



University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

**Independent Auditor's Report and Financial
Statements**

December 31, 2023 and 2022



University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
September 30, 2023 and 2022

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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 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements 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, 2023 and 2022, and the results of its operations 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 within one year after the date that these financial statements are issued.

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 15, 2023**

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Introductory Information
Years Ended September 30, 2023 and 2022

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 2023 and 2022 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, 2023 and 2022

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, 2023 and 2022. 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 \$981,022 (13%) in 2023.
- The Foundation's net position increased by \$2,306,893 (27%) to \$10,807,513 at September 30, 2023.
- Contributions and pledges receivable were \$2,446,777 at September 30, 2023.
- Contribution revenue increased by \$1,422,276 (50%) in 2023 from 2022.

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>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Contributions and pledges receivable	\$ 2,446,777	\$ 1,079,213	\$ 1,385,618
Other current assets	216,416	273,442	122,494
Restricted cash and cash equivalents and investments	<u>8,461,262</u>	<u>7,480,240</u>	<u>6,975,867</u>
Total assets	<u>\$ 11,124,455</u>	<u>\$ 8,832,895</u>	<u>\$ 8,483,979</u>
Liabilities			
Total liabilities	<u>\$ 316,942</u>	<u>\$ 332,275</u>	<u>\$ 145,463</u>
Net Position			
Restricted – expendable	7,724,708	5,998,310	5,454,877
Restricted – non-expendable	<u>3,082,805</u>	<u>2,502,310</u>	<u>2,883,639</u>
Total net position	<u>10,807,513</u>	<u>8,500,620</u>	<u>8,338,516</u>
Total liabilities and net position	<u>\$ 11,124,455</u>	<u>\$ 8,832,895</u>	<u>\$ 8,483,979</u>

The most significant change in the Foundation's assets in 2023 is the increase in restricted cash and cash equivalents and investments of \$981,022. Additionally, there was a significant increase in contributions and pledges receivable of \$1,367,564.

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.

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, 2023, 2022 and 2021.

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenue			
Contribution revenue	\$ 4,255,122	\$ 2,832,846	\$ 1,970,671
Contributed services	<u>1,668,782</u>	<u>1,281,261</u>	<u>759,965</u>
Total operating revenues	<u>5,923,904</u>	<u>4,114,107</u>	<u>2,730,636</u>
Operating Expense			
Purchased services	1,758,354	1,311,055	852,925
Contributions	1,876,309	1,737,598	1,731,701
Other operating expenses	<u>587,599</u>	<u>549,517</u>	<u>231,953</u>
Total operating expenses	<u>4,222,262</u>	<u>3,598,170</u>	<u>2,816,579</u>
Operating Income (Loss)	1,701,642	515,937	(85,943)
Nonoperating Revenues (Expenses)	<u>605,251</u>	<u>(353,833)</u>	<u>639,111</u>
Increase in Net Position	<u>\$ 2,306,893</u>	<u>\$ 162,104</u>	<u>\$ 553,168</u>

The Foundation reported operating income of \$1,701,642 in 2023. The primary components of the 2023 operating results are:

- An increase in contribution revenue of \$1,422,276, or 50%, due to an increase in pledges from donors and new grants received.
- An increase in purchased services of \$447,299, or 34%, primarily due to an increase in fundraising events.

The Foundation reported operating loss of \$515,937 in 2022. The primary components of the rating 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.

Nonoperating Revenues and Expenses

Nonoperating revenues consist of contributions for endowments for El Paso Children's and investment income. Contributions for endowments, including investment income (loss), were \$605,251, \$(353,833), and \$639,111, in 2023, 2022, and 2021, respectively.

The Foundation's Cash Flows

The Foundation experienced positive cash flow in 2023, 2022 and 2021 due to significant reductions in purchases of investments and contributions.

Contributions to El Paso Children's and UMC

In 2023, the Foundation granted \$105,772 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

- \$69,717 for a Titan Retractor for the trauma department. The Titan Retractor is a lightweight surgical retractor that combines multiple retractors into one device that eliminates an OR table attachment and reduces a potential source of sterile field contamination.
- \$24,075 for a portable oxygen concentrator, a medical device that assists patients with a low level of oxygen due to lung disease or breathing disorders. This supplemental oxygen allows the patient to maintain their independence.
- \$11,980 for a camera and recording systems for all trauma bays at the emergency department to improve workflows, processes and debriefs to better care for the trauma patients. These systems will help support UMC as a designated level 1 trauma center.

In 2023, the Foundation granted \$1,465,575 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

- \$91,625 for an audiology booth which allows the audiologist to perform diagnostic evaluations to determine hearing acuity.
- \$174,354 for a Leica Microscope that can be used for both Neuro and ENT microsurgery.
- \$214,710 for neurodiagnostic equipment to expand the EEG unit and provide 24-hour EMU services.
- \$90,257 for a Mizuho Osi Hana table which is a state-of-the-art orthopedic table used for a variety of fracture and orthopedic surgeries, such as femur fractures, tibia fractures and hip pinnings.
- \$98,270 for a Mizuho Osi Trios table which is a surgical table used for a variety of orthopedic cases.

- \$29,363 for an otoscope and ophthalmoscope set to be used as diagnostic tools. An otoscope is a medical device used to examine the ear canal and eardrum. An ophthalmoscope is a medical device used to examine the interior structure of the eye.
- \$67,602 for exam tables for the multispecialty clinics.
- \$303,562 for modular camera systems used in endoscopic imaging to help keep surgeries minimally invasive.

General Patient Care

- \$71,468 for the GetWell TV system found in each patient room with features such as age-appropriate games, entertainment, and patient education.
- \$133,174 for the Child Life Program which funds child life specialists who provide child and family-centered care by focusing on easing discomfort for the child before, during and after their medical care. The Child Life Program includes the city's only in-hospital therapeutic arts program.

Fiscal Year 2024 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, 2023 and 2022

Assets

	2023	2022
Current Assets		
Contributions receivable	\$ 525,952	\$ 57,381
Other assets	216,416	273,442
Pledges receivable	518,558	344,995
Total current assets	1,260,926	675,818
Noncurrent Assets		
Cash and cash equivalents restricted by donor	5,378,457	4,977,930
Cash and cash equivalents restricted by donor for endowment	147,793	201,435
Total noncurrent cash and cash equivalents	5,526,250	5,179,365
Investments restricted by donor	2,935,012	2,300,875
Contributions receivable	400,000	-
Pledges receivable, net of discount and allowance	1,002,267	676,837
Total noncurrent assets	9,863,529	8,157,077
Total assets	\$ 11,124,455	\$ 8,832,895

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 33,527	\$ 13,100
Unearned revenue	106,525	136,676
Due to affiliates	176,890	182,499
Total current liabilities	316,942	332,275
Net Position		
Restricted – expendable	7,724,708	5,998,310
Restricted – non-expendable	3,082,805	2,502,310
Total net position	10,807,513	8,500,620
Total liabilities and net position	\$ 11,124,455	\$ 8,832,895

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, 2023 and 2022

	2023	2022
Operating Revenues		
Contribution revenue, net of provision for uncollectible accounts, 2023 – \$876 and 2022 – \$5,304	\$ 4,255,122	\$ 2,832,846
Contributed services	1,668,782	1,281,261
Total operating revenues	5,923,904	4,114,107
Operating Expenses		
Purchased services - salaries and wages	1,156,458	902,497
Purchased services	601,896	408,558
Contributions to others	1,876,309	1,737,598
Other	587,599	549,517
Total operating expenses	4,222,262	3,598,170
Operating Income	1,701,642	515,937
Nonoperating Revenues (Expenses)		
Investment income (loss)	379,908	(471,333)
Contributions for Endowments	225,343	117,500
Total nonoperating revenues (expenses)	605,251	(353,833)
Increase in Net Position	2,306,893	162,104
Net Position, Beginning of Year	8,500,620	8,338,516
Net Position, End of Year	\$ 10,807,513	\$ 8,500,620

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Statement of Cash Flows
September 30, 2023 and 2022

	2023	2022
Operating Activities		
Contribution revenue	\$ 2,782,199	\$ 3,133,596
Payments for purchased services - salaries and benefits	(1,156,458)	(902,497)
Payments for purchased services, contributions to others and other expenses	(1,325,178)	(1,372,893)
Net cash provided by operating activities	300,563	858,206
Noncapital Financing Activities		
Contributions for endowments	225,343	117,500
Net cash provided by noncapital financing activities	225,343	117,500
Investing Activities		
Purchase of investments	(1,114,889)	(359,535)
Proceeds from disposition of investments	851,225	194,079
Investment income received	84,643	64,645
Net cash used in investing activities	(179,021)	(100,811)
Increase in Cash and Cash Equivalents	346,885	874,895
Cash and Cash Equivalents, Beginning of Year	5,179,365	4,304,470
Cash and Cash Equivalents, End of Year	\$ 5,526,250	\$ 5,179,365
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents restricted by donor	\$ 5,378,457	\$ 4,977,930
Cash and cash equivalents restricted by donor for endowment	147,793	201,435
Total cash	\$ 5,526,250	\$ 5,179,365
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,701,642	\$ 515,937
Change in operating assets and liabilities		
Pledges and contributions receivable	(1,442,772)	306,405
Due to UMC	(5,609)	187,628
Other assets	57,026	(156,705)
Unearned revenue	(30,151)	(5,655)
Accounts payable	20,427	10,596
Net cash provided by operating activities	\$ 300,563	\$ 858,206

University Medical Center Foundation of El Paso
A Component Unit of El Paso County Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

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 2023 and 2022 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
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Teléfono: +52(656)253-1335
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University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022, 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

Net position of the Foundation is classified in two components on its balance sheets.

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by grantors and donors external to the Foundation.

University Medical Center Foundation of El Paso

A Component Unit of El Paso County Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

- 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.

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, 2023, 68 percent of the gross pledge receivable balance is owed from five donors. At September 30, 2022, 52 percent of the gross pledge receivable balance is owed from two donors.

At September 30, 2023, 87 percent of the gross contribution receivable balance was owed from two donors.

At September 30, 2023 and 2022, the Foundation had related party pledge receivables from members of management of \$3,754 and \$6,061, respectively.

Unearned Revenue

At September 30, 2023 and 2022, the Foundation had unearned revenue of \$106,525 and \$136,676, 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, 2023 and 2022

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, 2023, the Foundation had bank balances of \$5,473,370 of which \$600,736 was insured and the remainder was uninsured and uncollateralized. 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.

Investments

	<u>2023</u>	<u>2022</u>
Money market mutual funds	\$ 47,057	\$ 39,054
U.S. equities	658,511	894,835
Exchange-traded funds and closed-end funds	940,954	279,902
Mutual funds	<u>1,335,547</u>	<u>1,126,138</u>
Total investments	<u>\$ 2,982,069</u>	<u>\$ 2,339,929</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, 2023 and 2022

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>2023</u>	<u>2022</u>
Carrying value		
Deposits	\$ 47,057	\$ 39,054
Investments	<u>2,935,012</u>	<u>2,300,875</u>
 Total investments	 <u>\$ 2,982,069</u>	 <u>\$ 2,339,929</u>

	<u>2023</u>	<u>2022</u>
Included in the following balance sheet captions		
Cash and cash equivalents restricted by donor for endowment	\$ 47,057	\$ 39,054
Investments restricted by donor	<u>2,935,012</u>	<u>2,300,875</u>
 Total investments	 <u>\$ 2,982,069</u>	 <u>\$ 2,339,929</u>

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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 2023 and 2022 were \$1,415,734 and \$1,106,074, 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 \$176,890 and \$182,499 to UMC for these expenses at September 30, 2023 and 2022, respectively.

At September 30, 2023 and 2022, the Foundation had no amounts receivable from UMC.

Note 4: Pledges Receivable

Pledge receivables consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 518,558	\$ 344,995
Due in one to five years	1,270,891	827,949
	<u>1,789,449</u>	<u>1,172,944</u>
Less		
Allowance for uncollectible pledges	10,932	15,057
Unamortized discount	<u>257,692</u>	<u>136,055</u>
	<u>\$ 1,520,825</u>	<u>\$ 1,021,832</u>

Discount rates ranged from 4.80 percent to 5.49 percent in 2023 and 3.83 percent to 4.25 percent in 2022.

Note 5: Contributions Receivable

Contributions receivable consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 525,952	\$ 57,381
Due in one to five years	<u>400,000</u>	<u>-</u>
	<u>\$ 925,952</u>	<u>\$ 57,381</u>

No discount was applied to the contributions receivable as all receivables are expected to be collected less than two years following the balance sheet date.

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Note 6: Restricted Expendable Net Position

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

	<u>2023</u>	<u>2022</u>
Restricted for Foundation		
Adult cancer care fund	\$ 210,297	\$ 65,178
Surgical instrument fund	250,766	250,766
Employee fund	1,661	1,661
General purpose fund	-	94,231
Poison Center fund	264,008	254,919
Other restricted purposes	<u>822,822</u>	<u>581,146</u>
	<u>1,549,554</u>	<u>1,247,901</u>
Restricted for Children's Foundation		
Pediatric cardiovascular surgery fund	47,000	47,000
Other restricted purposes	4,722,305	3,152,570
Child life fund	-	28,362
Children Miracle Network fund	1,016,135	1,196,288
Pediatric cancer fund	131,652	68,152
Crime Victims Clinic	<u>251,670</u>	<u>251,670</u>
	<u>6,168,762</u>	<u>4,744,042</u>
Restricted for other		
En Voz Alta fund	<u>6,392</u>	<u>6,367</u>
	<u>6,392</u>	<u>6,367</u>
Total restricted expendable net position	<u>\$ 7,724,708</u>	<u>\$ 5,998,310</u>

Note 7: Endowments

The Foundation has received commitments from various donors to establish an endowment for the benefit of El Paso Children's. Donors are expected to contribute over periods ranging from three to ten years. During the years ended September 30, 2023 and 2022, the Foundation received of \$225,343 and \$117,500, respectively, from the respective donors related to these commitments and is reported as contributions for endowments on the statements of revenues, expenses and changes in net position.

Endowment contributions are recognized when the contributed asset is received.

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Note 8: Disclosure About Fair Value of Investments

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

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

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

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

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022.

	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, 2023				
Money market mutual funds	\$ 47,057	\$ 47,057	\$ -	\$ -
U.S. equities	658,511	658,511	-	-
Exchange-traded funds and closed-end funds	940,954	940,954	-	-
Mutual funds	<u>1,335,547</u>	<u>1,335,547</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,982,069</u>	<u>\$ 2,982,069</u>	<u>\$ -</u>	<u>\$ -</u>
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>

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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 9: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Foundation and its blended component unit, Children's Foundation, as of September 30, 2023 and 2022:

	September 30, 2023			
	Foundation	Children's Foundation	Eliminations	Total
Assets				
Contributions receivable, current	\$ 61,237	\$ 464,715	\$ -	\$ 525,952
Other assets	167,229	49,187	-	216,416
Pledges receivable, current	42,308	476,250	-	518,558
Cash restricted by donors	1,342,506	4,183,744	-	5,526,250
Investments restricted by donors	-	2,935,012	-	2,935,012
Contributions receivable, noncurrent	-	400,000	-	400,000
Pledges receivable, noncurrent	240,483	761,784	-	1,002,267
	<u>\$ 1,853,763</u>	<u>\$ 9,270,692</u>	<u>\$ -</u>	<u>\$ 11,124,455</u>
Liabilities and Net Position				
Accounts payable	\$ 28,806	\$ 4,721	\$ -	\$ 33,527
Unearned revenue	101,525	5,000	-	106,525
Due to affiliate	126,821	50,069	-	176,890
Total liabilities	<u>257,152</u>	<u>59,790</u>	<u>-</u>	<u>316,942</u>
Net Position				
Restricted – expendable	1,549,554	6,175,154	-	7,724,708
Restricted – non-expendable	47,057	3,035,748	-	3,082,805
	<u>1,596,611</u>	<u>9,210,902</u>	<u>-</u>	<u>10,807,513</u>
Total net position	<u>1,596,611</u>	<u>9,210,902</u>	<u>-</u>	<u>10,807,513</u>
Total liabilities and net position	<u>\$ 1,853,763</u>	<u>\$ 9,270,692</u>	<u>\$ -</u>	<u>\$ 11,124,455</u>

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	September 30, 2022			
	Foundation	Children's Foundation	Eliminations	Total
Assets				
Contributions receivable, current	\$ 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>

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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, 2023 and 2022:

	September 30, 2023		
	Foundation	Children's Foundation	Total
Operating revenues	\$ 1,473,709	\$ 4,450,195	\$ 5,923,904
Operating expenses	(1,171,055)	(3,051,207)	(4,222,262)
Operating income	302,654	1,398,988	1,701,642
Investment income	1,866	378,042	379,908
Contributions for endowments	5,136	220,207	225,343
Change in net position	309,656	1,997,237	2,306,893
Net position, beginning of year	1,286,955	7,213,665	8,500,620
Net position, end of year	\$ 1,596,611	\$ 9,210,902	\$ 10,807,513

	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	181,417	334,520	515,937
Investment income (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	\$ 1,286,955	\$ 7,213,665	\$ 8,500,620

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September 30, 2023 and 2022

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, 2023 and 2022:

	September 30, 2023		
	Foundation	Children's Foundation	Total
Net cash provided by (used in):			
Operating activities	\$ 117,734	\$ 182,829	\$ 300,563
Noncapital financing activities	5,136	220,207	225,343
Investing activities	1,866	(180,887)	(179,021)
Increase in cash and cash equivalents	124,736	222,149	346,885
Cash and cash equivalents, beginning of year	1,217,770	3,961,595	5,179,365
Cash and cash equivalents, end of year	<u>\$ 1,342,506</u>	<u>\$ 4,183,744</u>	<u>\$ 5,526,250</u>

	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>