

TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER AT EL PASO



Annual Financial Report
Fiscal Year 2017

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, 2017. 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, 2017

BOARD OF REGENTS

Term Expires

L. Frederick "Rick" Francis (Chair).....	January 31, 2019.....	El Paso
Tim Lancaster (Vice Chair).....	January 31, 2019.....	Abilene
John Esparza.....	January 31, 2019.....	Austin
Mickey L. Long.....	January 31, 2021.....	Midland
Ronnie Hammonds.....	January 31, 2021.....	Houston
Christopher M. Huckabee.....	January 31, 2021.....	Fort Worth
J. Michael Lewis.....	January 31, 2023.....	Dallas
John D. Steinmetz.....	January 31, 2023.....	Dallas
John Walker.....	January 31, 2023.....	Houston
Jarett Lujan (Student Regent).....	May 31, 2018.....	San Angelo

FISCAL OFFICERS

Robert L. Duncan.....	Chancellor
Gary Barnes.....	Vice Chancellor and Chief Financial Officer
Richard Lange, M.D., M.B.A.	President
Sue M. Fuciarelli.....	Vice President for Finance and Administration and Chief Financial Officer
Jessica Fisher.....	Executive Director of Business Affairs
Robert Ortega.....	Managing Director of Accounting Services

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER at EL PASO

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Comparative Statement of Net Position

As of August 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	\$ 23,422,446.13	\$ 23,049,367.36
Restricted Cash and Cash Equivalents	15,520,803.90	18,065,048.65
Balance of Legislative Appropriations	8,665,574.75	13,603,713.17
Receivables:		
Federal	678,036.76	449,286.41
Interest and Dividends	148,476.52	120,364.26
Patient	9,184,362.33	6,598,508.62
Student	16,096.99	20,829.85
Contracts	16,518,810.71	9,499,721.56
Pledged Gifts	647,416.77	1,893,641.44
Other	420,102.31	426,580.16
Due from Other State Agencies	5,218,871.59	4,270,991.59
Inventories	91,878.19	29,878.50
Prepaid Items	1,906,744.85	2,250,278.53
Loans and Notes	22,225.75	159,372.73
Total Current Assets	<u>\$ 82,461,847.55</u>	<u>\$ 80,437,582.83</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	\$ 60.00	\$ 115.00
Other Accounts Receivable (Contracts)	1,384,953.70	4,063,274.58
Pledged Gifts Receivable	6,944,960.52	12,406,660.10
Loans and Notes	1,175,738.03	1,066,571.37
Restricted Investments	36,151,192.01	33,503,151.57
Unrestricted Investments	117,728,797.67	106,600,177.91
Capital Assets:		
Non-Depreciable or Non-Amortizable	27,244,597.45	8,248,811.61
Depreciable or Amortizable	205,348,848.37	203,543,838.41
less Accumulated Depreciation and Amortization	<u>(98,497,625.48)</u>	<u>(91,098,155.19)</u>
Total Non-Current Assets	<u>\$ 297,481,522.27</u>	<u>\$ 278,334,445.36</u>
TOTAL ASSETS	<u>\$ 379,943,369.82</u>	<u>\$ 358,772,028.19</u>

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Comparative Statement of Net Position
As of August 31, 2017 and 2016

	<i>2017</i>	<i>Restated 2016</i>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts	\$ 3,730,739.41	\$ 8,016,057.54
Payroll	12,071,681.47	11,251,889.78
Due to Other State Agencies	48,615.46	91,057.18
Unclaimed Property Due to the State Treasury	8,187.39	6,988.97
Unearned Revenue	2,961,288.56	3,284,478.30
Employees' Compensable Leave	1,001,621.62	885,247.66
Funds Held for Others	72,170.39	61,581.62
Other Current Liabilities	3,448,268.00	2,755,678.39
Total Current Liabilities	\$ 23,342,572.30	\$ 26,352,979.44
Non-Current Liabilities:		
Unclaimed Property Due to the State Treasury	\$ 28,725.49	\$ 19,091.45
Employees' Compensable Leave	7,345,225.19	6,491,816.15
Total Non-Current Liabilities	\$ 7,373,950.68	\$ 6,510,907.60
TOTAL LIABILITIES	\$ 30,716,522.98	\$ 32,863,887.04
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 134,095,820.34	\$ 120,694,494.83
Restricted:		
Expendable:		
Capital Projects	7,402,923.62	17,121,694.13
Other	33,009,162.51	28,080,321.86
Nonexpendable:		
Endowments	28,320,947.72	28,322,340.84
Unrestricted	146,397,992.65	131,689,289.49
TOTAL NET POSITION	\$ 349,226,846.84	\$ 325,908,141.15
TOTAL LIABILITIES AND NET POSITION	\$ 379,943,369.82	\$ 358,772,028.19

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Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended of August 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
OPERATING REVENUES		
Tuition and Fee Revenue - Pledged	\$ 9,909,082.65	\$ 8,613,172.46
Discounts and Allowances	(1,421,752.00)	(1,292,625.20)
Tuition and Fee Revenue	388,333.02	361,107.66
Net Professional Fees - Pledged	-	-
Net Professional Fees	57,844,900.45	54,484,012.95
Uncollectibles	(9,745,324.67)	(9,004,733.85)
Auxiliary Enterprises - Pledged	278,139.21	229,976.51
Other Sales and Services	98,956.21	137,101.92
Other Sales and Services - Pledged	406,246.72	252,582.09
Federal Grant Revenue	2,019,486.43	2,124,010.05
Federal Grant Revenue - Pledged	852,380.34	976,587.11
Federal Pass-Through Revenue	230,828.59	226,238.31
Federal Contract Revenue	175,145.49	228,772.67
State Grant and Contract Revenue	1,691,013.94	1,639,851.16
State Grant and Contract Revenue - Pledged	129,035.09	113,913.99
State Grant and Contract Pass-Through Revenue	4,821,326.25	3,864,280.64
Local Grant and Contract Revenue	2,759,237.77	3,595,324.21
Local Grant and Contract Revenue - Pledged	24,895.11	43,432.72
Private Grant and Contract Revenue	78,531,144.60	73,129,310.42
Private Grant and Contract Revenue - Pledged	222,880.52	192,561.22
Other Revenue	12,530,123.93	14,621,234.27
Total Operating Revenues	<u>\$ 161,746,079.65</u>	<u>\$ 154,536,111.31</u>
OPERATING EXPENSES		
Salaries and Wages	\$ 138,599,631.30	\$ 126,144,655.48
Payroll Related Costs	32,645,340.87	29,456,491.55
Professional Fees and Services	7,074,718.45	6,442,240.00
Federal Grant Pass-Through Expense	3,753.33	2,580.36
State Grant Pass-Through Expense	16,769.54	20,332.25
Travel	1,773,338.24	1,814,344.00
Materials and Supplies	4,191,737.66	4,786,756.86
Communications and Utilities	5,447,905.76	4,560,059.98
Repairs and Maintenance	3,944,947.30	3,684,389.10
Rentals and Leases	4,952,615.04	2,834,662.06
Printing and Production	330,632.37	289,800.19
Depreciation and Amortization	11,532,978.93	11,629,181.89
Bad Debt Expense (Recovery)	4,475.72	(1,005,151.44)
Interest Expense	7,170.54	7,748.99
Scholarships	1,803,251.84	1,668,793.44
Claims and Judgments	5,512.96	823,678.22
Other Expenses	16,616,561.01	21,361,971.74
Total Operating Expenses	<u>\$ 228,951,340.86</u>	<u>\$ 214,522,534.67</u>
Operating Loss	<u>\$ (67,205,261.21)</u>	<u>\$ (59,986,423.36)</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER at EL PASO

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Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended of August 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
NON-OPERATING REVENUES (EXPENSES)		
Legislative Appropriations Revenue	\$ 73,332,797.85	\$ 72,390,571.70
Federal Grant Revenue	519,525.00	442,473.00
Gifts	(5,902,287.02)	834,795.09
Gifts - Pledged	3,560.00	3,280.00
Interest and Investment Income (Expense)	5,742,157.58	5,401,465.56
Interest and Investment Income (Expense) - Pledged	1,861,015.54	(81,460.75)
Interest Expense	-	-
Gain (Loss) Sale of Capital Assets	(235,091.21)	(290,733.18)
Net Increase (Decrease) in Fair Value of Investments	4,671,317.39	(704,662.28)
Other Revenues	810,961.07	1,854,905.81
Other Revenues - Pledged	<u>33,696.64</u>	<u>5,863.89</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 80,837,652.84</u>	<u>\$ 79,856,498.84</u>
 CAPITAL CONTRIBUTIONS, ENDOWMENTS, AND TRANSFERS		
Capital Contributions	28,612.69	-
Legislative Appropriations Revenue for Capital (HEAF)	6,234,075.00	4,156,050.00
Lapsed Legislative Appropriations	(628,091.00)	-
Increases from Interagency Transfers of Capital Assets	157,484.73	23,922.04
Decreases from Interagency Transfers of Capital Assets	(139,468.92)	(75,603.93)
Net Transfers from (to) Texas Tech University Health Sciences Center	258,328.02	(2,111,773.55)
Net Transfers from (to) Texas Tech University	(2,164.00)	(6,100.00)
Net Transfers from (to) Texas Tech Foundation Inc.	3,739,914.12	2,091,460.84
Net Transfers from (to) Texas Tech University System Administration	7,266,293.59	(988,097.35)
Legislative Transfers from (to) Other State Agencies	5,841,147.00	-
Legislative Transfers Out (System Administration Support)	<u>(13,069,817.17)</u>	<u>(7,185,511.00)</u>
Capital Contributions and Transfers	<u>\$ 9,686,314.06</u>	<u>\$ (4,095,652.95)</u>
 TOTAL CHANGE IN NET POSITION	<u>\$ 23,318,705.69</u>	<u>\$ 15,774,422.53</u>
 Net Position, September 1st	<u>\$ 325,908,141.15</u>	<u>\$ 310,133,718.62</u>
 Net Position, August 31st	<u>\$ 349,226,846.84</u>	<u>\$ 325,908,141.15</u>

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Comparative Matrix of Operating Expenses by Function
For the Years Ended August 31, 2017 and 2016

<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	\$ 75,865,657.57	\$ 9,515,088.62	\$ 1,667,058.68	\$ 13,913,920.53	\$ 24,113,209.17	\$ 1,445,796.60
Payroll Related Costs	13,391,117.33	2,355,916.03	521,971.06	4,830,753.82	6,866,198.79	379,044.86
Professional Fees and Services	3,704,390.68	319,440.35	216,079.22	28,730.67	1,748,216.48	34,702.22
Travel	761,740.70	186,053.09	81,247.92	15,769.71	477,066.22	58,740.16
Supplies and Materials	1,443,019.31	642,348.31	265,676.92	103,990.99	1,107,925.41	174,776.91
Communications and Utilities	617,530.00	58,510.16	11,221.48	35,069.73	2,366,567.62	4,311.23
Maintenance and Repair	356,886.75	612,576.50	1,852.00	3,247.93	1,054,147.79	118,496.66
Rentals and Leases	2,454,801.35	131,670.05	4,450.00	58,170.53	1,906,864.90	18,119.29
Printing and Production	81,072.37	10,933.10	21,489.03	3,871.40	94,316.74	18,352.94
Interest Expense	881.82	604.64	14.78	5.50	2,484.70	34.57
Claims and Judgments	-	-	-	-	5,512.96	-
Other Expenses	3,961,834.44	929,551.82	201,194.73	183,682.04	6,259,784.92	532,285.74
Bad Debt Expense (Recovery)	-	-	-	-	-	4,475.72
Scholarships and Fellowships	92.04	-	-	-	872,235.10	-
Federal Grant Pass-Through Expense	-	3,753.33	-	-	-	-
State Grant Pass-Through Expense	-	-	16,769.54	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
For the Year Ended August 31, 2017	<u>\$ 102,639,024.36</u>	<u>\$ 14,766,446.00</u>	<u>\$ 3,009,025.36</u>	<u>\$ 19,177,212.85</u>	<u>\$ 46,874,530.80</u>	<u>\$ 2,789,136.90</u>
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>

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Comparative Matrix of Operating Expenses by Function
For the Years Ended August 31, 2017 and 2016

OPERATING EXPENSES	INSTITUTIONAL SUPPORT	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY ENTERPRISES	DEPRECIATION & AMORTIZATION	TOTAL EXPENSES
Salaries and Wages	\$ 8,482,452.45	\$ 3,491,679.76	\$ -	\$ 104,767.92	-	\$ 138,599,631.30
Payroll Related Costs	2,967,316.50	1,281,567.38	-	51,455.10	-	32,645,340.87
Professional Fees and Services	713,050.15	307,925.10	-	2,183.58	-	7,074,718.45
Travel	183,726.36	5,946.56	-	3,047.52	-	1,773,338.24
Supplies and Materials	138,524.37	314,215.97	-	1,259.47	-	4,191,737.66
Communications and Utilities	452,658.23	1,895,557.87	-	6,479.44	-	5,447,905.76
Maintenance and Repair	261,596.97	1,523,128.80	-	13,013.90	-	3,944,947.30
Rentals and Leases	280,641.95	97,896.97	-	-	-	4,952,615.04
Printing and Production	96,859.82	3,115.70	-	621.27	-	330,632.37
Interest Expense	777.29	2,367.24	-	-	-	7,170.54
Claims and Judgments	-	-	-	-	-	5,512.96
Other Expenses	1,897,743.72	2,623,825.59	-	26,658.01	-	16,616,561.01
Bad Debt Expense (Recovery)	-	-	-	-	-	4,475.72
Scholarships and Fellowships	-	-	930,924.70	-	-	1,803,251.84
Federal Grant Pass-Through Expense	-	-	-	-	-	3,753.33
State Grant Pass-Through Expense	-	-	-	-	-	16,769.54
Depreciation and Amortization	-	-	-	-	11,532,978.93	11,532,978.93
For the Year Ended August 31, 2017	<u>\$ 15,475,347.81</u>	<u>\$ 11,547,226.94</u>	<u>\$ 930,924.70</u>	<u>\$ 209,486.21</u>	<u>\$ 11,532,978.93</u>	<u>\$ 228,951,340.86</u>
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>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER at EL PASO

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Comparative Statement of Cash Flows

For the Year Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collections from Student Tuition and Fees	\$ 8,557,206.79	\$ 7,848,294.28
Collections from Grants and Contracts	86,746,196.21	88,135,515.21
Collections from Patients and Insurers	45,513,722.07	45,134,790.80
Collections of Loan Program Proceeds	649,102.68	571,543.85
Collections from Auxiliary Enterprises	283,047.50	233,346.78
Collections from Other Operating Activities	13,006,145.32	15,595,288.12
Cash Outflows		
Payments to Suppliers	(31,812,263.74)	(19,738,451.95)
Payments to Employees for Salaries	(137,305,570.60)	(125,163,871.93)
Payments to Employees for Benefits	(32,091,759.38)	(26,722,425.49)
Payments for Loans Provided to Students	(600,970.36)	(671,639.95)
Payments for Unemployment Benefits	(58,067.50)	(104,872.95)
Payments for Other Operating Activities	<u>(17,719,606.09)</u>	<u>(19,976,005.28)</u>
Net Cash Used for Operating Activities	\$ <u>(64,832,817.10)</u>	\$ <u>(34,858,488.51)</u>
Cash Flows from Non-Capital Financing Activities		
Cash Inflows		
Proceeds from Legislative Appropriations	\$ 77,642,845.27	\$ 58,786,858.53
Proceeds from Net Transfers from Texas Tech University Health Sciences Center	258,328.02	-
Proceeds from Net Transfers from Texas Tech Foundation, Inc.	3,739,914.12	2,091,460.84
Proceeds from Legislative Transfers from Other State Agencies	5,841,147.00	-
Proceeds from Agency Transactions	13,062,115.00	12,368,343.00
Proceeds from Non-Capital Gifts	809,197.23	2,605,938.84
Proceeds from Non-Capital Grants	519,525.00	442,473.00
Proceeds from Other Non-Capital Financing Activities	855,246.48	1,879,633.60
Cash Outflows		
Payments for Net Transfers to Texas Tech University	(2,164.00)	(6,100.00)
Payments for Net Transfers to Texas Tech University System	(2,223,063.93)	(850,472.48)
Payments for Net Transfers to Texas Tech University Health Sciences Center	-	(2,111,773.55)
Payments for Transfers to Other State Agencies	-	-
Payments for Other Uses	<u>(13,062,115.00)</u>	<u>(12,368,343.00)</u>
Net Cash Provided by Non-Capital Financing Activities	\$ <u>87,440,975.19</u>	\$ <u>62,838,018.78</u>

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Comparative Statement of Cash Flows
For the Year Ended August 31, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Cash Flows from Capital and Related Financing Activities		
Cash Inflows		
Proceeds from Sale of Capital Assets	\$ 25,106.14	\$ 44,794.15
Proceeds from Capital Debt Issuances	-	-
Proceeds from Legislative Appropriations for Capital	6,234,075.00	4,156,050.00
Proceeds from Transfers from Texas Tech University System Administration	10,294,385.52	74,337.35
Cash Outflows		
Payments for Purchases of Capital Assets	(25,147,873.29)	(9,674,412.01)
Payments for Transfers to Texas Tech University System Administration	(13,874,845.17)	(7,397,473.22)
Payments for Principal on Capital Debts	-	-
Payments for Interest on Capital Debts	-	-
Payments for Capital Lease	-	-
Net Cash Used for Capital and Related Financing Activities	\$ (22,469,151.80)	\$ (12,796,703.73)
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sales and Maturities of Investments	\$ 13,374,554.03	\$ 17,034,663.66
Proceeds from Interest and Dividends on Investments	5,173,193.20	1,707,123.41
Cash Outflows		
Payments for Purchases of Investments	(20,857,974.50)	(27,842,363.25)
Net Cash Used for Investing Activities	\$ (2,310,227.27)	\$ (9,100,576.18)
TOTAL NET CASH FLOWS	\$ (2,171,220.98)	\$ 6,082,250.36
Cash and Cash Equivalents, September 1st	\$ 41,114,531.01	\$ 35,032,280.65
Cash and Cash Equivalents, August 31st	\$ 38,943,310.03	\$ 41,114,531.01

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Comparative Statement of Cash Flows
For the Year Ended August 31, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	\$ (67,205,261.21)	\$ (59,986,423.36)
Adjustments		
Depreciation Expense	11,532,978.93	11,629,181.89
Decrease (Increase) in Receivables	(7,144,161.62)	968,725.92
Decrease (Increase) in Due from Other Agency	(167,934.68)	266,385.17
Decrease (Increase) in Merchandise Inventories	(61,999.69)	(26,798.66)
Decrease (Increase) in Prepaid Expenses	343,533.68	(571,350.72)
Decrease (Increase) in Loans and Notes Receivable	27,980.32	(79,944.10)
Increase (Decrease) in Payables	(3,465,526.44)	9,447,230.66
Increase (Decrease) in Due to Other Agency	(42,441.72)	54,132.75
Increase (Decrease) in Deferred Revenue	(323,189.74)	170,861.35
Increase (Decrease) in Compensable Leave	969,783.00	507,337.20
Increase (Decrease) in Other Liabilities	703,422.07	2,762,173.39
Net Cash Used for Operating Activities	\$ (64,832,817.10)	\$ (34,858,488.51)
Non-Cash Transactions		
Donations of Capital Assets	\$ 28,612.69	\$ -
Net Increase (Decrease) in Fair Value of Investments	4,671,317.39	(704,662.28)
Disposal of Capital Assets	(249,065.70)	(335,527.33)
Other	-	-