

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, 2022 and 2021

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
September 30, 2022 and 2021

Contents

Independent Auditor’s Report.....	1
Introductory Information	4
Management’s Discussion and Analysis	5
 Financial Statements	
Balance Sheets.....	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13



14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

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Independent Auditor's Report

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

Opinion

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 as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financials as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Management is responsible for the other information included in the annual report. The other information comprises the introductory information section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS,LLP

Dallas, Texas
December 9, 2022

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Introductory Information
Years Ended September 30, 2022 and 2021

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 2022 and 2021 financial statements have been audited by the independent accounting firm of **FORVIS, 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/Abigail Tarango
Abigail Tarango
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, 2022 and 2021

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, 2022 and 2021. 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 \$504,373 (7%) in 2022.
- The Foundation's net position increased by \$162,104 (2%) to \$8,500,620 at September 30, 2022.
- Contributions and pledges receivable were \$1,079,213 at September 30, 2022.
- Contribution revenue increased by \$862,175 (44%) in 2022 from 2021.

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>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Contributions and pledges receivable	\$ 1,079,213	\$ 1,385,618	\$ 2,152,809
Other current assets	273,442	122,494	163,300
Restricted cash and cash equivalents and investments	<u>7,480,240</u>	<u>6,975,867</u>	<u>5,595,075</u>
Total assets	<u>\$ 8,832,895</u>	<u>\$ 8,483,979</u>	<u>\$ 7,911,184</u>
Liabilities			
Total liabilities	<u>\$ 332,275</u>	<u>\$ 145,463</u>	<u>\$ 125,836</u>
Net Position			
Restricted – expendable	5,998,310	5,454,877	5,511,522
Restricted – non-expendable	<u>2,502,310</u>	<u>2,883,639</u>	<u>2,273,826</u>
Total net position	<u>8,500,620</u>	<u>8,338,516</u>	<u>7,785,348</u>
Total liabilities and net position	<u>\$ 8,832,895</u>	<u>\$ 8,483,979</u>	<u>\$ 7,911,184</u>

The most significant change in the Foundation's assets in 2022 is the increase in restricted cash and cash equivalents and investments of \$504,373. Additionally, there was a significant decrease in contributions and pledges receivable of \$306,405.

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.

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, 2022, 2021 and 2020.

Table 2: Operating Results and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenue			
Contribution revenue	\$ 2,832,846	\$ 1,970,671	\$ 3,166,540
Contributed services	<u>1,281,261</u>	<u>759,965</u>	<u>1,075,860</u>
Total operating revenues	<u>4,114,107</u>	<u>2,730,636</u>	<u>4,242,400</u>
Operating Expense			
Purchased services	1,311,055	852,925	1,282,709
Contributions	1,737,598	1,731,701	1,733,335
Other operating expenses	<u>549,517</u>	<u>231,953</u>	<u>213,136</u>
Total operating expenses	<u>3,598,170</u>	<u>2,816,579</u>	<u>3,229,180</u>
Operating Income (Loss)	515,937	(85,943)	1,013,220
Nonoperating Revenues (Expenses)	(353,833)	639,111	345,178
Transfer from UMC	<u>-</u>	<u>-</u>	<u>468,862</u>
Increase in Net Position	<u>\$ 162,104</u>	<u>\$ 553,168</u>	<u>\$ 1,827,260</u>

The Foundation reported operating income of \$515,937 in 2022. The primary components of the 2022 operating results are:

- An increase in contribution revenue of \$862,175, or 44%, due to an increase in pledges from donors.
- An increase in purchased services of \$458,130, or 54%, primarily due to an increase in fundraising events.

The Foundation reported operating loss of \$85,943 in 2021. The primary components of the rating 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.

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 (loss), were \$(353,833), \$639,111, and \$345,178, in 2022, 2021, and 2020, 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 2022 and 2021 due to significant reductions in purchases of investments and contributions.

Contributions to El Paso Children's and UMC

In 2022, the Foundation granted \$81,532 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

- \$7,380 to the Nursing Department for Nursing education equipment and supplies.
- \$4,516 for a pill camera for endoscopic procedures. The pill camera is swallowed by the patient which transmits a continuous stream of digital images to a small data recorder.
- \$1,218 for a blood warmer used to warm blood or other fluids minimizing the risks of hypothermia.

General Patient Care

- \$56,015 to Sobreviviendo el Cancer to provide assistance for cancer patients with medications, co-pays, rent, utilities, durable medical equipment, and transportation.
- \$47,287 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 2022, the Foundation granted \$1,483,927 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

- \$98,585 for Rehab Expansion and Equipment for new outpatient facility.
- \$112,340 for a Liguoguard for a Cerebrospinal management systems which permits a clinician to simultaneously measure intracranial pressure and drain cerebrospinal fluid to maintain a safe pressure threshold.

- \$126,000 for Alcon Centurion Hand Pieces and Microscopes to assist in Pediatric cataract surgeries.
- \$71,423 for Stryker Small Bone Power which provides surgeons with a cordless, balances lightweight solution for procedures of the extremities.

General Patient Care

- \$103,191 for the GetWell TV system found in each patient room with features such as age appropriate games, entertainment, and patient education.
- \$163,165 for the Child Life Program which funds child life specialists and which includes the city's only in-hospital therapeutic arts program.
- \$256,540 for the Empower Program for Pediatric Prediabetes and Type 2 Diabetes Outpatient Education.

Fiscal Year 2023 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, 2022 and 2021

Assets

	2022	2021
Current Assets		
Contributions receivable	\$ 57,381	\$ 242,931
Other assets	273,442	116,737
Pledges receivable	344,995	416,927
Due from affiliates	-	5,757
Total current assets	675,818	782,352
Noncurrent Assets		
Cash and cash equivalents restricted by donor	4,977,930	4,092,228
Cash and cash equivalents restricted by donor for endowment	201,435	212,242
Total noncurrent cash and cash equivalents	5,179,365	4,304,470
Investments restricted by donor	2,300,875	2,671,397
Pledges receivable, net of discount and allowance	676,837	725,760
Total noncurrent assets	8,157,077	7,701,627
Total assets	\$ 8,832,895	\$ 8,483,979

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 13,100	\$ 2,504
Unearned revenue	136,676	142,331
Due to affiliates	182,499	628
Total current liabilities	332,275	145,463
Net Position		
Restricted – expendable	5,998,310	5,454,877
Restricted – non-expendable	2,502,310	2,883,639
Total net position	8,500,620	8,338,516
Total liabilities and net position	\$ 8,832,895	\$ 8,483,979

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
September 30, 2022 and 2021

	2022	2021
Operating Revenues		
Contribution revenue, net of provision for uncollectible accounts, 2022 – \$5,304 and 2021 – \$7,053	\$ 2,832,846	\$ 1,970,671
Contributed services	1,281,261	759,965
Total operating revenues	4,114,107	2,730,636
Operating Expenses		
Purchased services - salaries and wages	902,497	628,730
Purchased services	408,558	224,195
Contributions to others	1,737,598	1,731,701
Other	549,517	231,953
Total operating expenses	3,598,170	2,816,579
Operating Income (Loss)	515,937	(85,943)
Nonoperating Revenues (Expenses)		
Investment income (loss)	(471,333)	373,216
Contributions for Endowments	117,500	265,895
Total nonoperating revenues	(353,833)	639,111
Increase in Net Position	162,104	553,168
Net Position, Beginning of Year	8,338,516	7,785,348
Net Position, End of Year	\$ 8,500,620	\$ 8,338,516

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Statement of Cash Flows
September 30, 2022 and 2021

	2022	2021
Operating Activities		
Contribution revenue	\$ 3,133,596	\$ 2,789,043
Payments for purchased services - salaries and benefits	(902,497)	(628,730)
Payments for purchased services, contributions to others and other expenses	(1,372,893)	(1,418,632)
Net cash provided by operating activities	858,206	741,681
Noncapital Financing Activities		
Contributions for endowments	117,500	265,895
Net cash provided by noncapital financing activities	117,500	265,895
Investing Activities		
Purchase of investments	(359,535)	(303,607)
Proceeds from disposition of investments	194,079	197,525
Investment income received	64,645	52,207
Net cash used in investing activities	(100,811)	(53,875)
Increase in Cash and Cash Equivalents	874,895	953,701
Cash and Cash Equivalents, Beginning of Year	4,304,470	3,350,769
Cash and Cash Equivalents, End of Year	\$ 5,179,365	\$ 4,304,470
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents restricted by donor	\$ 4,977,930	\$ 4,092,228
Cash and cash equivalents restricted by donor for endowment	201,435	212,242
Total cash	\$ 5,179,365	\$ 4,304,470
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 515,937	\$ (85,943)
Change in operating assets and liabilities		
Pledges and contributions receivable	306,405	767,191
Due to UMC	187,628	20,363
Other assets	(156,705)	2,212
Unearned revenue	(5,655)	51,181
Accounts payable	10,596	(13,323)
Net cash provided by operating activities	\$ 858,206	\$ 741,681

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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 2022 and 2021 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, 2022 and 2021

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, 2022 and 2021, 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
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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, 2022, 52 percent of the gross pledge receivable balance is owed from two donors. At September 30, 2021, 75 percent of the gross pledge receivable balance is owed from three donors.

At September 30, 2022 and 2021, the Foundation had related party pledge receivables from members of management of \$6,061 and \$11,688, respectively.

Unearned Revenue

At September 30, 2022 and 2021, the Foundation had unearned revenue of \$136,676 and \$142,331, 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.

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2022 and 2021

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, 2022, the Foundation had bank balances of \$5,125,915 of which \$662,381 was insured and the remainder was uninsured and uncollateralized. 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.

Investments

	<u>2022</u>	<u>2021</u>
Money market mutual funds	\$ 39,054	\$ 38,364
U.S. equities	894,835	1,073,485
Exchange-traded funds and closed-end funds	279,902	348,139
Mutual funds	<u>1,126,138</u>	<u>1,249,773</u>
Total investments	<u>\$ 2,339,929</u>	<u>\$ 2,709,761</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.

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2022 and 2021

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.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2022</u>	<u>2021</u>
Carrying value		
Deposits	\$ 39,054	\$ 38,364
Investments	<u>2,300,875</u>	<u>2,671,397</u>
 Total investments	 <u>\$ 2,339,929</u>	 <u>\$ 2,709,761</u>

	<u>2022</u>	<u>2021</u>
Included in the following balance sheet captions		
Cash and cash equivalents restricted by donor for endowment	\$ 39,054	\$ 38,364
Investments restricted by donor	<u>2,300,875</u>	<u>2,671,397</u>
 Total investments	 <u>\$ 2,339,929</u>	 <u>\$ 2,709,761</u>

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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 2022 and 2021 were \$1,106,074 and \$635,131, 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 \$182,499 and \$628 to UMC for these expenses at September 30, 2022 and 2021, respectively.

At September 30, 2022 and 2021, the Foundation had receivables of \$0 and \$5,757, respectively, from UMC.

Note 4: Pledges Receivable

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

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 327,687	\$ 314,619
Due in one to five years	729,299	774,800
	<u>1,056,986</u>	<u>1,089,419</u>
Less		
Allowance for uncollectible pledges	15,057	28,408
Unamortized discount	117,997	26,164
	<u>\$ 923,932</u>	<u>\$ 1,034,847</u>

Pledge receivables for UMC consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 17,308	102,308
Due in one to five years	98,650	6,061
	<u>115,958</u>	<u>108,369</u>
Less		
Allowance for uncollectible pledges	-	345
Unamortized discount	18,058	184
	<u>\$ 97,900</u>	<u>\$ 107,840</u>

Discount rates ranged from 3.83 percent to 4.25 percent in 2022 and 0.09 percent to 1.39 percent in 2021.

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

Note 5: Restricted Expendable Net Position

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

	<u>2022</u>	<u>2021</u>
Restricted for Foundation		
Adult cancer care fund	\$ 65,178	\$ 71,311
Surgical instrument fund	250,766	250,766
Employee fund	1,661	9,041
General purpose fund	94,231	20,439
Poison Center fund	254,919	244,681
Other restricted purposes	581,146	469,253
	<u>1,247,901</u>	<u>1,065,491</u>
Restricted for Children's Foundation		
Pediatric cardiovascular surgery fund	47,000	47,000
Other restricted purposes	3,152,570	3,143,455
Child life fund	28,362	16,591
Children Miracle Network fund	1,196,288	893,434
Pediatric cancer fund	68,152	30,869
Crime Victims Clinic	251,670	251,670
	<u>4,744,042</u>	<u>4,383,019</u>
Restricted for other		
En Voz Alta fund	6,367	6,367
	<u>6,367</u>	<u>6,367</u>
Total restricted expendable net position	<u>\$ 5,998,310</u>	<u>\$ 5,454,877</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.

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, 2022 and 2021, the Foundation has received \$400,407 and \$390,407, respectively, from the donors relating to this commitment.

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021, the Foundation has received \$190,000 and \$150,000, 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. The Foundation received the entire \$50,000 commitment as of September 30, 2022.

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 October 2020.

The Children's Foundation received a commitment from Dana and Adam Frank to establish an endowment for the benefit of El Paso Children's. Dana and Adam Frank will contribute \$80,000 over a four-year period beginning October 2021. As of September 30, 2022, the Children's Foundation has received \$20,000 from the respective donors relating to this commitment.

The Foundation received a commitment from Estela Casas to establish an endowment for the benefit of the Foundation. As of September 30, 2022, the Foundation has received \$20,000 from Estela Casas relating to this commitment.

The Children's Foundation received a commitment from Patricia Davis to establish and endowment for the benefit of El Paso Children's. Patricia will contribute \$25,000 over a 5 year period beginning October 2018. The Foundation received the entire \$25,000 commitment as of September 30, 2022.

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:

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

- 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, 2022 and 2021.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
Money market mutual funds	\$ 39,054	\$ 39,054	\$ -	\$ -
U.S. equities	894,835	894,835	-	-
Exchange-traded funds and closed-end funds	279,902	279,902	-	-
Mutual funds	<u>1,126,138</u>	<u>1,126,138</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,339,929</u>	<u>\$ 2,339,929</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2021				
Money market mutual funds	\$ 38,364	\$ 38,364	\$ -	\$ -
U.S. equities	1,073,485	1,073,485	-	-
Exchange-traded funds and closed-end funds	348,139	348,139	-	-
Mutual funds	<u>1,249,773</u>	<u>1,249,773</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,709,761</u>	<u>\$ 2,709,761</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

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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.

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, 2022 and 2021:

	September 30, 2022			
	Foundation	Children’s Foundation	Eliminations	Total
Assets				
Contributions receivable	\$ 36,852	\$ 20,529	\$ -	\$ 57,381
Other assets	84,251	189,191	-	273,442
Pledges receivable, current	17,308	327,687	-	344,995
Due from affiliate	11,250	10,250	(21,500)	-
Cash restricted by donors	1,217,770	3,961,595	-	5,179,365
Investments restricted by donors	-	2,300,875	-	2,300,875
Pledges receivable, noncurrent	80,592	596,245	-	676,837
	<u>\$ 1,448,023</u>	<u>\$ 7,406,372</u>	<u>\$ (21,500)</u>	<u>\$ 8,832,895</u>
Liabilities and Net Position				
Accounts payable	\$ 7,927	\$ 5,173	\$ -	\$ 13,100
Unearned revenue	93,125	43,551	-	136,676
Due to affiliate	60,016	143,983	(21,500)	182,499
Total liabilities	<u>161,068</u>	<u>192,707</u>	<u>(21,500)</u>	<u>332,275</u>
Net Position				
Restricted – expendable	1,247,901	4,750,409	-	5,998,310
Restricted – non-expendable	39,054	2,463,256	-	2,502,310
Total net position	<u>1,286,955</u>	<u>7,213,665</u>	<u>-</u>	<u>8,500,620</u>
Total liabilities and net position	<u>\$ 1,448,023</u>	<u>\$ 7,406,372</u>	<u>\$ (21,500)</u>	<u>\$ 8,832,895</u>

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2022 and 2021

	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
	\$ 1,114,678	\$ 7,374,301	\$ (5,000)	\$ 8,483,979
 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	10,823	139,640	(5,000)	145,463
 Net Position				
Restricted – expendable	1,065,491	4,389,386	-	5,454,877
Restricted – non-expendable	38,364	2,845,275	-	2,883,639
	1,103,855	7,234,661	-	8,338,516
Total liabilities and net position	\$ 1,114,678	\$ 7,374,301	\$ (5,000)	\$ 8,483,979

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021:

	September 30, 2022		
	Foundation	Children's Foundation	Total
Operating revenues	\$ 974,682	\$ 3,139,425	\$ 4,114,107
Operating expenses	(793,265)	(2,804,905)	(3,598,170)
Operating income (loss)	181,417	334,520	515,937
Investment return (loss)	183	(471,516)	(471,333)
Contributions for endowments	1,500	116,000	117,500
Change in net position	183,100	(20,996)	162,104
Net position, beginning of year	1,103,855	7,234,661	8,338,516
Net position, end of year	<u>\$ 1,286,955</u>	<u>\$ 7,213,665</u>	<u>\$ 8,500,620</u>

	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 (loss)	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>

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021:

	September 30, 2022		
	Foundation	Children's Foundation	Total
Net cash provided by (used in):			
Operating activities	\$ 254,336	\$ 603,870	\$ 858,206
Noncapital financing activities	1,500	116,000	117,500
Investing activities	183	(100,994)	(100,811)
Increase in cash and cash equivalents	256,019	618,876	874,895
Cash and cash equivalents, beginning of year	961,751	3,342,719	4,304,470
Cash and cash equivalents, end of year	<u>\$ 1,217,770</u>	<u>\$ 3,961,595</u>	<u>\$ 5,179,365</u>

	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	659,622	2,691,147	3,350,769
Cash and cash equivalents, end of year	<u>\$ 961,751</u>	<u>\$ 3,342,719</u>	<u>\$ 4,304,470</u>