St. Jude Children’s Research Hospital

Case Study

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Overview

This Case Study is a financial analysis of St. Jude Children’s Research Hospital based on official financial statements from the 2009-2010 and 2012-2013. This Case Study is intended to show potential investors and charities the financial strength of this organization through the use of several financial tools. Charts were used to depict total program and supporting expenses from 2009 to 2013 as well as various cash flow comparisons. Financial and Operational ratios were used as performance measures to indict how well or poorly St. Jude has performed in 2009 vs 2013. Lastly, a trend analysis was performed on St. Jude’s liabilities.

About St. Jude Children’s Research Hospital

* Founded in 1962
* Primarily a pediatric treatment and research hospital
* St. Jude’s expertise or field of research is children’s catastrophic diseases
* It’s primary location is in Memphis, Tennessee
* Cutting edge cancer treatment since it’s establishment. The survival rate for acute lymphobastic leukemia has dramatically increased from 4% back in 1962 to 94% today.
* Overall cancer survival rate for children has significantly increased with credit to St. Jude.
* St. Jude has treated children from all over the world, in which some of the most difficult cases being treated in their primary location
* Patients are treated regardless of their family’s ability to pay, regardless of the patient’s insurance or lack thereof.
* The hospital incurs almost $2 million dollars of operating costs daily
* “As of 2012, 81 cents of every dollar donated to St. Jude goes directly to its research and treatment” (St. Jude 2012).

Charts

Financial and Operating Ratios as Performance Measures

Liquidity Ratios

*Current Ratio*

2009: $2,265,111,944 / $358,098,531 = about 6 to 1

2013: $2,981,918,322 / $364,162,057 = about 8 to 1

Profitability Ratios

*Operating Margin (%)*

2009: $581,066,746 / $1,168,898,141 (revenues + gains and other support) = 4.9%

2013: $670,845,712 / $1,784,647,534 (revenues + gains and other support) = 3.7%

Trend Analysis

Liability Analysis

|  |  |  |
| --- | --- | --- |
|  | 2009 | 2013 |
| Current Liabilities | $101,089,073 (28%) | $123,544,874 (33%) |
| Long-term debt | $248,388,733 (69%) | $228,557,040 (62%) |
| Total Liabilities | $358,098,531 (100%) | $364,402,707 (100%) |

Conclusion

*Results & Impact*

The Total Program and Supporting Services Expenses line graph shows that expenses steadily grew from about $790,000,000 in 2009, to almost $950,000,000 in 2013. The steady increase in expenses were due to inflation, increases in administration, salaries, and many other factors as shown in the financial statements. The Cash Flow bar graph shows the financial growth of St Jude Hospital. Overall, the cash flows have steadily increased over the years which correlate to the increased expenses as shown on the line graph.

Liquidity ratios such as the current ratio depict St. Jude’s ability to be liquid or how easily the organization is able to convert assets to cash. St Jude’s current ratio was 6 to 1 in 2009, and 8 to 1 in 2013. They have increased in liquidity over time. Profitability is also very much important to investors and charitable organizations because they want to know how profitable St. Jude has been over the years. The operating margin dropped from 4.9% in 2009 to 3.7% to 2013. The decrease shows that St. Jude is staying profitable because their revenues exceed operating costs.

Lastly, St. Jude’s liabilities are shown in a Trend Analysis of liabilities. In 2013, St. Jude’s current liabilities have steadily increased yet long term liabilities decreased. This indicts a favorable statistic as St. Jude has been paying off their long-term debt. Current liabilities can increase due to increased expenses and more patients.

Based on this Case Study, St. Jude Hospital has been moving in a positive direction since 2009. Their long-term liabilities continue to decrease as revenues have been increasing steadily. Investors and Charity organizations should be able to take a look at the financial statements and this Case Study and determine that St. Jude continues to be a profitable and steady organization.