

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, 2021 and 2020

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
September 30, 2021 and 2020

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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 as of and for the years ended September 30, 2021 and 2020, 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, 2021 and 2020, 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 is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us 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 13, 2021

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Introductory Information
Years Ended September 30, 2021 and 2020

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 required supplementary information included in the report and is responsible for its accuracy and consistency with the financial statements.

The 2021 and 2020 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/Leslie Lujan
Leslie Lujan
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, 2021 and 2020

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, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the Foundation.

Financial Highlights

- Restricted cash and cash equivalents and investments increased by \$1,380,792 (25%) in 2021.
- The Foundation's net position increased by \$553,168 (7%) to \$8,338,516 at September 30, 2021.
- Contributions and pledges receivable were \$1,385,618 at September 30, 2021.
- Contribution revenue decreased by \$1,195,869 (38%) in 2021 from 2020.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Contributions and pledges receivable	\$ 1,385,618	\$ 2,152,809	\$ 1,883,505
Other current assets	122,494	163,300	189,524
Restricted cash and cash equivalents and investments	<u>6,975,867</u>	<u>5,595,075</u>	<u>4,620,859</u>
Total assets	<u>\$ 8,483,979</u>	<u>\$ 7,911,184</u>	<u>\$ 6,693,888</u>
Liabilities			
Total liabilities	<u>\$ 145,463</u>	<u>\$ 125,836</u>	<u>\$ 735,800</u>
Net Position			
Restricted – expendable	5,454,877	5,511,522	4,010,889
Restricted – non-expendable	<u>2,883,639</u>	<u>2,273,826</u>	<u>1,947,199</u>
Total net position	<u>8,338,516</u>	<u>7,785,348</u>	<u>5,958,088</u>
Total liabilities and net position	<u>\$ 8,483,979</u>	<u>\$ 7,911,184</u>	<u>\$ 6,693,888</u>

The most significant change in the Foundation's assets in 2021 is the increase in restricted cash and cash equivalents and investments of \$1,380,792. Additionally, there was a significant decrease in contributions and pledges receivable of \$767,191.

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.

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, 2021, 2020 and 2019.

Table 2: Operating Results and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenue			
Contribution revenue	\$ 1,970,671	\$ 3,166,540	\$ 2,562,180
Contributed services	759,965	1,075,860	1,090,514
Total operating revenues	<u>2,730,636</u>	<u>4,242,400</u>	<u>3,652,694</u>
Operating Expense			
Purchased services	852,925	1,282,709	1,348,142
Contributions	1,731,701	1,733,335	2,131,834
Other operating expenses	231,953	213,136	356,645
Total operating expenses	<u>2,816,579</u>	<u>3,229,180</u>	<u>3,836,621</u>
Operating Income (Loss)	(85,943)	1,013,220	(183,927)
Nonoperating Revenues	639,111	345,178	482,600
Transfer from UMC	-	468,862	-
Increase in Net Position	<u>\$ 553,168</u>	<u>\$ 1,827,260</u>	<u>\$ 298,673</u>

The Foundation reported an operating loss of \$85,943 in 2021. The primary components of the 2021 operating results are:

- A decrease in contribution revenue of \$1,195,869, or 38%, due to a decrease in pledges from donors.
- A decrease in purchased services of \$429,784 or 34%, primarily due to the cancellation of multiple events during the year due to the COVID-19 pandemic.

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

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

Nonoperating Revenues and Expenses

Nonoperating revenues consist of contributions for endowments for El Paso Children's and investment income. Contributions for endowments, including investment return, were \$639,111, \$345,178, and \$482,600, in 2021, 2020, and 2019, respectively.

Transfer from UMC

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 positive cash flow in 2021 due to significant reductions in purchases of investments and contributions and negative cash flow in 2020 due to purchases of investments and contributions to others.

Contributions to El Paso Children's and UMC

In 2021, the Foundation granted \$429,348 to UMC, either directly or by providing assistance to its patients, which consisted of medical equipment and program support, including but not limited to:

Equipment

- \$45,821 to the Emergency Department for five Prime X Big Wheel specialized stretchers to reduce physical strain on clinicians, enhance patient comfort and drive hospital efficiency.
- \$43,560 to the Emergency Department for fifteen GE Healthcare Carescape Respiratory Modules designed for use with patient monitors and ventilators to measure respiratory gases, anesthesia, and breathing characteristics in patients.
- \$30,000 to purchase twenty Portable Oxygen Concentrators for COVID patients requiring low-flow oxygen at discharge.

General Patient Care

- \$67,600 to Sobreviviendo el Cancer to provide assistance for cancer patients with medications, co-pays, rent, utilities, durable medical equipment, and transportation.
- \$43,349 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.
- \$22,440 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 2021, the Foundation granted \$1,302,353 to El Paso Children's, either directly or by providing assistance to its patients, which consisted of medical equipment and program support, including but not limited to:

Equipment

- \$171,044 to the Radiology Department for a LOGIQ E10 Ultrasound in order to provide Shear Wave Elastography for liver fibrosis imaging, reducing the patient's need for a biopsy.
- \$119,997 to NICU to purchase fifty NicView Cameras to allow parents to view their baby during their stay in the NICU, thus reducing the stress and anxiety parents feel when separated from their baby.
- \$91,900 to the Hematology Department for a Hematology Analyzer to streamline the quality assurance hematology program and offer better correlations between primary and secondary instruments, especially in the differentiation of cell types.

General Patient Care

- \$168,891 for the GetWell TV system found in each patient room with features such as age-appropriate games, entertainment, and patient education.
- \$110,433 for the Child Life Program which funds Child Life Specialists and is the city's only in-hospital therapeutic arts program.

Fiscal Year 2022 Outlook and Vision

In the upcoming year, the focus of the Foundation will be to continue the efforts of meeting UMC's needs to enhance service lines. Additionally, as a renowned teaching and research hospital, the Foundation will continue efforts to support UMC's needs by securing some of the most advanced medical equipment and expertise in the region. As the region's only level 1 trauma center, UMC is a community lifeline and supporting the work of UMC is the Foundation's priority.

Additionally, the focus of the Foundation will be to continue to bring awareness to the community about the highest level of pediatric care in west Texas and southern New Mexico, El Paso Children's. The Children's Foundation will continue to support the efforts of El Paso Children's by working together to identify the needs of El Paso Children's doctors, nurses, and service lines to keep young patients and their families from leaving El Paso for treatment. The Children's Foundation aims to enhance the level of care, environment, and equipment to see that the children of our region have access to the very best.

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, 2021 and 2020

Assets

	2021	2020
Current Assets		
Contributions receivable	\$ 242,931	\$ 684,133
Other assets	116,737	118,949
Pledges receivable	416,927	382,453
Due from affiliates	5,757	44,351
Total current assets	782,352	1,229,886
Noncurrent Assets		
Cash and cash equivalents restricted by donor	4,092,228	3,321,249
Cash and cash equivalents restricted by donor for endowment	212,242	29,520
Total noncurrent cash and cash equivalents	4,304,470	3,350,769
Investments restricted by donor	2,671,397	2,244,306
Pledges receivable, net of discount and allowance	725,760	1,086,223
Total noncurrent assets	7,701,627	6,681,298
Total assets	\$ 8,483,979	\$ 7,911,184

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 2,504	\$ 15,827
Unearned revenue	142,331	91,150
Due to affiliates	628	18,859
Total current liabilities	145,463	125,836
Net Position		
Restricted – expendable	5,454,877	5,511,522
Restricted – non-expendable	2,883,639	2,273,826
Total net position	8,338,516	7,785,348
Total liabilities and net position	\$ 8,483,979	\$ 7,911,184

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, 2021 and 2020

	2021	2020
Operating Revenues		
Contribution revenue, net of provision for uncollectible accounts, 2021 – \$7,053 and 2020 – \$53,962	\$ 1,970,671	\$ 3,166,540
Contributed services	759,965	1,075,860
Total operating revenues	2,730,636	4,242,400
Operating Expenses		
Purchased services	852,925	1,282,709
Contributions to others	1,731,701	1,733,335
Other	231,953	213,136
Total operating expenses	2,816,579	3,229,180
Operating Income (Loss)	(85,943)	1,013,220
Nonoperating Revenues		
Investment income	373,216	213,603
Contributions for Endowments	265,895	131,575
Total nonoperating revenues	639,111	345,178
Transfer from UMC	-	468,862
Increase in Net Position	553,168	1,827,260
Net Position, Beginning of Year	7,785,348	5,958,088
Net Position, End of Year	\$ 8,338,516	\$ 7,785,348

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2021 and 2020

	2021	2020
Operating Activities		
Contribution revenue	\$ 2,789,043	\$ 2,819,891
Payments for purchased services, contributions to others and other expenses	(2,047,362)	(2,190,853)
Net cash provided by operating activities	741,681	629,038
Noncapital Financing Activities		
Contributions for endowments	265,895	131,575
Net cash provided by noncapital financing activities	265,895	131,575
Investing Activities		
Purchase of investments	(303,607)	(1,107,544)
Proceeds from disposition of investments	197,525	120,811
Investment income received	52,207	49,194
Net cash used in investing activities	(53,875)	(937,539)
Increase (Decrease) in Cash and Cash Equivalents	953,701	(176,926)
Cash and Cash Equivalents, Beginning of Year	3,350,769	3,527,695
Cash and Cash Equivalents, End of Year	\$ 4,304,470	\$ 3,350,769
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents restricted by donor	\$ 4,092,228	\$ 3,321,249
Cash and cash equivalents restricted by donor for endowment	212,242	29,520
Total cash	\$ 4,304,470	\$ 3,350,769
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (85,943)	\$ 1,013,220
Change in operating assets and liabilities		
Pledges and contributions receivable	767,191	(269,304)
Due to UMC	20,363	(60,760)
Other assets	2,212	70,575
Unearned revenue	51,181	(77,345)
Accounts payable	(13,323)	(47,348)
Net cash provided by operating activities	\$ 741,681	\$ 629,038
Noncash Noncapital Financing Activities		
Transfer from UMC	\$ -	\$ 468,862

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2021 and 2020

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), 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. 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) 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.

Fundación UMC de Mexico

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.

The Fundación's financial activities for 2021 and 2020 are not material. Accordingly, the financial information for this discretely presented component unit has not been included in the accompanying financial statements.

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, 2021 and 2020

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.

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, 2021 and 2020, cash equivalents consisted primarily of money market accounts and cash held in brokerage accounts.

Investments and Investment Income

Investments are carried at fair value, which is determined using quoted market prices.

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.

University Medical Center Foundation of El Paso
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Notes to Financial Statements
September 30, 2021 and 2020

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 that are expected to be received in the near term. Pledges receivable are gifts 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, 2021, 75 percent of the gross pledge receivable balance is owed from three donors. At September 30, 2020, 83 percent of the gross pledge receivable balance is owed from three donors.

At September 30, 2021 and 2020, the Foundation had related party pledge receivables from members of management of \$11,688 and \$70,677, respectively.

Unearned Revenue

At September 30, 2021 and 2020, the Foundation had unearned revenue of \$142,331 and \$91,150, respectively, resulting from entry and sponsorship fees received for events scheduled to take place after the respective fiscal year ends.

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.

University Medical Center Foundation of El Paso
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Notes to Financial Statements
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The Foundation files tax returns in the U.S. federal jurisdiction.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net position.

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, 2021, the Foundation had bank balances of \$4,261,106 of which \$673,879 was insured and the remainder was uninsured and uncollateralized. 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.

Investments

	<u>2021</u>	<u>2020</u>
U.S. equities	\$ 1,073,485	\$ 891,630
Exchange-traded funds and closed-end funds	348,139	279,008
Mutual funds	<u>1,249,773</u>	<u>1,073,668</u>
Total investments	<u>\$ 2,671,397</u>	<u>\$ 2,244,306</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.

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.

University Medical Center Foundation of El Paso
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Notes to Financial Statements
September 30, 2021 and 2020

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 2021 and 2020 were \$635,131 and \$841,467, respectively, and are included in contributed services revenue and purchased services on the statements of revenues, expenses and changes in net position.

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 \$628 and \$18,859 to UMC for these expenses at September 30, 2021 and 2020, respectively. 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, 2021 and 2020, the Foundation had receivables of \$5,757 and \$44,351, respectively, from UMC.

University Medical Center Foundation of El Paso
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Notes to Financial Statements
September 30, 2021 and 2020

Note 4: Pledges Receivable

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

	2021	2020
Due within one year	\$ 314,619	\$ 260,145
Due in one to five years	774,800	874,698
	1,089,419	1,134,843
Less		
Allowance for uncollectible pledges	28,408	23,007
Unamortized discount	26,164	12,334
	\$ 1,034,847	\$ 1,099,502

Pledge receivables for UMC consisted of the following:

	2021	2020
Due within one year	\$ 102,308	\$ 122,308
Due in one to five years	6,061	248,369
	108,369	370,677
Less		
Allowance for uncollectible pledges	345	414
Unamortized discount	184	1,089
	\$ 107,840	\$ 369,174

Discount rates ranged from 0.09 percent to 1.39 percent in 2021 and 0.12 percent to 0.62 percent in 2020.

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Note 5: Restricted Expendable Net Position

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

	<u>2021</u>	<u>2020</u>
Restricted for Foundation		
Adult cancer care fund	\$ 71,311	\$ 167,784
Surgical instrument fund	250,766	400,861
Employee fund	9,041	13,453
General purpose fund	20,439	9,130
Poison Center fund	244,681	146,634
Other restricted purposes	469,253	456,854
	<u>1,065,491</u>	<u>1,194,716</u>
Restricted for Children's Foundation		
Pediatric cardiovascular surgery fund	47,000	24,545
General purpose fund	3,143,455	2,894,879
Child life fund	16,591	89,508
Children Miracle Network fund	893,434	909,419
Pediatric cancer fund	30,869	28,219
Crime Victims Clinic	251,670	356,532
	<u>4,383,019</u>	<u>4,303,102</u>
Restricted for other		
En Voz Alta fund	6,367	13,704
	<u>6,367</u>	<u>13,704</u>
Total restricted expendable net position	<u>\$ 5,454,877</u>	<u>\$ 5,511,522</u>

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 was paid in prior years 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 contributed one dollar for every two dollars of qualifying gifts up to \$1,000,000. The Foundation received the entire \$1,000,000 commitment by 2019.

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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-year period beginning in August 2018. As of September 30, 2021 and 2020, the Foundation has received \$390,407 and \$250,407, 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, 2021 and 2020, the Foundation has received \$150,000 and \$120,000, 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.

The Foundation received a commitment from Carlos and Elsa Mata to establish an endowment for the benefit of El Paso Children's. Carlos and Elsa Mata made a onetime contribution of \$25,000, which was received in 2021.

The Foundation received a commitment from Estela Casas to establish an endowment for the benefit of the Foundation. of September 30, 2021, the Foundation has received \$20,000 from Estela Casas 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

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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, 2021 and 2020.

	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, 2021				
U.S. equities	\$ 1,073,485	\$ 1,073,485	\$ -	\$ -
Exchange-traded funds and closed-end funds	348,139	348,139	-	-
Mutual funds	1,249,773	1,249,773	-	-
Total investments	<u>\$ 2,671,397</u>	<u>\$ 2,671,397</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2020				
U.S. equities	\$ 891,630	\$ 891,630	\$ -	\$ -
Exchange-traded funds and closed-end funds	279,008	279,008	-	-
Mutual funds	1,073,668	1,073,668	-	-
Total investments	<u>\$ 2,244,306</u>	<u>\$ 2,244,306</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.

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Note 8: 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, 2021 and 2020:

	September 30, 2021			
	Foundation	Children's Foundation	Eliminations	Total
Assets				
Contributions receivable	\$ 25,000	\$ 217,931	\$ -	\$ 242,931
Other assets	14,330	102,407	-	116,737
Pledges receivable, current	102,308	314,619	-	416,927
Due from affiliate	5,757	5,000	(5,000)	5,757
Cash restricted by donors	961,751	3,342,719	-	4,304,470
Investments restricted by donors	-	2,671,397	-	2,671,397
Pledges receivable, noncurrent	5,532	720,228	-	725,760
Total assets	<u>\$ 1,114,678</u>	<u>\$ 7,374,301</u>	<u>\$ (5,000)</u>	<u>\$ 8,483,979</u>
Liabilities and Net Position				
Accounts payable	\$ 1,622	\$ 882	\$ -	\$ 2,504
Unearned revenue	4,201	138,130	-	142,331
Due to affiliate	5,000	628	(5,000)	628
Total liabilities	<u>10,823</u>	<u>139,640</u>	<u>(5,000)</u>	<u>145,463</u>
Net Position				
Restricted – expendable	1,065,491	4,389,386	-	5,454,877
Restricted – non-expendable	38,364	2,845,275	-	2,883,639
Total net position	<u>1,103,855</u>	<u>7,234,661</u>	<u>-</u>	<u>8,338,516</u>
Total liabilities and net position	<u>\$ 1,114,678</u>	<u>\$ 7,374,301</u>	<u>\$ (5,000)</u>	<u>\$ 8,483,979</u>

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	September 30, 2020			
	Foundation	Children's Foundation	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
Total liabilities	<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
Total net position	<u>1,194,716</u>	<u>6,590,632</u>	<u>-</u>	<u>7,785,348</u>
Total liabilities and net position	<u>\$ 1,201,825</u>	<u>\$ 6,714,359</u>	<u>\$ (5,000)</u>	<u>\$ 7,911,184</u>

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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, 2021 and 2020:

	September 30, 2021		
	Foundation	Children's Foundation	Total
Operating revenues	\$ 675,137	\$ 2,055,499	\$ 2,730,636
Operating expenses	(806,347)	(2,010,232)	(2,816,579)
Operating income (loss)	(131,210)	45,267	(85,943)
Investment return	1,986	371,230	373,216
Contributions for endowments	38,363	227,532	265,895
Change in net position	(90,861)	644,029	553,168
Net position, beginning of year	1,194,716	6,590,632	7,785,348
Net position, end of year	<u>\$ 1,103,855</u>	<u>\$ 7,234,661</u>	<u>\$ 8,338,516</u>

	September 30, 2020		
	Foundation	Children's Foundation	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	<u>\$ 1,194,716</u>	<u>\$ 6,590,632</u>	<u>\$ 7,785,348</u>

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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, 2021 and 2020:

	September 30, 2021		
	Foundation	Children's Foundation	Total
Net cash provided by (used in):			
Operating activities	\$ 261,780	\$ 479,901	\$ 741,681
Noncapital financing activities	38,363	227,532	265,895
Investing activities	1,986	(55,861)	(53,875)
Increase in cash and cash equivalents	302,129	651,572	953,701
Cash and cash equivalents, beginning of year	654,622	2,691,147	3,350,769
Cash and cash equivalents, end of year	\$ 956,751	\$ 3,342,719	\$ 4,304,470

	September 30, 2020		
	Foundation	Children's Foundation	Total
Net cash provided by (used in):			
Operating activities	\$ 40,125	\$ 583,913	\$ 629,038
Noncapital financing activities	-	131,575	131,575
Investing activities	-	(937,539)	(937,539)
Increase (decrease) in cash and cash equivalents	40,125	(222,051)	(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	\$ 2,691,147	\$ 3,350,769