 314,266.24	\$ 521,393.88
Non-Current	<u>3,048,400.23</u>	<u>(732,904.47)</u>	<u>2,315,495.76</u>	<u>3,489,328.24</u>
Total Loans and Notes Receivable	<u>3,472,180.93</u>	<u>(842,418.93)</u>	<u>2,629,762.00</u>	<u>4,010,722.12</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements August 31, 2015

NOTE 24 (continued)
Disaggregation of Receivable and Payable Balances

PAYABLES

Short-term payables as of August 31, 2015 and 2014 were comprised of the elements noted in the following table.

Description	Short Term Payables as of	
	08/31/15	08/31/14
Vendor Accounts Payable	\$ 15,941,094.18	\$ 14,196,160.76
Patient Refunds Payable	1,583,745.69	3,210,114.81
Payroll Payable	31,444,799.84	29,481,022.89
Subtotal - Current Payables	\$ 48,969,639.71	\$ 46,887,298.46
Accrued Interest Payable	\$ 6,819.29	\$ 97,279.25
Subtotal - Other Current Liabilities	\$ 6,819.29	\$ 97,279.25
Total Short Term Payables	\$ 48,976,459.00	\$ 46,984,577.71

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, 2015 and 2014 are depicted in the following table:

Description	Gross Patient Receivables as of	
	08/31/15	08/31/14
Medicare	\$ 7,863,199.58	\$ 5,600,145.72
Medicaid	10,781,317.61	7,409,001.23
Managed Care, including Blue Cross	8,273,568.29	5,596,830.24
Commerical	3,718,361.89	3,578,069.78
Self Pay and Medically Indigent	9,190,360.93	10,590,859.32
Other	516,146.10	49,687.47
Total Gross Patient Accounts Receivable	\$ 40,342,954.40	\$ 32,824,593.76

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report UNAUDITED

Notes to the Financial Statements *August 31, 2015*

<p style="text-align: center;">NOTE 25 Termination Benefits</p>

TTUHSC had no reportable termination benefits during the year ended August 31, 2015.

<p style="text-align: center;">NOTE 26 Segment Information</p>
--

TTUHSC had no reportable segments during the year ended August 31, 2015.

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

TTUHSC had no reportable service concession arrangements during the year ended August 31, 2015.

<p style="text-align: center;">NOTE 28 Deferred Outflows and Deferred Inflows of Resources</p>
--

TTUHSC had no deferred outflows and deferred inflows of resources the year ended August 31, 2015.

<p style="text-align: center;">NOTE 29 Trouble Debt Restructuring</p>

TTUHSC had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2015.

<p style="text-align: center;">NOTE 30 Non-Exchange Financial Guarantees</p>
--

TTUHSC had no outstanding non-exchange financial guarantees for the year ended August 31, 2015.

TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

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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 Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Schedule 2B: Changes in Bonded Indebtedness

For the Fiscal Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

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 Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

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 Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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U N A U D I T E D

Schedule 2E: Defeased Bonds Outstanding

For the Fiscal Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Schedule 2F: Early Extinguishment and Refunding

For the Fiscal Years Ended August 31, 2015 and 2014

Schedule not applicable. Please refer to Note 6 in the accompanying *Annual Financial Report*.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report

U N A U D I T E D

Schedule 3: Reconciliation of Cash in the State Treasury

As of August 31, 2015

	<u>Unrestricted</u>	-	<u>Restricted</u>		<u>Total</u>
Local Revenue (Fund 0239)	\$ 16,898,252.72		\$ -		\$ 16,898,252.72
Permanent Health Fund - El Paso Campus (Fund 0820)	6,381,130.69				\$ 6,381,130.69
Permanent Health Fund - Other Campuses (Fund 0821)	<u>3,831,282.60</u>		<u>-</u>		<u>3,831,282.60</u>
TOTAL CASH IN THE STATE TREASURY	<u>\$ 27,110,666.01</u>		<u>\$ -</u>		<u>\$ 27,110,666.01</u>

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TEXAS TECH UNIVERSITY HEALTH SCIENCE CENTER

Annual Financial Report

UNAUDITED

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Restricted Cash and Cash Equivalents	\$ 740,641.86	\$ 799,990.82
Receivables:		
Interest and Dividends	778.64	526.30
Pledged Gifts	<u>753,525.95</u>	<u>610,816.58</u>
Total Current Assets	<u>\$ 1,494,946.45</u>	<u>\$ 1,411,333.70</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 2,436,556.25	\$ 2,426,390.59
Pledged Gifts Receivable	46,923.49	359,582.85
Investments	<u>55,949,451.43</u>	<u>51,376,855.70</u>
Total Non-Current Assets	<u>\$ 58,432,931.17</u>	<u>\$ 54,162,829.14</u>
TOTAL ASSETS	<u>\$ 59,927,877.62</u>	<u>\$ 55,574,162.84</u>
LIABILITIES		
Current Liabilities:		
Payables	<u>\$ -</u>	<u>\$ -</u>
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Non-Current Liabilities:		
Other Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Restricted for:		
Funds Held as Permanent Investments		
Nonexpendable	\$ 54,157,009.71	\$ 46,818,910.54
Other	5,770,867.91	8,755,252.30
Unrestricted	<u>-</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 59,927,877.62</u>	<u>\$ 55,574,162.84</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 59,927,877.62</u>	<u>\$ 55,574,162.84</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, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Other Revenues	\$ -	\$ -
Total Operating Revenues	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES		
Travel	\$ 2,699.65	\$ -
Printing and Production	1,363.00	-
Other Expenses	<u>4,156.20</u>	<u>931.41</u>
Total Operating Expenses	<u>\$ 8,218.85</u>	<u>\$ 931.41</u>
Operating Loss	<u>\$ (8,218.85)</u>	<u>\$ (931.41)</u>
NON-OPERATING REVENUES (EXPENSES)		
Gifts	\$ 6,843,764.45	\$ (10,148,677.58)
Interest and Investment Income (Loss)	1,637,740.41	4,923,820.15
Net Increase in Fair Value of Investments	<u>(2,054,438.02)</u>	<u>1,093,993.55</u>
Total Non-Operating Revenues and Gains	<u>\$ 6,427,066.84</u>	<u>\$ (4,130,863.88)</u>
CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS		
Net Transfers from Texas Tech Foundation Inc.	\$ 224,412.74	\$ -
Net Transfers to Texas Tech University Health Sciences Center	(2,239,545.95)	(1,917,289.71)
Net Transfers to Texas Tech University Health Sciences Center at El Paso TTF	<u>(50,000.00)</u>	<u>(50,991,851.39)</u>
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>\$ (2,065,133.21)</u>	<u>\$ (52,909,141.10)</u>
TOTAL CHANGE IN NET POSITION	<u>\$ 4,353,714.78</u>	<u>\$ (57,040,936.39)</u>
Net Assets, September 1st	<u>\$ 55,574,162.84</u>	<u>\$ 112,615,099.23</u>
Net Assets, August 31st	<u>\$ 59,927,877.62</u>	<u>\$ 55,574,162.84</u>

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

Comparative Statement of Cash Flows
For the Year Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash Outflows		
Payments to Suppliers	\$ (4,062.65)	\$ -
Payments for Other Operating Activities	<u>(4,156.20)</u>	<u>(931.41)</u>
Net Cash Used for Operating Activities	<u>\$ (8,218.85)</u>	<u>\$ (931.41)</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Non-Capital Gifts	\$ 7,013,714.44	\$ 3,734,468.91
Proceeds from Transfers from Texas Tech Foundation Inc.	224,412.74	-
Cash Outflows		
Payments for Transfers to Texas Tech University Health Sciences Center El Paso TTF	(50,000.00)	138,786.97
Payments for Transfers to Texas Tech University Health Sciences Center	<u>(2,239,545.95)</u>	<u>(1,917,289.71)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 4,948,581.23</u>	<u>\$ 1,955,966.17</u>
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ 53,769.09	\$ (1,771,769.57)
Proceeds from Interest and Dividends on Investments	2,397,441.32	1,948,904.37
Cash Outflows		
Payments for Purchases of Investments	<u>(7,440,756.09)</u>	<u>(2,360,532.02)</u>
Net Cash Provided by Investing Activities	<u>\$ (4,989,545.68)</u>	<u>\$ (2,183,397.22)</u>
TOTAL NET CASH FLOWS	<u>\$ (49,183.30)</u>	<u>\$ (228,362.46)</u>
Cash and Cash Equivalents, September 1st	<u>\$ 3,226,381.41</u>	<u>\$ 3,454,743.87</u>
Cash and Cash Equivalents, August 31st	<u>\$ 3,177,198.11</u>	<u>\$ 3,226,381.41</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (8,218.85)	\$ (931.41)
Adjustments	<u>-</u>	<u>-</u>
Net Cash Used for Operating Activities	<u>\$ (8,218.85)</u>	<u>\$ (931.41)</u>
Non-Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	\$ (2,054,438.02)	\$ 1,093,993.55

