Exhibit 14

U. T. Physicians
(a component unit of The University of Texas System)

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2015 and 2014

U. T. Physicians

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Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
U. T. Physicians:

Report on the Financial Statements

We have audited the accompanying financial statements of U. T. Physicians (a component unit of The University of Texas System), which comprise the statements of net position as of August 31, 2015 and 2014 and the related statements of revenue, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of U. T. Physicians as of August 31, 2015 and 2014 and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blazek & Vetterling

February 18, 2016

U. T. Physicians
(a component unit of The University of Texas System)
Management's Discussion and Analysis
For the years ended August 31, 2015 and 2014
(unaudited)

The following discussion and analysis of U. T. Physicians' (UTP) financial performance provides an overview of the financial activities for the years ended August 31, 2015 and 2014. This discussion should be read in conjunction with UTP's financial statements, which follow this section.

Financial Highlights for the year ended August 31, 2015:

- UTP began participating in the Network Access Improvement Program (NAIP) with a managed care organization. NAIP was designed to further Texas' goal of increasing the availability and effectiveness of primary care for Medicaid beneficiaries by creating an incentive for health-related institutions to provide quality, well-coordinated and continuous care. Under the terms of this agreement, UTP has recognized premium revenue of $11.1 million and $2.3 million of operating expenses.
- During fiscal year 2015, UTP increased the number of patients served by 31.2% through the addition of 20 new clinics and the expansion of existing clinics. The participation in NAIP and the increase in the number of patients served resulted in an increase in operating revenues of $32.0 million.
- Operating expenses increased $21.6 million from $77.7 million in fiscal 2014 to $99.3 million in fiscal 2015. The increase in operating expenses is a result of the increase in the number clinics, expansion of existing clinics, the number of patients served and participation in NAIP.
- The management fee earned for managing outpatient clinics increased by $20.6 million, primarily as a result of the increase in operating costs from the new clinics and the additional patients served.

Financial Highlights for the year ended August 31, 2014:

- During fiscal year 2014, UTP increased the number of patients served by 22.0% through the addition of 19 new clinics and the expansion of existing clinics. This resulted in an increase in operating revenues of $6.2 million and a $5.9 million increase in operating expenses from managing the clinics.
- The management fee earned for managing outpatient clinics increased by $2.9 million, primarily as a result of the increase in operating costs from the new clinics and the additional patients served.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to UTP's basic financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

UTP reports its activities utilizing an enterprise fund, and as such, accounts for its operations similar to businesses in the private sector. The financial statements are reported on a full-accrual, economic-resources basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The statement of net position includes all of UTP's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to

UTP's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of UTP, and assessing UTP's liquidity and financial flexibility. The statement of revenue, expenses and changes in net position measures improvements in UTP's operations and can be used to determine whether UTP has been able to recover all of its costs through its management and other revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about UTP's cash flows from operating, investing, and financing activities and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis

The statement of net position and the statement of revenue, expenses and changes in net position report information about UTP's activities. These two statements report the net position and changes in net position of UTP. Increases or decreases in UTP's net position are one indicator of whether its financial health is improving or deteriorating.

Condensed Financial Analysis

Fiscal 2015

	TOTAL 2015	TOTAL 2014	DOLLAR CHANGE	PERCENTAGE CHANGE
Condensed Statements of Net Position:				
Assets:				
Current assets:				
Cash and cash equivalents	$ 26,197,952	$ 15,712,849	$ 10,485,103	66.7%
Other current assets	34,229,157	19,273,614	14,955,543	77.6%
Total current assets	60,427,109	34,986,463	25,440,646	72.7%
Investments in joint ventures	1,305,810	1,189,997	115,813	9.7%
Capital assets, net	18,537,245	16,538,992	1,998,253	12.1%
Total assets	$ 80,270,164	$ 52,715,452	$ 27,554,712	52.3%
Liabilities:				
Current liabilities	$ 45,014,141	$ 32,705,967	$ 12,308,174	37.6%
Capital leases, less current position	105,615	605,476	(499,861)	(82.6%)
Tenant improvement allowances, less current position	1,447,350	441,777	1,005,573	227.6%
Total liabilities	46,567,106	33,753,220	12,813,886	38.0%
Net position:				
Unrestricted	15,771,288	3,763,080	12,008,208	319.1%
Net investment in capital assets	17,931,770	15,199,152	2,732,618	18.0%
Total net position	33,703,058	18,962,232	14,740,826	77.7%
Total liabilities and net position	$ 80,270,164	$ 52,715,452	$ 27,554,712	52.3%

UTP's total current assets increased $25.4 million, or 72.7%, from $35.0 million at August 31, 2014 to $60.4 million at August 31, 2015. The significant factors for this increase are as follows:

- Cash and cash equivalents increased $10.5 million and the investment in The University of Texas System Intermediate-Term Fund increased $2.8 million. This increase is a result of net cash provided by operating activities of $18.7 million offset by cash used in investing activities of $2.5 million and by cash used in capital and related financing activities of $5.8 million.
- Accounts receivable from The University of Texas Health Science Center at Houston (UTHealth) increased by $6.5 million primarily as a result of an increase in the management fee due from UTHealth of $4.4 million as a result of increased costs of managing the clinics attributable to 20 new clinics, expansion of the existing clinics and a 31.2% increase in the number of patients served. Additionally, UTHealth received a $2.1 million refund from Texas Health and Human Services Commission in connection with the NAIP contract related to an overpayment of the non-federal share of the NAIP incentive payment. This amount is due to UTP from UTHealth at August 31, 2015.
- Prepaid deposits with managed care organizations increased $5.4 million. These deposits are related to the non-federal share of the NAIP incentive payments for the September 1, 2015 through August 31, 2016 contract period.

Long-term assets increased $2.1 million, or 11.9%, from $17.7 million at August 31, 2014 to $19.8 million at August 31, 2015. In fiscal 2015, there were total capital additions of $5.0 million as a result of opening new clinics and the support of existing operations. The additions to capital assets are offset by depreciation expense of $3.0 million.

Current liabilities increased by $12.3 million, or 37.6%, from $32.7 million at August 31, 2014 to $45.0 million at August 31, 2015. The significant factors for this increase are as follows:

- Accounts payable to UTHealth increased approximately $9.3 million, or 37.2%, from $25.0 million at August 31, 2014 to $34.3 million at August 31, 2015. This increase is attributable to (a) a $5.4 million increase in payables related to payments of the non-federal share of the NAIP incentive payment made by UTHealth on UTP's behalf to HHSC for the September 1, 2015 through August 31, 2016 contract period, (b) $1.5 million for costs incurred by UTHealth for NAIP related projects, and (c) an increase of $2.5 million attributable to an increase in patient collections to be remitted to UTHealth as a result of the increase in the number of patients served.
- Accounts payable increased $2.1 million, or 41.1%, from $5.1 million at August 31, 2014 to $7.2 million at August 31, 2015 as a result of the increase in the number of clinics managed and resulting increase in patients served.
- A $0.7 million premium enrollment reserve has been established for potential enrollment adjustments under the NAIP contract for the contract period ended August 31, 2015. The reserve is equal to 5% of net revenue earned under the NAIP contract.

Long-term liabilities increased by $0.6 million, or 60.0%, from $1.0 million at August 31, 2014 to $1.6 million at August 31, 2015. This increase is a result of a $1.0 million increase in the long-term portion of the liability for tenant improvement allowances due to new clinics opened and offset by a $500,000 decrease in the long-term portion of capital lease obligations resulting from payments made on these obligations.

Fiscal 2014

	TOTAL 2014	TOTAL 2013	DOLLAR CHANGE	PERCENTAGE CHANGE
Condensed Statements of Net Position:				
Assets:				
Current assets:				
Cash and cash equivalents	$ 15,712,849	$ 8,881,762	$ 6,831,087	77%
Other current assets	19,273,614	17,547,628	1,725,986	10%
Total current assets	34,986,463	26,429,390	8,557,073	32%
Investments in joint ventures	1,189,997	1,385,098	(195,101)	(14%)
Capital assets, net	16,538,992	14,517,855	2,021,137	14%
Total assets	$ 52,715,452	$ 42,332,343	$ 10,383,109	24%
Liabilities:				
Current liabilities	$ 32,705,967	$ 26,152,245	$ 6,553,722	25%
Capital leases, less current position	605,476	1,339,840	(734,364)	(55%)
Tenant improvement allowances, less current portion	441,777	511,547	(69,770)	(14%)
Total liabilities	33,753,220	28,003,632	5,749,588	20%
Net position:				
Unrestricted	3,763,080	2,171,588	1,591,492	73%
Net investment in capital assets	15,199,152	12,157,123	3,042,029	25%
Total net position	18,962,232	14,328,711	4,633,521	32%
Total liabilities and net position	$ 52,715,452	$ 42,332,343	$ 10,383,109	24%

UTP's total current assets increased $8.6 million, or 32.0%, from $26.4 million at August 31, 2013 to $35.0 million at August 31, 2014. The significant factors for this increase are as follows:

- Cash and cash equivalents increased $6.8 million and the investment in The University of Texas System Intermediate-Term Fund increased $331,000. This increase is a result of net cash provided by operating activities of $11.9 million and by investing activities of $687,000 offset by cash used capital and related financing activities of $5.7 million.
- Accounts receivable from UTHealth increased $1.0 million primarily as a result of an increase in the management fee paid by UTHealth as a result of increased costs of managing the clinics attributable to 19 new clinics, expansion of the existing clinics and a 22% increase in the number of patients served.
- Prepaid rent also increased $0.5 million due to the expansion of the clinics.

Long-term assets increased $1.8 million, or 11.3%, from $15.9 million at August 31, 2013 to $17.7 million at August 31, 2014. $4.8 million of new assets were acquired in connection with the opening of new clinics and the support of existing operations. The additions to capital assets are offset by depreciation expense of $2.3 million and disposals of $444,000.

Current liabilities increased $6.6 million, or 25.3%, from $26.1 million at August 31, 2013 to $32.7 million at August 31, 2014. The significant factors for this increase are as follows:

- Accounts payable to UTHealth increased approximately $5.0 million, or 25.0%, from $20.0 million at August 31, 2013 to $25.0 million at August 31, 2014. This increase is attributable to an increase in patient collections to be remitted to UTHealth as a result of the increase in number of patients served.
- Other accounts payable increased by $1.6 million, or 44.0%, from $3.5 million at August 31, 2013 to $5.1 million at August 31, 2014. The increase is due to the growth in the overall operations of UTP.
- Accrued liabilities increased $0.3 from $1.6 million at August 31, 2013 to $1.9 million at August 31, 2014 primarily as a result of a $198,000 increase in accrued vacation.
- The current portion of capital lease payments decreased $0.3 million.

Long-term liabilities decreased $0.8 million, or 54.0%, from $1.8 million at August 31, 2013 to $1.0 million at August 31, 2014 as a result of payments on capital leases with no new capital leases entered.

Condensed Statements of Revenue, Expenses and Changes in Net Position:

Fiscal 2015

	TOTAL 2015	TOTAL 2014	DOLLAR CHANGE	PERCENTAGE CHANGE
Operating revenue:				
Management fee	$ 101,881,541	$ 81,272,345	$ 20,609,196	25.4%
Premium revenue	11,121,804		11,121,804	N/A
Other operating revenue	572,511	262,472	310,039	118.1%
Total operating revenue	113,575,856	81,534,817	32,041,039	39.3%
Operating expenses	99,309,578	77,725,042	21,584,536	27.8%
Operating income	14,266,278	3,809,775	10,456,503	274.5%
Non-operating revenue:				
Net gain in joint ventures	622,215	484,286	137,929	28.5%
Investment return	(147,667)	339,460	(487,127)	(143.5%)
CHANGES IN NET POSITION	14,740,826	4,633,521	10,107,305	218.1%
Net position, beginning of year	18,962,232	14,328,711	4,633,521	32.3%
Net position, end of year	$ 33,703,058	$ 18,962,232	$ 14,740,826	77.7%

UTP's net position increased $14.7 million, or 77.7%, from $19.0 million at August 31, 2014 to $33.7 million at August 31, 2015. The increase in net position is a result of a $32.0 million increase in operating revenue offset by a $21.6 million increase in operating expenses.

The increase in operating revenue is due to a $20.6 million, or 25.4%, increase in management fees earned from managing the clinics under the terms of the Management Services Agreement and an $11.1 million increase in premium revenue received under the NAIP agreement. Management fees earned increased from $81.2 million in fiscal 2014 to $101.9 million in fiscal 2015 as a result of the addition of 20 new clinics and a 31.2% increase in the number of patients served.

The significant reasons for the $21.6 million increase in expenses are as follows:

- Employee costs increased $4.7 million, or 19.3%, from $24.3 million in fiscal 2014 to $29.0 million in fiscal 2015. $2.9 million of this increase is a due to the increase in the number of employees related to the opening of 20 new clinics. Fiscal 2015 began with 392 full-time equivalents (FTEs) and ended with 431 FTEs. The remaining increase of $1.8 million results from employee costs billed to UTP by UTHealth relating to the NAIP contract.
- Occupancy costs increased $4.5 million, or 27.8%, from $16.2 million in fiscal 2014 to $20.7 million in fiscal 2015. This increase is due to the increase in the space leased for new clinics and the expansion of existing clinics.
- Professional fees and other contracted services increased $4.8 million, or 39.1%, from $12.3 million in fiscal 2014 to $17.1 million in fiscal 2015 due to the growth and expansion of the clinical services.
- Pharmaceuticals and medical supplies increased $4.6 million, or 40.7%, from $11.3 million in fiscal 2014 to $15.9 million in fiscal 2015 mainly due to the 31.2% increase in the number of patients served but also due in part to increases in certain pharmaceutical costs.
- Software increased $2.2 million, or 129.4%, from $1.7 million in fiscal 2014 to $3.9 million in fiscal 2015 due to an increase in the number of licenses and related fees associated with the physicians' billing system and electronic health records. Much of this is due to the increase in the number of patients served.

Fiscal 2014

	TOTAL 2014	TOTAL 2013	DOLLAR CHANGE	PERCENTAGE CHANGE
Operating revenue:				
Management fee	$ 81,272,345	$ 75,218,134	$ 6,054,211	8%
Other operating revenue	262,472	33,364	229,108	686%
Total operating revenue	81,534,817	75,251,498	6,283,319	8%
Operating expenses	77,725,042	71,792,921	5,932,121	8%
Operating income	3,809,775	3,458,577	351,198	10%
Non-operating revenue:				
Net gain in joint ventures	484,286	567,595	(83,309)	(15%)
Investment return	339,460	161,359	178,101	110%
CHANGES IN NET POSITION	4,633,521	4,187,531	445,990	11%
Net position, beginning of year	14,328,711	10,141,180	4,187,531	41%
Net position, end of year	$ 18,962,232	$ 14,328,711	$ 4,633,521	32%

UTP's net position increased $4.6 million, or 32.0%, from $14.3 million at August 31, 2013 to $19.0 million at August 31, 2014. The increase in net position is a result of a $6.3 million increase in operating revenue offset by a $5.9 million increase in operating expenses, in addition to a $0.1 million increase in nonoperating revenue.

The increase in operating revenue is attributable to a $6.1 million increase in management fees earned from managing the outpatient clinics. This increased 8.0% from $75.2 million in fiscal 2013 to $81.3 million in fiscal 2014. This increase is a result of the addition of 19 new clinics, the expansion of existing clinics, and a 22% increase in the number of patients served during fiscal 2014.

The significant reasons for the $5.9 million increase in expenses are as follows:

- Employee costs decreased $4.9 million, or 16.8%, from $29.2 million in fiscal 2013 to $24.3 million in fiscal 2014. This decrease is a due to the growth related to the opening of 19 clinics during the fiscal year, offset by the reduction of approximately 240 FTEs in March 2013, when these positions were transferred to UTHealth as the employees had direct patient care responsibilities. Fiscal 2013 began with 508 FTEs and ended with 365 FTEs. Fiscal 2014 ended with 392 FTEs.
- Occupancy costs increased $4.7 million, or 38.8%, from $12.1 million in fiscal 2013 to $16.8 million in fiscal 2014. This increase is due to the increase in the space leased for new clinics and the expansion of existing clinics.
- Professional fees and other contracted services increased $3.3 million, or 36.7%, from $9.0 million in fiscal 2013 to $12.3 million in fiscal 2014 due to the growth and expansion of the clinical services.
- Pharmaceuticals and medical supplies increased $1.6 million, or 16.5%, from $9.7 million in fiscal 2013 to $11.3 million in fiscal 2014 due to the 22% increase in the number of patients served.
- The remaining net increase of $1.2 million relates to the overall increase in the cost structure as a result of the 19 additional clinics added and a 22% increase in patient visits.

Condensed Capital Assets:

	2015	2014	2013
Depreciable capital assets:			
Furniture and equipment	$ 12,673,780	$ 10,981,481	$ 11,498,807
Leasehold improvements	14,119,916	10,602,639	7,517,740
Computer software	2,425,776	2,425,776	1,941,825
Depreciable assets, at cost	29,219,472	24,009,896	20,958,372
Less: Accumulated depreciation	(10,789,186)	(7,892,789)	(6,647,838)
Total depreciable capital assets, net	18,430,286	16,117,107	14,310,534
Nondepreciable capital assets:			
Construction in progress	106,959	421,885	207,321
Total nondepreciable capital assets	106,959	421,885	207,321
Capital assets, net	$ 18,537,245	$ 16,538,992	$ 14,517,855

Fiscal 2015

Capital assets increased $2.0 million, or 12.1%, from $16.5 million at August 31, 2014 to $18.5 million at August 31, 2015. The increase in capital assets is due to $5.0 million of new assets acquired in connection with the opening of new clinics and the support of existing operations. These additions to capital assets are offset by depreciation expense of $3.0 million.

Fiscal 2014

Capital assets increased $2.0 million, or 13.8%, from $14.5 million at August 31, 2013 to $16.5 million at August 31, 2014. The increase in capital assets is due to $4.8 million of new assets acquired in connection with the opening of new clinics and the support of existing operations. No new capital leases occurred in fiscal 2014. These additions to capital assets are offset by depreciation expense of $2.3 million and disposals of $444,000.

Capital Leases Payable

Balance at August 31, 2013	$ 2,360,732
Repayments	(1,020,892)
Balance at August 31, 2014	1,339,840
Repayments	(734,365)
Balance at August 31, 2015	$ 605,475

Fiscal 2015

The decrease in capital lease obligations of $0.7 million from $1.3 million at August 31, 2014 is attributable to payments on existing obligations. There were no new capital leasing transactions during fiscal 2105.

Fiscal 2014

The decrease in capital lease obligations of $1.0 million from $2.4 million at August 31, 2013 is attributable to a decline in capital leasing activity and payments on existing obligations.

Notes to Financial Statements

The reader is referred to the notes to the financial statements for a more complete understanding of the financial statements of UTP. They contain a summary of the significant accounting policies as well as other information.

Contacting UTP's Financial Management

The financial report is designed to discuss issues that may be material to the operation of UTP. Questions concerning any of the information provided in this report or requests for additional information should be addressed to U. T. Physicians, 6431 Fannin Street, Suite JJL 475, Houston, Texas, 77030.

U. T. Physicians

Statements of Net Position as of August 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents *(Note 3)*	$ 26,197,952	$ 15,712,849
Accounts receivable from UTHealth *(Notes 4 and 11)*	20,333,833	13,827,246
Accounts receivable	298,203	301,446
Prepaid deposits with managed care organizations *(Note 4)*	5,368,254	
Prepaid expenses and other assets	1,897,898	1,647,163
Investments, current *(Note 3)*	6,330,969	3,497,759
Total current assets	60,427,109	34,986,463
Investments in joint ventures *(Note 5)*	1,305,810	1,189,997
Capital assets, net *(Note 6)*	18,537,245	16,538,992
TOTAL ASSETS	$ 80,270,164	$ 52,715,452
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable to UTHealth *(Notes 4 and 11)*	$ 34,325,897	$ 25,007,248
Accounts payable	7,253,931	5,113,846
Accrued employee compensation and benefits	1,897,138	1,666,285
Premium enrollment reserve *(Note 4)*	671,604	
Tenant improvement allowances, current portion	365,711	184,224
Capital leases, current portion *(Note 7)*	499,860	734,364
Total current liabilities	45,014,141	32,705,967
Capital leases, less current portion *(Note 7)*	105,615	605,476
Tenant improvement allowances, less current portion	1,447,350	441,777
TOTAL LIABILITIES	46,567,106	33,753,220
Commitments and contingencies *(Notes 8 and 10)*		
Net position:		
Unrestricted	15,771,288	3,763,080
Net investment in capital assets	17,931,770	15,199,152
TOTAL NET POSITION	33,703,058	18,962,232
TOTAL LIABILITIES AND NET POSITION	$ 80,270,164	$ 52,715,452

See accompanying notes to financial statements.

U. T. Physicians

Statements of Revenue, Expenses and Changes in Net Position for the years ended August 31, 2015 and 2014

	2015	2014
OPERATING REVENUE:		
Management fee *(Note 11)*	$ 101,881,541	$ 81,272,345
Premium revenue *(Note 4)*	11,121,804	
Other operating revenue	572,511	262,472
Total operating revenue	113,575,856	81,534,817
OPERATING EXPENSES *(Note 11)*:		
Employee costs	29,068,728	24,348,266
Occupancy	20,710,510	16,221,245
Professional fees and other contracted services	17,147,021	12,330,033
Pharmaceuticals and medical supplies	15,903,111	11,309,508
Office supplies and equipment	4,617,144	4,269,796
Software	3,933,520	1,714,748
Depreciation and amortization	2,962,450	2,348,824
Advertising and printing	1,577,847	1,361,647
Other operating expenses	3,389,247	3,820,975
Total operating expenses	99,309,578	77,725,042
Operating income	14,266,278	3,809,775
Non-operating revenue:		
Net gain in joint ventures *(Note 5)*	622,215	484,286
Investment return	(147,667)	339,460
CHANGES IN NET POSITION	14,740,826	4,633,521
Net position, beginning of year	18,962,232	14,328,711
Net position, end of year	$ 33,703,058	$ 18,962,232

See accompanying notes to financial statements.

U. T. Physicians

Statements of Cash Flows for the years ended August 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from management fee	$ 101,409,952	$ 85,270,089
Receipts from premium revenue	9,708,805	
Receipts from other	575,766	324,047
Payments to suppliers	(64,146,940)	(49,658,171)
Payments to employees	(28,837,887)	(24,069,422)
Net cash provided by operating activities	18,709,696	11,866,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets		208,316
Payments for additions to capital assets	(4,960,703)	(4,814,462)
Payments of principal on capital-related debt	(734,365)	(1,020,892)
Payments of interest on capital-related debt	(55,050)	(95,880)
Net cash used by capital and related financing activities	(5,750,118)	(5,722,918)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,180,502)	(99,824)
Proceeds from distributions from joint ventures	506,402	679,386
Investment return	199,625	107,900
Net cash provided (used) by investing activities	(2,474,475)	687,462
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,485,103	6,831,087
Cash and cash equivalents, beginning of year	15,712,849	8,881,762
Cash and cash equivalents, end of year	$ 26,197,952	$ 15,712,849
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	$ 14,266,278	$ 3,809,775
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	2,962,450	2,348,824
Loss on disposal of assets		236,186
Interest expense	55,050	95,880
Changes in operating assets and liabilities:		
Accounts receivable	(6,503,344)	(922,332)
Prepaid expenses and other assets	(5,618,989)	(472,270)
Accounts payable	11,458,734	6,542,356
Accrued liabilities	230,853	228,124
Premium revenue enrollment reserve	671,604	
Tenant improvement allowances	1,187,060	
Net cash provided by operating activities	$ 18,709,696	$ 11,866,543
Supplemental noncash activities information:		
Net increase in fair value of investments	$274,923	$231,560

See accompanying notes to financial statements.

U. T. Physicians

Notes to Financial Statements for the years ended August 31, 2015 and 2014

NOTE 1 – ORGANIZATION

Organization – U. T. Physicians (UTP) is a Texas nonprofit corporation established in 1994 as a supporting organization of The University of Texas Health Science Center at Houston (UTHealth). UTP's primary mission is to provide health care to the public and support health care education and research activity, thereby supporting the mission of McGovern Medical School at UTHealth. Through its clinics, UTP provides McGovern Medical School at UTHealth physicians, students and residents the opportunity to deliver professional medical services to patients. The sole member of UTP is the Chief Administrative Officer of UTHealth and UTP is governed by a five-member board appointed by UTHealth. UTP is a component unit of The University of Texas System.

UTP operates clinics on behalf of UTHealth and receives a management fee for these services. UTHealth has a Management Services Agreement (the Management Agreement) with UTP for the operation of the clinics under which various roles and responsibilities are defined. The monthly management fee paid to UTP is based on UTP's projected costs, including debt service. Additionally, UTP has entered into an Assignment and Assumption Agreement (the Assignment Agreement) with UTHealth. Under the Assignment Agreement, all revenue from medical services provided by McGovern Medical School at UTHealth physicians that is billed and collected by UTP on UTHealth's behalf, is assigned and delivered by UTP to UTHealth. In addition, any related patient receivables are assigned to UTHealth. As such, these patient service revenues and receivables are not reflected in UTP's financial statements.

Additionally, UTP participates in the Texas Network Access Improvement Program (see Note 4).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB).

Measurement focus and basis of accounting – Measurement focus refers to *what* is being expressed in reporting net position and performance, that is, *which* resources are being measured. The economic resources measurement focus measures both financial and capital resources. Basis of accounting refers to *when* those resources and commitments and uses of those resources should be recognized. It relates to the timing of the measurements made regardless of the measurement focus applied.

UTP is an enterprise fund, as defined by GASB. The financial statements of UTP have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when it is earned and becomes measurable and expenses are recognized in the period incurred. The focus of economic resources measurement is the determination of operating income, changes in net position, net position and cash flows. The applicable generally accepted accounting principles are similar to those used by businesses in the private sector.

Federal income tax status – UTP is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a Type I supporting organization under §509(a)(3). UTP files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. UTP believes it is no longer subject to examinations of returns for tax years ended before August 31, 2012.

Cash equivalents include highly liquid financial instruments with original maturities of three months or less. It is UTP's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater.

Investments – Investments of UTP, except for joint ventures, are managed by The University of Texas Investment Management Company, UTIMCO, a private investment corporation that provides services exclusively to The University of Texas System. UTP has an investment in The University of Texas System Intermediate-Term Fund, which is reported at fair value. The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org. UTP has investments in joint ventures which are reported using the equity basis of accounting. Under this method of accounting, the profits or losses of the joint ventures' operations are recognized based on the percentage ownership in the joint venture. All investments in joint ventures are reported as noncurrent as these investments have an investment horizon extending beyond one year.

Capital assets are reported at cost at the date of acquisition or at fair market value at the date of donation. UTP capitalizes additions that have a cost or fair value of $5,000 or more. Depreciation is computed using the straight-line basis over the estimated useful life of the asset which ranges from 5 to 22 years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful life of the leasehold improvement or the remaining term of the lease. Routine maintenance and repairs are expensed as incurred.

Net position represents assets and deferred outflows less liabilities and deferred inflows. The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to the acquisition, construction, or improvement of those assets. Net position is reported as *restricted* when constraints placed on net position are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. All other net position is *unrestricted*. When UTP has both restricted and unrestricted resources available to fund a particular activity, it is UTP's policy to use restricted resources before unrestricted resources.

Operating revenue and expenses of UTP consist primarily of charges for management fees and premium revenue and the costs of providing those services, including depreciation. Nonoperating revenue consists of net income from joint ventures and investment return.

Management fee revenue is recognized based on UTP's projected costs of operating the clinics, including debt service.

Premium revenue – UTP has an agreement with a Managed Care Organization (MCO) to provide medical services to subscribing Medicaid participants. Under this agreement, UTP recognizes monthly premium revenue based on the number of Medicaid participants, regardless of services actually performed by UTP (see Note 4).

Advertising costs are expensed as incurred. Advertising expense of approximately $784,000 was recognized in 2015 and approximately $738,000 was recognized in 2014.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Annual financial plan – UTP does not adopt an annual appropriated budget; however, the Board of Directors does adopt annual financial plans. The plans are reviewed by management and the Board of Directors throughout the year to control and enhance UTP's operating results.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at August 31:

	2015	2014	RATING
Demand deposits	$ 42,145	$ 79,370	N/A
The University of Texas System Short-Term Fund (STF)	26,155,807	15,633,479	AAA
Cash and cash equivalents	$ 26,197,952	$ 15,712,849	
The University of Texas System Intermediate-Term Fund (ITF)	$ 6,330,969	$ 3,497,759	Not rated

Deposit Risks

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTP 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. UTP's policy is that all deposits are governed by a bank depository agreement with the respective banking institution. This agreement provides that UTP's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC), shall at all times be collateralized with government securities. The Board of Regents of the University of Texas System (the Board) has entered into Master Depository Agreements with JPMorgan Chase Bank, N.A. and Frost Bank (the Banks). Under the terms of these agreements, the Banks provide assurance for any deposits that exceed the FDIC insurance limit by granting a security interest and pledging securities with an aggregate market value of at least 102% of the uninsured deposit with the Federal Reserve Bank with the Board as the pledgee. The Banks have pledged securities with a market value of at least 102% of the deposits exceeding the FDIC insurance limits at August 31, 2015. At August 31, 2015, the carrying amount of UTP's deposits held at the Banks subject to the Master Depository Agreements was approximately $42,145 and the respective bank balance was approximately $1,541,000.

Investment Risks

Investment Management Agreement

UTP has an Investment Management Agreement with the Board, the terms of which give the Board the authority to control, manage and invest funds held by UTP. Pursuant to an agreement between the Board and UTIMCO, the Board has appointed UTIMCO as the investment manager of UTP funds. UTP has the right to withdraw funds by providing written notice to the Board. UTP has funds invested at UTIMCO in the STF and the ITF. The investment return recognized from the investment in these funds is net of the investment management fees.

Credit Risk

Article VII, Section 11b of the Texas Constitution authorizes the Board, subject to procedures and restrictions it establishes, to invest UTP funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Concentrations of Credit Risk

UTP's investment policy statement for funds managed by UTIMCO contain the limitation that no more than 5% of the market value of fixed-income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2015, this fund did not hold any direct investments in any one issuer of corporate or municipal bonds that were 5% or more of the market value of the fund's fixed-income investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTP will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and UTP's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2015, UTP did not have any investments that are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in UTP's investments is measured by monitoring the segmented time distribution of the investment portfolio. UTP has no specific policy statement limitations with respect to its overall segmented time duration. The table below summarizes UTP's segmented time distribution of investment maturities in years by investment type.

AUGUST 31, 2015	FAIR VALUE	YEARS < 1	1 - 5	6 - 10	> 10
ITF	$ 6,330,969	$ 6,330,969			
Total	$ 6,330,969	$ 6,330,969	$ 0	$ 0	$ 0

AUGUST 31, 2014	FAIR VALUE	YEARS < 1	1 - 5	6 - 10	> 10
ITF	$ 3,497,759	$ 3,497,759			
Total	$ 3,497,759	$ 3,497,759	$ 0	$ 0	$ 0

Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

UTP may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. UTP also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of UTP's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to UTP's total fixed-income and developed country equity exposures in UTP's investment policy statements.

NOTE 4 – NAIP MEDICAID WAIVER PROGRAM

During 2015, UTP entered into an agreement with a managed care organization (MCO) to provide services to Medicaid patients under the Texas Network Access Improvement Program (NAIP) for the period from March 1, 2015 through August 31, 2015. The NAIP program objective is to improve access to primary care physicians specifically general practice, family practice, internal medicine, pediatrics, obstetrics, gynecology and behavioral health for Medicaid managed care members. Total premium revenue recognized under this agreement was approximately $11.1 million. Concurrent with this agreement, UTHealth entered into a contract with the Texas Health and Human Services Commission (HHSC) to transfer funds to HHSC for use as the non-federal share of the NAIP incentive payments (IGT) for participation in the NAIP program. The IGT transfer was based on the estimated contract value of approximately $12.0 million. UTP reimbursed UTHealth approximately $12.0 million for IGT paid to HHSC. The agreement with HHSC provides for adjustments through August 31, 2017 for actual enrollment in the NAIP program. Included in amounts due from UTHealth is $2.1 million related to an estimated adjustment of IGT paid to HHSC for actual enrollment during the contact period.

NAIP revenue has been recognized based on current enrollment information, but it is reasonably possible that the recorded estimates may change by a material amount in the near term. Management believes adequate reserves have been provided for possible adjustments that might result from adjustments for actual enrollment in the program.

UTP and UTHealth entered into similar agreements with additional MCO's and HHSC for contracts beginning September 1, 2015. UTHealth has transferred approximately $5.4 million of IGT to HHSC related to these contracts as of August 31, 2015. These amounts are included in prepaid deposits with managed care organizations and accounts payable to UTHealth at August 31, 2015.

NOTE 5 – INVESTMENTS IN JOINT VENTURES

UTP has entered into joint venture agreements to foster the expansion of the faculty practice and remain competitive relative to other multi-specialty physician groups. The joint ventures are Telemedicus, Bluesky MOB, LLP (Bluesky), TMC Holding Company, LLC (TMC) and Physicians Dialysis of Houston, LLP (PDI). The activity in these joint ventures is as follows:

	TELEMEDICUS	BLUESKY	TMC	PDI	TOTAL
Balance at August 31, 2013	$ 2,000	$ 380,755	$ 246,506	$ 755,837	$ 1,385,098
Capital distributions			(212,983)	(466,404)	(679,387)
Net gain			291,320	192,966	484,286
Balance at August 31, 2014	2,000	380,755	324,843	482,399	1,189,997
Capital distributions			(208,569)	(297,833)	(506,402)
Net gain			236,837	385,378	622,215
Balance at August 31, 2015	$ 2,000	$ 380,755	$ 353,111	$ 569,944	$ 1,305,810

Bluesky is a joint venture formed to finance the expansion of the UT Physicians Bayshore Family Practice Center. UTP has an 18.3% ownership interest in Bluesky.

TMC is a joint venture formed to operate Memorial Hermann Surgery Center Texas Medical Center, LLP, which provides specialty outpatient services in the Texas Medical Center area. UTP has an 18.1% ownership interest in TMC.

PDI is a joint venture formed to own and operate outpatient dialysis facilities and home dialysis programs in the Houston metropolitan area. UTP has a 35.7% ownership interest in PDI. UTP has provided a guarantee on the future lease payments owed under PDI's leases on the outpatient dialysis facilities of approximately $202,000.

NOTE 6 – CAPITAL ASSETS

UTP's investments in capital assets consist of the following as of August 31, 2015:

	BEGINNING BALANCE	ADDITIONS	COMPLETIONS/ DISPOSALS	ENDING BALANCE
Depreciable capital assets:				
Furniture and equipment	$ 10,981,481	$ 1,779,137	$ (86,838)	$ 12,673,780
Leasehold improvements	10,602,639	1,605,544	1,911,733	14,119,916
Computer software	2,425,776			2,425,776
Depreciable capital assets, at cost	24,009,896	3,384,681	1,824,895	29,219,472
Accumulated depreciation:				
Furniture and equipment	(4,000,134)	(1,257,531)	66,053	(5,191,612)
Leasehold improvements	(2,293,093)	(1,360,325)		(3,653,418)
Computer software	(1,599,562)	(344,594)		(1,944,156)
Accumulated depreciation	(7,892,789)	(2,962,450)	66,053	(10,789,186)
Total depreciable capital assets, net	16,117,107	422,231	1,890,948	18,430,286
Nondepreciable capital assets:				
Construction in progress	421,885	1,607,307	(1,922,233)	106,959
Total nondepreciable capital assets	421,885	1,607,307	(1,922,233)	106,959
Capital assets, net	$ 16,538,992	$ 2,029,538	$ (31,285)	$ 18,537,245

UTP's investments in capital assets consist of the following as of August 31, 2014:

	BEGINNING BALANCE	ADDITIONS	COMPLETIONS/ DISPOSALS	ENDING BALANCE
Depreciable capital assets:				
Furniture and equipment	$ 11,498,807	$ 823,733	$ (1,341,059)	$ 10,981,481
Leasehold improvements	7,517,740	3,084,899		10,602,639
Computer software	1,941,825	483,951		2,425,776
Depreciable capital assets, at cost	20,958,372	4,392,583	(1,341,059)	24,009,896
Accumulated depreciation:				
Furniture and equipment	(3,960,750)	(1,143,257)	1,103,873	(4,000,134)
Leasehold improvements	(1,387,402)	(905,691)		(2,293,093)
Computer software	(1,299,686)	(299,876)		(1,599,562)
Accumulated depreciation	(6,647,838)	(2,348,824)	1,103,873	(7,892,789)
Total depreciable capital assets, net	14,310,534	2,043,759	(237,186)	16,117,107
Nondepreciable capital assets:				
Construction in progress	207,321	421,885	(207,321)	421,885
Total nondepreciable capital assets	207,321	421,885	(207,321)	421,885
Capital assets, net	$ 14,517,855	$ 2,465,644	$ (444,507)	$ 16,538,992

NOTE 7 – CAPITAL LEASE LIABILITIES

Capital lease liability activity for the year ended August 31, 2015 is summarized as follows:

	BALANCE 09/01/14	ADDITIONS	REDUCTIONS	BALANCE 08/31/15	AMOUNTS DUE WITHIN ONE YEAR
Capital lease liabilities	$ 1,339,840	$ 0	$ (734,365)	$ 605,475	$ 499,860

Capital lease liability activity for the year ended August 31, 2014 is summarized as follows:

	BALANCE 09/01/13	ADDITIONS	REDUCTIONS	BALANCE 08/31/14	AMOUNTS DUE WITHIN ONE YEAR
Capital lease liabilities	$ 2,360,732	$ 0	$ (1,020,892)	$ 1,339,840	$ 734,364

Interest expense of approximately $55,000 was recognized during 2015 and approximately $96,000 was recognized during 2014.

Capital Leases

UTP has entered into certain lease arrangements with UTHealth to finance the purchase of medical equipment. The related property is capitalized at the present value of the future minimum lease payments and is amortized over the estimated useful life of the equipment. The original capitalized cost and related accumulated depreciation of all such property under capital lease is as follows:

	2015	2014
Medical equipment	$ 2,559,381	$ 3,234,875
Less: Accumulated depreciation	(1,156,147)	(1,104,628)
Total	$ 1,403,234	$ 2,130,247

Capital lease obligations are due in annual installments through 2017. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2015.

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2016	$ 499,860	$ 24,822	$ 524,682
2017	105,615	1,266	106,881
Total minimum lease payments	$ 605,475	$ 26,088	631,563
Less: Interest			(26,088)
Present value of net minimum lease payments			$ 605,475

NOTE 8 – OPERATING LEASE COMMITMENTS

UTP is responsible for providing clinical space for UTHealth physicians. To meet this commitment, UTP has executed lease agreements for outreach clinic sites at various locations throughout Houston, and has an agreement with UTHealth for the use of ambulatory care clinics located in UTHealth's professional building. UTP also leases administrative office space and office equipment.

As of August 31, 2015, future minimum payments under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

2016	$ 18,822,151
2017	16,626,865
2018	14,382,669
2019	9,734,985
2020	7,499,001
2021 through 2024	17,483,466
Total future minimum lease payments	$ 84,549,137

Office lease rental expense was approximately $16.6 million for 2015 and $12.4 million for 2014.

NOTE 9 – RETIREMENT PLAN

UTP participates in a Professional Employer Organization 401(k) Plan (the Plan) with Insperity. The Plan is a defined contribution plan covering all employees of UTP who have six months of service. UTP matches employee contributions to the Plan up to 6% per payroll period. UTP made employer contributions to the Plan of approximately $435,000 in 2015 and $364,000 in 2014.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Insurance – UTP purchases professional and general liability insurance to cover any claims arising in the ordinary course of business. There are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted arising from services provided. Management does not expect such claims to have a material adverse effect on UTP's net position.

Contingencies – During 2015, UTP collected patient revenues on behalf of UTHealth for medical services rendered by UTHealth physicians. Additionally, UTP participates in a contract with a managed care organization to provide services to patients under the NAIP program (see Note 4). The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that, to the best of its knowledge, UTP is in compliance with government laws and regulations, and where variances have been found, corrective action has been implemented. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions; however, any such review or actions are unknown at this time.

Under the Assignment Agreement, UTHealth is responsible for billing and collection personnel, processing of patient billing and collections, ensuring the accuracy of bills and compliance with applicable laws, regulations, and standards regarding billing and collections and the fees associated with the third-party billing and collection services. UTP's management has no reason to believe that billing and collection activities conducted in UTP's name are not in compliance with applicable laws, regulations, and standards and UTP's management is not aware of any significant pending or threatened governmental investigation involving allegations of wrongful billing or collection in the name of UTP.

Under the terms of the NAIP agreement, for the contract period ending August 31, 2015, HHSC may adjust the amount due to HHSC for the non-federal percentage of the capitation fee and the amount paid to the managed care organization and ultimately to UTP when actual enrollment data is reconciled on August 31, 2017. Management has established a reserve of approximately $672,000 or 5% of the revenue received from the managed care organization.

NOTE 11 – RELATED PARTY TRANSACTIONS

Assignment Agreement – In connection with the Assignment Agreement between UTP and UTHealth, UTP transferred approximately $285.5 million in 2015 and $227.2 million in 2014 to UTHealth for patient revenue billed and collected by UTP on behalf of UTHealth. Additionally, UTHealth reimbursed UTP $14.1 million in 2015 and $13.6 million in 2014 for billing and collection services paid for by UTP on UTHealth's behalf. UTP owed UTHealth approximately $27.4 million at August 31, 2014 and $25.0 million at August 31, 2013 for collections on patient service revenue that had not yet been remitted.

Management Agreement – In connection with the Management Agreement, UTP recognized management fees of approximately $101.9 million in 2015 and $81.3 million in 2014. UTHealth owed UTP approximately $18.2 million at August 31, 2015 and $13.8 million at August 31, 2014 for unpaid management fees.

NAIP – In connection with the NAIP contract for the program period ended August 31, 2015, UTP reimbursed UTHealth approximately $12.0 million for the non-federal portion of the NAIP rate component paid by UTHealth on UTP's behalf. At August 31, 2015, UTHealth owed UTP approximately $2.1 million related to overpayment of the non-federal portion of the NAIP rate component. Additionally, UTP owed UTHealth approximately $1.5 million for NAIP program operating costs at August 31, 2014. For programs beginning September 1, 2015, UTP owes UTHealth approximately $5.4 million related to payments made by UTHealth to HHSC on behalf of UTP for the non-federal portion of the NAIP rate component.

Capital Leases – All of UTP's capital lease agreements for the purchase of medical equipment are with UTHealth. The capital lease agreements bear interest at rates ranging from 4.00% to 5.75% with maturity dates through 2017. Principal and interest on capital lease agreements were $789,415 and $1,116,772 in fiscal year 2015 and 2014, respectively.

Additional Services provided by UTHealth are as follows:

	2015	2014
Auxiliary services	$5,310,147	$3,918,849
Office rent	$4,432,882	$4,255,154