

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District
Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
September 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
University Medical Center Foundation of El Paso
El Paso, Texas

We have audited the accompanying financial statements of University Medical Center Foundation of El Paso (Foundation), a component unit of El Paso County Hospital District and its discretely presented component unit, Fundación UMC de Mexico, IASP (Fundación) as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 the audit 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 auditor's 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 respective financial position of the Foundation and its discretely presented component unit as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information as listed in the table of contents 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 audits 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The introductory information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
December 14, 2020

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Introductory Information
Years Ended September 30, 2020 and 2019

The management of the University Medical Center Foundation of El Paso (Foundation) is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements.

The 2020 and 2019 financial statements have been audited by the independent accounting firm of **BKD, LLP**, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the board of directors. The board of directors provides oversight to the financial reporting process. Integral to this process is the board's review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

The Foundation maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded and that assets are properly safeguarded, and also to provide reasonable assurance to our management and the board of managers regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures that are regularly communicated and that demand highly ethical conduct from all employees.

The Foundation monitors the operation of the internal control system and reports findings and recommendations to management and the board of managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

University Medical Center Foundation of El Paso

/s/Estela Casas
Estela Casas
Executive Director

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of University Medical Center Foundation of El Paso (Foundation) provides an overview of the Foundation's financial activities for the years ended September 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Foundation.

The Foundation is the designated Internal Revenue Code Section 501(c)(3) charitable organization for University Medical Center of El Paso (UMC) and El Paso Children's Hospital Corporation (El Paso Children's). The Foundation is the founder of Fundación UMC de Mexico, IASP (Fundación), the Mexican component unit of the Foundation.

In March 2016, El Paso Children's Hospital Foundation (Children's Foundation) was created, although it had no activity during the 2016 fiscal year. In 2017, all functions related to El Paso Children's previously overseen by the Foundation were moved to the Children's Foundation. The Foundation is the sole member of the Children's Foundation and accordingly the Children's Foundation is included in the financial statements of the Foundation. The Children's Foundation is reported as a blended component unit of the Foundation.

Financial Highlights

- Restricted cash and cash equivalents and investments increased by \$974,216 (21 percent) in 2020.
- The Foundation's net position increased by \$1,827,260 (31 percent) to \$7,785,348 at September 30, 2020.
- Contributions and pledges receivable were \$2,152,809 at September 30, 2020.
- Contributions made to UMC, El Paso Children's, the Fundación and others decreased by \$398,499 (19 percent) in 2020 from 2019.

Using This Annual Report

The Foundation's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Foundation, including resources held by the Foundation but restricted for specific purposes by contributors and grantors. The Foundation is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

The balance sheet and the statement of revenues, expenses and changes in net position report information about the Foundation's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Foundation's net position and changes in it. The Foundation's total net position—the difference between assets and liabilities—is one measure of the Foundation's financial health or financial position.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Foundation's Net Position

A summary of the Foundation's balance sheets are presented in the following table:

Table 1: Assets, Liabilities and Net Position

	2020	2019	2018
Assets			
Contributions and pledges receivable	\$ 2,152,809	\$ 1,883,505	\$ 1,868,812
Other current assets	163,300	189,524	127,132
Restricted cash and cash equivalents and investments	<u>5,595,075</u>	<u>4,620,859</u>	<u>4,271,253</u>
Total assets	<u>\$ 7,911,184</u>	<u>\$ 6,693,888</u>	<u>\$ 6,267,197</u>
Liabilities			
Total liabilities	<u>\$ 125,836</u>	<u>\$ 735,800</u>	<u>\$ 607,782</u>
Net Position			
Restricted – expendable	5,511,522	4,010,889	4,194,816
Restricted – non-expendable	<u>2,273,826</u>	<u>1,947,199</u>	<u>1,464,599</u>
Total net position	<u>7,785,348</u>	<u>5,958,088</u>	<u>5,659,415</u>
Total liabilities and net position	<u>\$ 7,911,184</u>	<u>\$ 6,693,888</u>	<u>\$ 6,267,197</u>

The most significant change in the Foundation's assets in 2020 is the increase in restricted cash and cash equivalents and investments of \$974,216. Additionally, there was a significant increase in contributions and pledges receivable of \$269,304.

The most significant change in the Foundation’s assets in 2019 is the increase in restricted cash and cash equivalents and investments of \$349,606. Contributions and pledges receivable remained relatively consistent from 2018 to 2019.

Operating Results and Changes in the Foundation’s Net Position

The following table presents a summary of the Foundation’s revenues and expenses for each of the years ended September 30, 2020, 2019 and 2018.

Table 2: Operating Results and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenue			
Contribution revenue	\$ 3,166,540	\$ 2,562,180	\$ 3,672,177
Contributed services	<u>1,075,860</u>	<u>1,090,514</u>	<u>964,542</u>
Total operating revenues	<u>4,242,400</u>	<u>3,652,694</u>	<u>4,636,719</u>
Operating Expense			
Purchased services	1,282,709	1,348,142	1,235,634
Contributions	1,733,335	2,131,834	2,506,777
Other operating expenses	<u>213,136</u>	<u>356,645</u>	<u>310,168</u>
Total operating expenses	<u>3,229,180</u>	<u>3,836,621</u>	<u>4,052,579</u>
Operating Income (Loss)	1,013,220	(183,927)	584,140
Nonoperating Revenues	345,178	482,600	432,109
Transfer from UMC	<u>468,862</u>	<u>-</u>	<u>-</u>
Increase in Net Position	<u>\$ 1,827,260</u>	<u>\$ 298,673</u>	<u>\$ 1,016,249</u>

The Foundation reported operating income of \$1,013,220 in 2020. The primary components of the 2020 operating results are:

- An increase in contribution revenue of \$604,360, or 24 percent, due to an increase in pledges from donors.
- A decrease in contributions made to others of \$398,499 or 19 percent, primarily due to decreased amounts given to El Paso Children’s and UMC.
- A decrease in other operating expenses of \$143,509 or 40 percent, primarily due to cancellation of multiple events during the year due to the COVID-19 pandemic.

The Foundation reported an operating loss of \$183,297 in 2019. The primary components of the 2019 operating results are:

- A decrease in contribution revenue of \$1,109,997, or 30 percent, due to a decrease in pledges from donors.
- An increase in contributed services of \$125,972, or 13 percent.
- An increase in purchased services of \$112,508, or 9 percent, primarily due to expenses incurred in connection with fundraising events.
- A decrease in contributions made to others of \$374,943 or 15 percent, primarily due to decreased amounts given to El Paso Children's and UMC.

Nonoperating Revenues and Expenses

Nonoperating revenues consist of contributions for endowments for El Paso Children's. Contributions for endowments, including investment return, were \$345,178, \$482,600 and \$432,109, in 2020, 2019 and 2018, respectively.

During the year ended September 30, 2020, the Foundation received a transfer from UMC of \$468,862 related to the forgiveness of payables to UMC. This resulted in a reduction in payables and increase in net position during the year.

The Foundation's Cash Flows

The Foundation experienced negative cash flow in 2020 and 2019 due to significant purchases of investments and contributions to others.

Outlook and Vision – The Foundation

As the designated fundraising entity for UMC, the Foundation raises funds for UMC through grants, major gifts and events with a strategic focus that aligns with the hospital to help enhance the health and access of quality of care for El Paso and the surrounding region.

In 2020, the Foundation granted \$405,979 to UMC which consisted of medical equipment and program support, including the following:

Equipment

- \$106,500 to the Department of Surgery for a Neuwave Ablation System for Liver Cancer to enhance patient care as a minimally invasive option for soft tissue lesions.
- \$63,850 to the Emergency Department for 6 Prime X Big Wheel specialized stretchers to provide expedited care for patients who require complete x-rays of trauma-related injuries.
- \$33,890 to the Emergency Department for 2 Video Glide Scopes that allow direct visualization of the patient's vocal chords and a clear path to insert the artificial airway needed for ventilation.

General Patient Care

- \$92,624 to Sobreviviendo el Cancer to provide assistance for cancer patients with medications, co-pays, rent, utilities, durable medical equipment, and transportation.
- \$49,370 toward a match for the Nurse Family Partnership Grant. UMC's nurse home visitor program provides support and education for first time, low-income mothers from pregnancy through the first two years of the child's life.
- \$25,099 for the El Paso Health Car Seat Safety Program through the Volunteer Corps Program which provides clinics throughout El Paso to educate families on the proper use and installation of child/infant car seats.

In the upcoming year, the focus of the Foundation will be to continue to help the hospital meet the medical needs of a growing population and raise awareness and funds to enhance our service lines as the only Trauma 1 hospital in the region. The Foundation will help raise money for stroke and cardiology and other strategic needs for our most vulnerable population.

Outlook and Vision – Children's Foundation

As the designated fundraising entity for El Paso Children's, the Children's Foundation raises funds for El Paso Children's and Children's Miracle Network (CMN) through grants, major gifts, events and annual campaigns with a strategic focus that aligns with the hospital to bring the most specialized and quality care of services to the pediatric population throughout the region.

In 2020, the Children's Foundation granted \$1,019,451 to El Paso Children's which consisted of medical equipment, building expansions and program support, including the following:

Equipment

- \$89,900 to the Neuro Oncology Department for a Lightforce LF-40 Gold Laser specially designed for pediatric neurology to ablate brain cancer tumors.
- \$83,839 to Endoscopy for Bronchoscopes needed due to an increase in fiberoptic bronchoscopy procedures on patients from birth to 18 years old, which require a wide variety of bronchoscope sizes to correspond to the patient size.
- \$65,688 to the Operating Room for a Ventriculoscopy System needed to perform Endoscopic Craniosynostosis and Endoscopic Shunt Placement procedures which are less invasive, have better outcomes, shorten length of stay and allow the surgeons to perform the procedures more efficiently.

General Patient Care

- \$155,857 for the GetWell TV system found in each patient room with features such as age appropriate games, entertainment, and patient education.
- \$84,068 for the Child Life Program, which funds Child Life Specialists and is the city's only in-hospital therapeutic arts program.

In the upcoming year, the focus of the Children's Foundation will be to continue raising awareness of the needs of El Paso Children's and raising funds to continue growing current service lines that help keep young patients and their families from leaving El Paso for treatment. The Foundation will work in concert to enhance the strategic and future needs of El Paso Children's swiftly and with a caring heart for our young patients.

Contacting the Foundation's Financial Management

This financial report is designed to provide our stakeholders with a general overview of the Foundation's finances and to show the Foundation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University Medical Center Foundation of El Paso, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Balance Sheets
September 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Contributions receivable	\$ 684,133	\$ 343,344
Other assets	118,949	189,524
Pledges receivable	382,453	368,439
Due from affiliates	44,351	-
	1,229,886	901,307
Noncurrent Assets		
Cash and cash equivalents restricted by donor	3,321,249	2,673,660
Cash and cash equivalents restricted by donor for endowment	29,520	854,035
	3,350,769	3,527,695
Investments restricted by donor	2,244,306	1,093,164
Pledges receivable, net of discount and allowance	1,086,223	1,171,722
	6,681,298	5,792,581
Total assets	\$ 7,911,184	\$ 6,693,888

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 15,827	\$ 63,175
Unearned revenue	91,150	168,495
Due to affiliates	18,859	504,130
	125,836	735,800
Net Position		
Restricted – expendable	5,511,522	4,010,889
Restricted – non-expendable	2,273,826	1,947,199
	7,785,348	5,958,088
Total liabilities and net position	\$ 7,911,184	\$ 6,693,888

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Contribution revenue, net of provision (credit) for uncollectible accounts, 2020 – \$53,962 and 2019 – (\$33,242)	\$ 3,166,540	\$ 2,562,180
Contributed services	1,075,860	1,090,514
Total operating revenues	4,242,400	3,652,694
Operating Expenses		
Purchased services	1,282,709	1,348,142
Contributions to others	1,733,335	2,131,834
Other	213,136	356,645
Total operating expenses	3,229,180	3,836,621
Operating Income (Loss)	1,013,220	(183,927)
Nonoperating Revenues	213,603	42,211
Contributions for Endowments	131,575	440,389
Transfer from UMC	468,862	-
Increase in Net Position	1,827,260	298,673
Net Position, Beginning of Year	5,958,088	5,659,415
Net Position, End of Year	\$ 7,785,348	\$ 5,958,088

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Statements of Cash Flows
September 30, 2020 and 2019

	2020	2019
Operating Activities		
Contribution revenue	\$ 2,819,891	\$ 2,715,982
Payments for purchased services and other expenses	(2,190,853)	(2,848,976)
Net cash provided by (used) in operating activities	629,038	(132,994)
Noncapital Financing Activities		
Contributions for endowments	131,575	440,389
Net cash provided by noncapital financing activities	131,575	440,389
Investing Activities		
Purchase of investments	(1,107,544)	(1,206,783)
Proceeds from disposition of investments	120,811	113,619
Investment income received	49,194	42,211
Net cash used in investing activities	(937,539)	(1,050,953)
Decrease in Cash and Cash Equivalents	(176,926)	(743,558)
Cash and Cash Equivalents, Beginning of Year	3,527,695	4,271,253
Cash and Cash Equivalents, End of Year	\$ 3,350,769	\$ 3,527,695
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents restricted by donor	\$ 3,321,249	\$ 2,673,660
Cash and cash equivalents restricted by donor for endowment	29,520	854,035
Total cash	\$ 3,350,769	\$ 3,527,695
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 1,013,220	\$ (183,927)
Change in operating assets and liabilities		
Pledges and contributions receivable	(269,304)	(14,693)
Due to UMC	(60,760)	30,563
Other assets	70,575	(62,392)
Unearned revenue	(77,345)	168,495
Accounts payable	(47,348)	(71,040)
Net cash provided by (used) in operating activities	\$ 629,038	\$ (132,994)
Noncash Noncapital Financing Activities		
Transfer from UMC	\$ 468,862	\$ -

Fundación UMC de Mexico, IASP
A Component Unit of University Medical Center Foundation of El Paso
Balance Sheets
September 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash	\$ 19,322	\$ 21,737
Other receivables	200	300
Total current assets	19,522	22,037
 Equipment, Net of Accumulated Depreciation, 2020 – \$25,009 and 2019 – \$18,757	-	6,252
Total assets	\$ 19,522	\$ 28,289

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 2,432	\$ -
 Net Position		
Net investment in capital assets	-	6,252
Restricted – expendable	17,090	22,037
Total net position	17,090	28,289
Total liabilities and net position	\$ 19,522	\$ 28,289

Fundación UMC de Mexico, IASP
A Component Unit of University Medical Center Foundation of El Paso
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Contribution Revenue	\$ 9,764	\$ 36,777
Operating Expenses		
Purchased services	13,200	25,438
Other	7,763	66,317
Total operating expenses	<u>20,963</u>	<u>91,755</u>
Operating Loss and Decrease in Net Position	(11,199)	(54,978)
Net Position, Beginning of Year	<u>28,289</u>	<u>83,267</u>
Net Position, End of Year	<u>\$ 17,090</u>	<u>\$ 28,289</u>

Fundación UMC de Mexico, IASP
A Component Unit of University Medical Center Foundation of El Paso
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Contribution revenue	\$ 9,864	\$ 39,977
Payments for purchased services and other expenses	(12,279)	(89,898)
Net cash used in operating activities	(2,415)	(49,921)
Decrease in Cash	(2,415)	(49,921)
Cash, Beginning of Year	21,737	71,658
Cash, End of Year	\$ 19,322	\$ 21,737
 Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (11,199)	\$ (54,978)
Depreciation expense	6,252	5,002
Changes in operating assets and liabilities		
Other assets	100	3,200
Accounts payable	2,432	(3,145)
Net cash used in operating activities	\$ (2,415)	\$ (49,921)

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The University Medical Center Foundation of El Paso (Foundation, or UMCF), a Texas not-for-profit corporation, is a component unit of El Paso County Hospital District d/b/a University Medical Center of El Paso (UMC). The Foundation is the designated Internal Revenue Code Section 501(c)(3) charitable organization for UMC and El Paso Children's Hospital (El Paso Children's). The Foundation is a member of the Children's Miracle Network and fiscal agent for EN VOZ ALTA. UMC is the sole member of the Foundation and accordingly the Foundation is included in the financial statements of UMC. The Foundation is the founder of Fundación UMC de Mexico, IASP (Fundación), the Mexican component unit of the Foundation.

The Foundation's purpose is to provide support for UMC and El Paso Children's in fulfilling their vital missions of providing patient care, education of health care professionals, research, and community service in El Paso County.

In March 2016, El Paso Children's Hospital Foundation (the Children's Foundation or EPCHF) was created, although it had no activity during the 2016 fiscal year. In 2017, all functions related to El Paso Children's previously overseen by the Foundation were moved to the Children's Foundation. The Foundation is the sole member of the Children's Foundation and accordingly the Children's Foundation is included in the financial statements of the Foundation. The Children's Foundation is reported as a blended component unit of the Foundation. Separately issued financial reports are available for the Children's Foundation and may be obtained by contacting El Paso County Hospital District, Fiscal Services Office, at 4815 Alameda Avenue, El Paso, Texas 79905.

Discretely Presented Component Unit

The Foundation's financial statements include the Fundación as a discretely presented component unit of the Foundation.

The Fundación is a separate legal entity which was established in 2010 to offer economic support to children of Mexican nationality who are seriously ill and require medical attention and services at El Paso Children's. The Foundation does not have any access to funding raised by the Fundación but is responsible for all the Fundación's board appointments. Separately issued financial statements are available by contacting the Fundación at:

Fundación UMC de Mexico, IASP
Dar Sin Fronteras
20 de Noviembre #4305 IntA12
Col. El Colegio
Cd. Juárez, Chih. c.p. 32310
Teléfono: +52(656)253-1335
Fax: 001(915)521-7201

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2020 and 2019

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. The Foundation first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other Assets

Other assets consists of inventory and prepaid expenses.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The estimated useful lives of equipment is five years.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts and cash held in brokerage accounts.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments, including money market funds, are carried at fair value. Fair value is determined using quoted market prices.

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2020 and 2019

Investment income, which is included as nonoperating revenue, includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Net Position

Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by grantors or donors external to the Foundation. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Foundation, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of restricted net position.

Contributions and Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net position. Gifts received with a donor stipulation that limits their use are reported as restricted net position. When a donor stipulated time restriction ends or purpose restriction is accomplished, restricted net position is reclassified to unrestricted net position.

Contributions receivable are contributions from companies that are expected to be received in the near term. Pledges receivable are gifts from individuals and organizations and are classified based on when they are expected to be received.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are classified as pledges receivable and are initially reported at fair value which is determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using a risk-free rate related to the year the promise is made. Amortization of the discount is included in contribution revenue. The Foundation estimated an allowance for doubtful pledges receivable based on historical collection rates.

At September 30, 2020, 83 percent of the gross pledge receivable balance is owed from three donors. At September 30, 2019, 96 percent of the gross pledge receivable balance is owed from two donors.

At September 30, 2020 and 2019, the Foundation had related party pledge receivables from members of management of \$70,677 and \$94,983, respectively.

Unearned Revenue

At September 30, 2020 and 2019, the Foundation had unearned revenue of \$91,150 and \$168,495, respectively, resulting from entry and sponsorship fees received for an event that took place after the respective year ends.

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

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Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services primarily consists of management, accounting and fundraising activities performed by UMC.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state and Mexican law. However, the Foundation is subject to U.S. federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. At September 30, 2020, the Foundation had bank balances of \$3,335,745 of which \$519,495 was insured and the remainder was uninsured and uncollateralized. At September 30, 2019, the Foundation had bank balances of \$3,527,693 of which \$750,000 was insured and the remainder was uninsured and uncollateralized.

Investments

	<u>2020</u>	<u>2019</u>
U.S. Equities	\$ 1,319,575	\$ 426,577
Exchange-traded funds and closed-end funds	902,128	137,192
Mutual funds	<u>22,603</u>	<u>529,395</u>
Total investments	<u>\$ 2,244,306</u>	<u>\$ 1,093,164</u>

Interest Rate Risk – As a means of limiting exposure to fair value losses due to rising interest rates, the Foundation staggers its maturity dates of specific investments. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the obligation's fair value decrease. Likewise, when interest rates decrease, the obligation's fair value increase.

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Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Foundation’s policy to be in compliance with Texas and federal law, including the *Texas Uniform Prudent Management of Institutional Funds Act*. In addition, the Foundation does not invest in commercial paper, bankers’ acceptances and municipal debt due to higher perceived credit risk. In the event they are authorized by policy in the future they will be restricted to a five percent issuer limitation.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Foundation’s investments are held in safekeeping accounts.

Concentration of Credit Risk – With the exception of collateralized bank deposits, U.S. Treasury securities and fully collateralized flexible repurchase agreements related to specific bond issues, investment in any single issuer or financial institution shall be limited to 30 percent of the total portfolio.

Note 3: Related Party Transactions

UMC performs certain administrative functions including services related to management, accounting and fundraising for the benefit of the Foundation. Total services donated to the Foundation by UMC during 2020 and 2019 were \$841,467 and \$814,139, respectively.

In addition, UMC pays for all the operating expenses of the Foundation and is subsequently repaid as the Foundation receives contributions. The Foundation had payables of \$18,859 and \$504,130 to UMC for these expenses at September 30, 2020 and 2019. During 2020, UMC forgave a portion of the outstanding payable totaling \$468,862. This resulted in a reduction in payables and increase in net position during the year.

At September 30, 2020, the Foundation had receivables of \$44,351 from UMC related to grant funding received by UMC that was transferred to the Foundation in October 2020. The Foundation did not have any receivables from UMC at September 30, 2019.

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Note 4: Pledges Receivable

Pledge receivables for El Paso Children's consisted of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 260,145	\$ 244,034
Due in one to five years	<u>874,698</u>	<u>907,675</u>
	1,134,843	1,151,709
Less		
Allowance for uncollectible pledges	23,007	23,504
Unamortized discount	<u>12,334</u>	<u>62,967</u>
	<u>\$ 1,099,502</u>	<u>\$ 1,065,238</u>

Pledge receivables for UMC consisted of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 122,308	\$ 124,405
Due in one to five years	<u>248,369</u>	<u>370,578</u>
	370,677	494,983
Less		
Allowance for uncollectible pledges	414	866
Unamortized discount	<u>1,089</u>	<u>19,194</u>
	<u>\$ 369,174</u>	<u>\$ 474,923</u>

Discount rates ranged from 0.12 percent to 0.62 percent in 2020 and 1.56 percent to 1.78 percent in 2019.

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Note 5: Restricted Expendable Net Position

At September 30 restricted expendable net position is available for the following purposes:

	2020	2019
Restricted for UMC		
Adult cancer care fund	\$ 167,784	\$ 121,088
Surgical instrument fund	400,861	406,562
Employee fund	13,453	3,925
General purpose fund	9,130	142,999
Poison Center fund	146,634	176,294
Other restricted purposes	456,854	200,991
	1,194,716	1,051,859
Restricted for EPCH		
Pediatric cardiovascular surgery fund	24,545	39,624
General purpose fund	2,894,879	1,944,476
Child life fund	89,508	190,972
Children Miracle Network fund	909,419	732,982
Pediatric cancer fund	28,219	26,767
Crime Victims Clinic	356,532	-
	4,303,102	2,934,821
Restricted for other		
En Voz Alta fund	13,704	24,209
Total restricted expendable net position	\$ 5,511,522	\$ 4,010,889

Note 6: Endowments

The Foundation received a commitment from the James A. “Buddy” Davidson Charitable Foundation to establish an endowment with income from the endowment to be used for the benefit of the pediatrics program at El Paso Children’s. The \$500,000 endowment commitment was made in five annual installments beginning in 2011. The entire \$500,000 commitment was paid as of September 30, 2015, and no new commitments have been received from this donor.

The Foundation received a commitment from the Hunt Family Foundation to establish an endowment for the benefit of El Paso Children’s. The Hunt Family Foundation will contribute one dollar for every two dollars of qualifying gifts received up to \$1,000,000 and will be contributed over a seven-year period beginning in 2012. As of September 30, 2019, the Foundation has received the entire \$1,000,000 commitment.

The Foundation received a commitment from Pat and Laura Gordon to establish an endowment for the benefit of El Paso Children’s. Pat and Laura Gordon will contribute \$1,000,000 over a nine-

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year period beginning in August 2018. As of September 30, 2020 and 2019, the Foundation has received \$250,407 and \$200,407, respectively, from the donors relating to this commitment.

The Foundation received a commitment from Quickstudy Learning Centers, Inc., d/b/a Southwest University (Southwest University) at El Paso to establish an endowment for the benefit of El Paso Children's. Southwest University will contribute \$300,000 over a ten-year period beginning in 2018. As of September 30, 2020 and 2019, the Foundation has received \$120,000 and \$70,000, respectively, from Southwest University relating to this commitment.

The Foundation received a commitment from Lauren and William Harvey to establish an endowment for the benefit of El Paso Children's with a onetime contribution of \$100,000, which was received in 2018.

The Foundation received a commitment from Cliff and Martha Eisenberg to establish an endowment for the benefit of El Paso Children's. Cliff and Martha Eisenberg will contribute \$50,000 over a three-year period beginning May 2020. As of September 30, 2020, the Foundation has received \$17,000 from the respective donors relating to this commitment.

Endowment contributions are recognized when the contributed asset is received.

Note 7: Disclosure About Fair Value of Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020 and 2019.

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
U.S. Equities	\$ 1,319,575	\$ 1,319,575	\$ -	\$ -
Exchange-traded funds and closed-end funds	902,128	902,128	-	-
Mutual funds	22,603	22,603	-	-
Total investments	<u>\$ 2,244,306</u>	<u>\$ 2,244,306</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2019				
U.S. Equities	\$ 426,577	\$ 426,577	\$ -	\$ -
Exchange-traded funds and closed-end funds	137,192	137,192	-	-
Mutual funds	529,395	529,395	-	-
Total investments	<u>\$ 1,093,164</u>	<u>\$ 1,093,164</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

In March 2020, the global COVID-19 pandemic began to cause significant volatility in the investment markets. However, following the initial impact of the pandemic, investment markets returned to levels consistent with levels prior to the pandemic.

Note 8: Fundación UMC de Mexico, IASP

Capital Assets

Capital asset activity included \$6,252 and \$5,002 in equipment depreciation expense during the years ended September 30, 2020 and 2019, respectively. At September 30, 2020, the ending balance in both equipment and accumulated depreciation was \$25,009. At September 30, 2019, the ending balance in equipment and accumulated depreciation was \$18,757.

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Note 9: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Foundation and its blended component unit, Children's Foundation, as of September 30, 2020 and 2019:

	September 30, 2020			
	UMCF	EPCHF	Eliminations	Total
Assets				
Contributions receivable	\$ 114,892	\$ 569,241	\$ -	\$ 684,133
Other assets	13,786	105,163	-	118,949
Pledges receivable, current	122,308	260,145	-	382,453
Due from affiliate	44,351	5,000	(5,000)	44,351
Cash restricted by donors	659,622	2,691,147	-	3,350,769
Investments restricted by donors	-	2,244,306	-	2,244,306
Pledges receivable, noncurrent	246,866	839,357	-	1,086,223
	<u>\$ 1,201,825</u>	<u>\$ 6,714,359</u>	<u>\$ (5,000)</u>	<u>\$ 7,911,184</u>
Liabilities and Net Position				
Accounts payable	\$ 2,109	\$ 13,718	\$ -	\$ 15,827
Unearned revenue	-	91,150	-	91,150
Due to affiliate	5,000	18,859	(5,000)	18,859
	<u>7,109</u>	<u>123,727</u>	<u>(5,000)</u>	<u>125,836</u>
Net Position				
Restricted – expendable	1,194,716	4,316,806	-	5,511,522
Restricted – non-expendable	-	2,273,826	-	2,273,826
	<u>1,194,716</u>	<u>6,590,632</u>	<u>-</u>	<u>7,785,348</u>
	<u>\$ 1,201,825</u>	<u>\$ 6,714,359</u>	<u>\$ (5,000)</u>	<u>\$ 7,911,184</u>

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	September 30, 2019			
	UMCF	EPCHF	Eliminations	Total
Assets				
Contributions receivable	\$ 1,000	\$ 342,344	\$ -	\$ 343,344
Other assets	11,547	177,977	-	189,524
Due from affiliate	-	22,572	(22,572)	-
Pledges receivable, current	124,405	244,034	-	368,439
Cash restricted by donors	614,497	2,913,198	-	3,527,695
Investments restricted by donors	-	1,093,164	-	1,093,164
Pledges receivable, noncurrent	350,518	821,204	-	1,171,722
	\$ 1,101,967	\$ 5,614,493	\$ (22,572)	\$ 6,693,888
Liabilities and Net Position				
Accounts payable	\$ 19,005	\$ 44,170	\$ -	\$ 63,175
Unearned revenue	-	168,495	-	168,495
Due to affiliate	31,104	495,598	(22,572)	504,130
Total liabilities	50,109	708,263	(22,572)	735,800
Net Position				
Restricted – expendable	1,051,858	2,959,031	-	4,010,889
Restricted – non-expendable	-	1,947,199	-	1,947,199
	1,051,858	4,906,230	-	5,958,088
Total liabilities and net position	\$ 1,101,967	\$ 5,614,493	\$ (22,572)	\$ 6,693,888

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Foundation, and its blended component unit, the Children’s Foundation, for the years ended September 30, 2020 and 2019:

	September 30, 2020		
	UMCF	EPCHF	Total
Operating revenues	\$ 1,087,438	\$ 3,154,962	\$ 4,242,400
Operating expenses	(952,438)	(2,276,742)	(3,229,180)
Operating income	135,000	878,220	1,013,220
Investment return	-	213,603	213,603
Contributions for endowments	-	131,575	131,575
Transfer from UMC	7,858	461,004	468,862
Change in net position	142,858	1,684,402	1,827,260
Net position, beginning of year	1,051,858	4,906,230	5,958,088
Net position, end of year	\$ 1,194,716	\$ 6,590,632	\$ 7,785,348

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	September 30, 2019		
	UMCF	EPCHF	Total
Operating revenues	\$ 1,025,160	\$ 2,627,534	\$ 3,652,694
Operating expenses	(1,142,402)	(2,694,219)	(3,836,621)
Operating loss	(117,242)	(66,685)	(183,927)
Investment return	-	42,211	42,211
Contributions for endowments	-	440,389	440,389
Change in net position	(117,242)	415,915	298,673
Net position, beginning of year	1,169,100	4,490,315	5,659,415
Net position, end of year	\$ 1,051,858	\$ 4,906,230	\$ 5,958,088

The following tables include condensed combining statements of cash flow information for the Foundation and its blended component unit, the Children's Foundation, for the years ended September 30, 2020 and 2019:

	September 30, 2020		
	UMCF	EPCHF	Total
Net cash provided by (used in):			
Operating activities	\$ 40,125	\$ 588,913	\$ 629,038
Noncapital financing activities	-	131,575	131,575
Investing activities	-	(937,539)	(937,539)
Increase (decrease) in cash and cash equivalents	40,125	(217,051)	(176,926)
Cash and cash equivalents, beginning of year	614,497	2,913,198	3,527,695
Cash and cash equivalents, end of year	\$ 654,622	\$ 2,696,147	\$ 3,350,769

	September 30, 2019		
	UMCF	EPCHF	Total
Net cash provided by (used in):			
Operating activities	\$ (106,159)	\$ (26,835)	\$ (132,994)
Noncapital financing activities	-	440,389	440,389
Investing activities	(416)	(1,050,537)	(1,050,953)
Decrease in cash and cash equivalents	(106,575)	(636,983)	(743,558)
Cash and cash equivalents, beginning of year	721,072	3,550,181	4,271,253
Cash and cash equivalents, end of year	\$ 614,497	\$ 2,913,198	\$ 3,527,695