

TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER AT EL PASO



Annual Financial Report
Fiscal Year 2016

Texas Tech University Health Sciences Center at El Paso (774)

Financial Statements

Presented herein are the financial statements for Texas Tech University Health Sciences Center at El Paso for the year ended August 31, 2016. These statements have been prepared in compliance with Governmental Accounting Standards Board pronouncements and the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

This document supplements the Combined Annual Financial Report of the Texas Tech University System and provides a historical record of transactions relating to this particular institution.

The Combined Annual Financial Report of the Texas Tech University System includes primary statements as well as supplemental notes and schedules. The numbers therein are presented on a combined System-wide basis.

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Organizational Data

August 31, 2016

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
Jeremy Stewart (Student Regent)	May 31, 2017.....	Arlington

FISCAL OFFICERS

Robert L. Duncan	Chancellor
Jim Brunjes	Vice Chancellor and Chief Financial Officer
Richard A. Lange, MD, MBA	President
Sue M. Fuciarelli, MBA, CPA	Vice President for Finance and Administration and Chief Financial Officer
Jessica Fisher, MAcc, CPA	Executive Director of Business Affairs
Robert Ortega, MAcc, CPA	Senior Director of Accounting Services

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Statement of Net Position

As of August 31, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	\$ 23,049,367.36	\$ 17,412,802.14
Restricted Cash and Cash Equivalents	18,065,048.65	17,619,418.50
Balance of Legislative Appropriations	13,603,713.17	-
Receivables:		
Federal	449,286.41	424,348.27
Interest and Dividends	120,364.26	57,399.00
Patient	6,598,508.62	6,254,020.32
Student	20,829.85	16,607.86
Contracts	9,499,721.56	15,319,397.52
Pledged Gifts	1,893,641.44	1,834,075.70
Other	426,580.16	12,553.13
Due from Other State Agencies	4,270,991.59	998,728.26
Inventories	29,878.50	3,079.84
Prepaid Items	2,250,278.53	1,678,927.81
Loans and Notes	159,372.73	-
Total Current Assets	<u>\$ 80,437,582.83</u>	<u>\$ 61,631,358.35</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 115.00	\$ 60.01
Other Accounts Receivable (Contracts)	4,063,274.58	-
Pledged Gifts Receivable	12,406,660.10	14,234,089.59
Loans and Notes	1,066,571.37	1,146,000.00
Restricted Investments	33,503,151.57	34,958,573.29
Unrestricted Investments	106,600,177.91	95,030,451.24
Capital Assets:		
Non-Depreciable or Non-Amortizable	8,248,811.61	4,676,851.35
Depreciable or Amortizable	203,543,838.41	200,875,620.11
Less Accumulated Depreciation and Amortization	<u>(91,098,155.19)</u>	<u>(82,515,997.53)</u>
Total Non-Current Assets	<u>\$ 278,334,445.36</u>	<u>\$ 268,405,648.06</u>
TOTAL ASSETS	<u>\$ 358,772,028.19</u>	<u>\$ 330,037,006.41</u>

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Statement of Net Position

As of August 31, 2016 and 2015

	<i>2016</i>	<i>Restated 2015</i>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts	\$ 8,016,057.54	\$ 1,671,466.34
Payroll	11,251,889.78	8,149,250.32
Due to Other State Agencies	91,057.18	36,924.43
Unclaimed Property Due to the State Treasury	6,988.97	7,660.05
Unearned Revenue	3,284,478.30	3,113,616.95
Employees' Compensable Leave	885,247.66	824,367.19
Funds Held for Others	61,581.62	42,717.72
Other Current Liabilities	2,755,678.39	-
Total Current Liabilities	\$ 26,352,979.44	\$ 13,846,003.00
Non-Current Liabilities:		
Unclaimed Property Due to the State Treasury	\$ 19,091.45	\$ 11,925.37
Employees' Compensable Leave	6,491,816.15	6,045,359.42
Total Non-Current Liabilities	\$ 6,510,907.60	\$ 6,057,284.79
TOTAL LIABILITIES	\$ 32,863,887.04	\$ 19,903,287.79
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 120,694,494.83	\$ 123,036,473.93
Restricted:		
Expendable:		
Capital Projects	1,754,746.09	-
Other	28,080,321.86	26,796,268.26
Nonexpendable:		
Endowments	28,322,340.84	28,319,542.54
Unrestricted	147,056,237.53	131,981,433.89
TOTAL NET POSITION	\$ 325,908,141.15	\$ 310,133,718.62

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Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended of August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Tuition and Fee Revenue - Pledged	\$ 8,613,172.46	\$ 6,948,188.15
Discounts and Allowances	(1,292,625.20)	(1,087,811.06)
Tuition and Fee Revenue	361,107.66	370,890.84
Net Professional Fees - Pledged	-	3,430.00
Net Professional Fees	54,484,012.95	58,019,251.11
Uncollectibles	(9,004,733.85)	(8,528,110.49)
Auxiliary Enterprises - Pledged	229,976.51	222,227.37
Other Sales and Services	137,101.92	299,414.33
Other Sales and Services - Pledged	252,582.09	247,318.06
Federal Grant Revenue	2,124,010.05	2,093,808.89
Federal Grant Revenue - Pledged	976,587.11	953,982.94
Federal Pass-Through Revenue	226,238.31	225,061.85
Federal Contract Revenue	228,772.67	313,392.01
State Grant and Contract Revenue	1,639,851.16	1,453,515.94
State Grant and Contract Revenue - Pledged	113,913.99	94,771.10
State Grant and Contract Pass-Through Revenue	3,864,280.64	3,698,855.19
Local Grant and Contract Revenue	15,691,332.38	22,707,595.36
Local Grant and Contract Revenue - Pledged	43,432.72	33,857.89
Private Grant and Contract Revenue	61,033,302.25	42,744,013.60
Private Grant and Contract Revenue - Pledged	192,561.22	130,689.47
Other Revenue	14,621,234.27	11,453,536.78
Total Operating Revenues	<u>\$ 154,536,111.31</u>	<u>\$ 142,397,879.33</u>
OPERATING EXPENSES		
Salaries and Wages	\$ 126,144,655.48	\$ 118,267,580.63
Payroll Related Costs	29,456,491.55	26,941,984.99
Professional Fees and Services	6,442,240.00	5,217,904.26
Federal Grant Pass-Through Expense	2,580.36	12,167.26
State Grant Pass-Through Expense	20,332.25	35,406.71
Travel	1,814,344.00	1,627,276.34
Materials and Supplies	4,786,756.86	4,903,321.19
Communications and Utilities	4,560,059.98	4,351,610.79
Repairs and Maintenance	3,684,389.10	4,083,437.22
Rentals and Leases	2,834,662.06	2,402,184.52
Printing and Production	289,800.19	285,094.51
Depreciation and Amortization	11,629,181.89	11,853,356.79
Bad Debt Expense (Recovery)	(1,005,151.44)	1,009,322.75
Interest Expense	7,748.99	1,673.82
Scholarships	1,668,793.44	1,621,391.04
Claims and Judgments	823,678.22	-
Other Expenses	21,361,971.74	12,864,458.48
Total Operating Expenses	<u>\$ 214,522,534.67</u>	<u>\$ 195,478,171.30</u>
Operating Loss	<u>\$ (59,986,423.36)</u>	<u>\$ (53,080,291.97)</u>

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Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended of August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
NON-OPERATING REVENUES (EXPENSES)		
Legislative Appropriations Revenue	\$ 72,390,571.70	\$ -
Federal Grant Revenue	442,473.00	327,031.00
Gifts	834,795.09	6,464,546.74
Gifts - Pledged	3,280.00	-
Interest and Investment Income (Expense)	5,401,465.56	2,784,310.00
Interest and Investment Income (Expense) - Pledged	(81,460.75)	775,400.47
Interest Expense	-	(2,019,552.35)
Gain (Loss) Sale of Capital Assets	(290,733.18)	(67,579.85)
Net Increase (Decrease) in Fair Value of Investments	(704,662.28)	(4,351,969.98)
Other Revenues	1,854,905.81	1,036,432.57
Other Revenues - Pledged	5,863.89	275,394.53
Total Non-Operating Revenues (Expenses)	<u>\$ 79,856,498.84</u>	<u>\$ 5,224,013.13</u>
CAPITAL CONTRIBUTIONS, ENDOWMENTS, AND TRANSFERS		
Capital Contributions	-	8,924.36
Legislative Appropriations Revenue for Capital (HEAF)	4,156,050.00	-
Increases from Interagency Transfers of Capital Assets	23,922.04	39,178.26
Decreases from Interagency Transfers of Capital Assets	(75,603.93)	(4,397.40)
Net Transfers from (to) Texas Tech University Health Sciences Center	(2,111,773.55)	62,519,669.73
Net Transfers from (to) Texas Tech University	(6,100.00)	(34,300.00)
Net Transfers from (to) Texas Tech Foundation Inc.	2,091,460.84	1,951,621.84
Net Transfers from (to) Texas Tech University System Administration	(988,097.35)	61,944,129.51
Transfers from (to) Other State Agencies	-	(39,398.95)
Legislative Transfers Out (System Administration Support)	(7,185,511.00)	-
Capital Contributions and Transfers	<u>\$ (4,095,652.95)</u>	<u>\$ 126,385,427.35</u>
TOTAL CHANGE IN NET POSITION	<u>\$ 15,774,422.53</u>	<u>\$ 78,529,148.51</u>
Net Position, September 1st	<u>\$ 310,133,718.62</u>	<u>\$ 231,604,570.11</u>
Net Position, August 31st	<u>\$ 325,908,141.15</u>	<u>\$ 310,133,718.62</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER at EL PASO
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Matrix of Operating Expenses by Function
For the Years Ended August 31, 2016 and 2015

<i>OPERATING EXPENSES</i>	<i>INSTRUCTION</i>	<i>RESEARCH</i>	<i>PUBLIC SERVICE</i>	<i>PATIENT CARE</i>	<i>ACADEMIC SUPPORT</i>	<i>STUDENT SERVICES</i>
Salaries and Wages	\$ 68,308,427.21	\$ 9,865,193.33	\$ 1,593,564.29	\$ 12,643,946.54	\$ 23,606,380.38	\$ 1,143,038.12
Payroll Related Costs	12,169,322.94	2,469,975.53	504,735.68	4,163,906.24	6,155,200.95	327,010.92
Professional Fees and Services	2,366,144.86	159,472.86	197,041.97	41,525.62	2,631,446.39	31,016.55
Travel	722,152.91	201,567.00	90,800.52	13,439.47	512,326.14	51,449.41
Supplies and Materials	1,120,315.83	1,371,248.36	151,840.25	79,691.68	1,393,183.73	130,885.76
Communications and Utilities	533,026.04	70,177.01	11,465.59	35,647.92	1,827,679.56	5,060.36
Maintenance and Repair	412,513.64	616,759.06	1,854.48	6,818.50	1,037,267.94	32,590.50
Rentals and Leases	756,107.93	141,509.12	135.52	55,681.22	1,407,617.02	13,596.19
Printing and Production	68,174.71	25,578.65	13,017.70	3,825.53	86,659.97	14,576.67
Interest Expense	826.30	169.71	14.01	9.95	5,115.08	95.74
Claims and Judgments	-	-	-	-	823,678.22	-
Other Expenses	3,573,381.50	1,171,144.81	208,912.25	111,399.95	11,888,567.38	443,029.89
Bad Debt Expense (Recovery)	(1,000,000.00)	-	-	-	-	(5,151.44)
Scholarships and Fellowships	-	-	-	-	855,995.47	-
Federal Grant Pass-Through Expense	-	2,580.36	-	-	-	-
State Grant Pass-Through Expense	-	-	20,332.25	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
For the Year Ended August 31, 2016	<u>\$ 89,030,393.87</u>	<u>\$ 16,095,375.80</u>	<u>\$ 2,793,714.51</u>	<u>\$ 17,155,892.62</u>	<u>\$ 52,231,118.23</u>	<u>\$ 2,187,198.67</u>
For the Year Ended August 31, 2015	<u>\$ 86,466,489.64</u>	<u>\$ 17,666,635.19</u>	<u>\$ 2,975,544.27</u>	<u>\$ 16,585,365.06</u>	<u>\$ 34,282,206.68</u>	<u>\$ 2,070,075.03</u>

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Matrix of Operating Expenses by Function
For the Years Ended August 31, 2016 and 2015

OPERATING EXPENSES	INSTITUTIONAL SUPPORT	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	TOTAL EXPENSES
Salaries and Wages	\$ 7,303,995.72	\$ 1,589,984.61	\$ -	\$ 90,125.28	-	\$ 126,144,655.48
Payroll Related Costs	2,990,283.40	631,125.90	-	44,929.99	-	29,456,491.55
Professional Fees and Services	541,583.99	474,007.76	-	-	-	6,442,240.00
Travel	203,810.03	13,744.04	-	5,054.48	-	1,814,344.00
Supplies and Materials	145,950.16	388,776.00	-	4,865.09	-	4,786,756.86
Communications and Utilities	106,636.48	1,961,675.08	-	8,691.94	-	4,560,059.98
Maintenance and Repair	91,379.38	1,472,160.75	-	13,044.85	-	3,684,389.10
Rentals and Leases	325,927.59	134,087.47	-	-	-	2,834,662.06
Printing and Production	69,503.77	7,390.54	-	1,072.65	-	289,800.19
Interest Expense	351.80	1,166.40	-	-	-	7,748.99
Claims and Judgments	-	-	-	-	-	823,678.22
Other Expenses	2,025,996.29	1,909,581.21	-	29,958.46	-	21,361,971.74
Bad Debt Expense	-	-	-	-	-	(1,005,151.44)
Scholarships and Fellowships	-	-	812,797.97	-	-	1,668,793.44
Federal Grant Pass-Through Expense	-	-	-	-	-	2,580.36
State Grant Pass-Through Expense	-	-	-	-	-	20,332.25
Depreciation and Amortization	-	-	-	-	11,629,181.89	11,629,181.89
For the Year Ended August 31, 2016	<u>\$ 13,805,418.61</u>	<u>\$ 8,583,699.76</u>	<u>\$ 812,797.97</u>	<u>\$ 197,742.74</u>	<u>\$ 11,629,181.89</u>	<u>\$ 214,522,534.67</u>
For the Year Ended August 31, 2015	<u>\$ 14,639,559.92</u>	<u>\$ 8,426,294.74</u>	<u>\$ 296,458.94</u>	<u>\$ 216,185.04</u>	<u>\$ 11,853,356.79</u>	<u>\$ 195,478,171.30</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER at EL PASO

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Statement of Cash Flows***For the Year Ended August 31, 2016 and 2015***

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collections from Student Tuition and Fees	\$ 7,848,294.28	\$ 6,300,181.78
Collections from Grants and Contracts	88,135,515.21	71,725,543.40
Collections from Patients and Insurers	45,134,790.80	50,571,027.00
Collections of Loan Program Proceeds	571,543.85	584,897.83
Collections from Auxiliary Enterprises	233,346.78	269,640.56
Collections from Other Operating Activities	15,595,288.12	11,299,253.34
Cash Outflows		
Payments to Suppliers	(19,738,451.95)	(26,883,131.25)
Payments to Employees for Salaries	(125,163,871.93)	(117,732,415.29)
Payments to Employees for Benefits	(26,722,425.49)	(26,595,122.47)
Payments for Loans Provided to Students	(671,639.95)	(650,897.83)
Payments for Unemployment Benefits	(104,872.95)	(151,378.08)
Payments for Other Operating Activities	(19,976,005.28)	(14,340,399.24)
Net Cash Used for Operating Activities	<u>\$ (34,858,488.51)</u>	<u>\$ (45,602,800.25)</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Legislative Appropriations	\$ 58,786,858.53	-
Proceeds from Net Transfers from Texas Tech University Health Sciences Center	-	58,074,728.78
Proceeds from Net Transfers from Texas Tech Foundation, Inc.	2,091,460.84	1,951,621.84
Proceeds from Agency Transactions	12,368,343.00	10,998,456.00
Proceeds from Non-Capital Gifts	2,605,938.84	2,420,805.95
Proceeds from Non-Capital Grants	442,473.00	327,031.00
Proceeds from Other Non-Capital Financing Activities	1,879,633.60	1,268,305.26
Cash Outflows		
Payments for Net Transfers to Texas Tech University	(6,100.00)	(34,300.00)
Payments for Net Transfers to Texas Tech University System	(850,472.48)	(248,560.60)
Payments for Net Transfers to Texas Tech University Health Sciences Center	(2,111,773.55)	-
Payments for Transfers to Other State Agencies	-	(39,398.95)
Payments for Other Uses	(12,368,343.00)	(10,998,456.00)
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 62,838,018.78</u>	<u>\$ 63,720,233.28</u>

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Statement of Cash Flows
For the Year Ended August 31, 2016 and 2015

	<i>2016</i>	<i>2015</i>
Cash Flows from Capital and Related Financing Activities		
Cash Inflows		
Proceeds from Sale of Capital Assets	\$ 44,794.15	\$ 54,394.95
Proceeds from Capital Debt Issuances	-	3,238,384.22
Proceeds from Legislative Appropriations for Capital	4,156,050.00	-
Proceeds from Transfers from Texas Tech University System Administration	74,337.35	978,913.95
Cash Outflows		
Payments for Purchases of Capital Assets	(9,674,412.01)	(6,994,505.77)
Payments for Transfers to Texas Tech University System Administration	(7,397,473.22)	(124,957.31)
Payments for Principal on Capital Debts	-	(4,300,000.00)
Payments for Interest on Capital Debts	-	(2,127,940.33)
Payments for Capital Lease	-	(7,447.00)
Net Cash Used for Capital and Related Financing Activities	\$ (12,796,703.73)	\$ (9,283,157.29)
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ 17,034,663.66	\$ 0.00
Proceeds from Interest and Dividends on Investments	1,707,123.41	4,174,156.13
Cash Outflows		
Payments for Purchases of Investments	(27,842,363.25)	(79,928,398.79)
Net Cash Used for Investing Activities	\$ (9,100,576.18)	\$ (75,754,242.66)
TOTAL NET CASH FLOWS	\$ 6,082,250.36	\$ (66,919,966.92)
Cash and Cash Equivalents, September 1st	\$ 35,032,280.65	\$ 101,952,247.57
Cash and Cash Equivalents, August 31st	\$ 41,114,531.01	\$ 35,032,280.65

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Statement of Cash Flows
For the Year Ended August 31, 2016 and 2015

	<i>2016</i>	<i>2015</i>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (59,986,423.36)	\$ (53,080,291.97)
Adjustments		
Depreciation Expense	11,629,181.89	11,853,356.79
Decrease (Increase) in Receivables	968,725.92	(833,955.90)
Decrease (Increase) in Due from Other Agency	266,385.17	(425,196.11)
Decrease (Increase) in Merchandise Inventories	(26,798.66)	24,532.23
Decrease (Increase) in Prepaid Expenses	(571,350.72)	(878,956.60)
Decrease (Increase) in Loans and Notes Receivable	(79,944.10)	(66,000.00)
Increase (Decrease) in Payables	9,447,230.66	(2,536,406.94)
Increase (Decrease) in Due to Other Agency	54,132.75	(50,012.52)
Increase (Decrease) in Deferred Revenue	170,861.35	36,241.51
Increase (Decrease) in Compensable Leave	507,337.20	360,960.05
Increase (Decrease) in Other Liabilities	2,762,173.39	(7,070.79)
Net Cash Used for Operating Activities	\$ (34,858,488.51)	\$ (45,602,800.25)
Non-Cash Transactions		
Donations of Capital Assets	\$ -	\$ 8,924.36
Net Increase (Decrease) in Fair Value of Investments	(704,662.28)	(4,351,969.98)
Disposal of Capital Assets	(335,527.33)	(121,974.80)
Other	-	61,338,733.47