

# **El Paso Children's Hospital Foundation**

A Component Unit of University Medical Center Foundation of El Paso  
Independent Auditor's Report and Financial Statements

September 30, 2022 and 2021

**El Paso Children’s Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**September 30, 2022 and 2021**

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## Independent Auditor's Report

Board of Directors  
El Paso Children's Hospital Foundation  
El Paso, Texas

### **Opinion**

We have audited the financial statements of El Paso Children's Hospital Foundation (Children's Foundation), a component unit of University Medical Center Foundation of El Paso, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Children's 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 Children's 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 Children's 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 Children's 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 Children 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 Children's 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

**El Paso Children’s Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Introductory Information**  
**Years Ended September 30, 2022 and 2021**

The management of El Paso Children’s Hospital Foundation (Children’s 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 Children’s 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 Children’s 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.

El Paso Children’s Hospital Foundation

**/s/Abigail Tarango**  
**Abigail Tarango**  
Executive Director

**El Paso Children’s Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Management’s Discussion and Analysis**  
**Years Ended September 30, 2022 and 2021**

***Introduction***

This management’s discussion and analysis of the financial performance of El Paso Children’s Hospital Foundation (Children’s Foundation) provides an overview of the Children’s 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 Children’s Foundation.

***Financial Highlights***

- At September 30, 2022, contributions and pledges receivable, net of discount and allowance, totaled \$944,461.
- At September 30, 2022, the Children’s Foundation had restricted cash and cash equivalents of \$3,961,595.
- The Children’s Foundation reported operating revenue of \$3,139,425 for the year ended September 30, 2022, of which \$699,303 was contributed services and \$2,440,122 was contribution revenue, net of the provision for uncollectible accounts.
- The Children’s Foundation had restricted investments of \$2,300,875 at September 30, 2022.
- The Children’s Foundation contributed \$1,483,927 to El Paso Children’s and \$84,954 to other organizations during 2022.

***Using This Annual Report***

The Children’s Foundation 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 Children’s Foundation, including resources held by the Children’s Foundation but restricted for specific purposes by contributors and grantors. The Children’s 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 Children’s 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 Children’s Foundation’s net position and changes in it. The Children’s Foundation’s total net position—the difference between assets and liabilities—is one measure of the Children’s 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 cash came from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

## **The Children's Foundation's Net Position**

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

**Table 1: Assets, Liabilities and Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Contributions and pledges receivable	\$ 944,461	\$ 1,252,778	\$ 1,668,743
Prepaid expenses	189,191	102,407	105,163
Due from UMC Foundation	10,250	5,000	5,000
Investments restricted by donor	2,300,875	2,671,397	2,244,306
Restricted cash and cash equivalents	<u>3,961,595</u>	<u>3,342,719</u>	<u>2,691,147</u>
Total assets	<u>\$ 7,406,372</u>	<u>\$ 7,374,301</u>	<u>\$ 6,714,359</u>
<b>Liabilities</b>			
Total liabilities	<u>\$ 192,707</u>	<u>\$ 139,640</u>	<u>\$ 123,727</u>
<b>Net Position</b>			
Restricted – expendable	4,750,409	4,389,386	4,316,806
Restricted – non-expendable	<u>2,463,256</u>	<u>2,845,275</u>	<u>2,273,826</u>
Total net position	<u>7,213,665</u>	<u>7,234,661</u>	<u>6,590,632</u>
Total liabilities and net position	<u>\$ 7,406,372</u>	<u>\$ 7,374,301</u>	<u>\$ 6,714,359</u>



## **Operating Results and Changes in the Children's Foundation's Net Position**

The following table presents a summary of the Children's Foundation revenues and expenses for the years ended September 30, 2022, 2021 and 2020.

**Table 2: Operating Results and Changes in Net Position**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>			
Contribution revenue	\$ 2,440,122	\$ 1,660,131	\$ 2,483,429
Contributed services	<u>699,303</u>	<u>395,368</u>	<u>671,533</u>
Total operating revenues	<u>3,139,425</u>	<u>2,055,499</u>	<u>3,154,962</u>
<b>Operating Expenses</b>			
Purchased services	831,976	510,977	941,165
Contributions	1,568,881	1,302,353	1,155,031
Other	<u>404,048</u>	<u>196,902</u>	<u>180,546</u>
Total operating expenses	<u>2,804,905</u>	<u>2,010,232</u>	<u>2,276,742</u>
<b>Operating Income</b>	334,520	45,267	878,220
<b>Nonoperating Revenues</b>			
Investment income (loss)	(471,516)	371,230	213,603
<b>Contributions for Endowments</b>	116,000	227,532	131,575
<b>Transfer from UMC</b>	<u>-</u>	<u>-</u>	<u>461,004</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ (20,996)</u>	<u>\$ 644,029</u>	<u>\$ 1,684,402</u>

## **Nonoperating Revenues and Expenses**

Nonoperating revenues primarily consist of investment income (loss) from investments restricted by donors, totaled \$(471,516) in 2022 and \$371,230 in 2021.

## **Transfer from UMC**

During the year ended September 30, 2020, the Children's Foundation received an equity transfer from UMC of \$461,004 related to the forgiveness of payables owed to UMC. This resulted in a reduction in payables and increase in net position during the year. No equity transfers were received in 2021 or 2022.

## **The Children's Foundation Cash Flows**

The Children's Foundation experienced an increase in cash and cash equivalents in 2022 due to a decrease in pledges receivable and increase in contribution revenue, and an increase in cash and cash equivalents in 2021 due to a decrease in pledges receivable and increase in investment income.

## ***Contributions to El Paso Children's***

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

In 2022, the Children's Foundation granted \$1,483,927 to El Paso Children's which consisted of medical equipment, building expansions and program support, including the following:

### **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 Children's 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, by the El Paso Children's Hospital.

Moreover, the Children's Foundation will continue to support the efforts of El Paso Children's Hospital by working together to identify the needs of El Paso Children's Hospital doctors, nurses, and service lines to keep young patients and their families from having to leave 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 Children's Foundation's Financial Management***

This financial report is designed to provide our stakeholders with a general overview of the Children's Foundation's finances and to show the Children's Foundation's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to El Paso Children's Hospital Foundation, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

**El Paso Children's Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Balance Sheets**  
**September 30, 2022 and 2021**

**Assets**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Contributions receivable	\$ 20,529	\$ 217,931
Prepaid expenses	189,191	102,407
Due from UMC Foundation	10,250	5,000
Pledges receivable	327,687	314,619
Total current assets	547,657	639,957
<b>Noncurrent Assets</b>		
Cash and cash equivalents restricted by donor	3,961,595	3,342,719
Investments restricted by donor	2,300,875	2,671,397
Pledges receivable, net	596,245	720,228
Total noncurrent cash and cash equivalents and pledges	6,858,715	6,734,344
Total assets	\$ 7,406,372	\$ 7,374,301

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Accounts payable	\$ 5,173	\$ 882
Unearned revenue	43,551	138,130
Due to affiliates	143,983	628
Total current liabilities	192,707	139,640
<b>Net Position</b>		
Restricted – expendable	4,750,409	4,389,386
Restricted – non-expendable	2,463,256	2,845,275
Total net position	7,213,665	7,234,661
Total liabilities and net position	\$ 7,406,372	\$ 7,374,301

**El Paso Children's Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Contribution revenue, net of provision for uncollectible accounts, 2022 – \$5,649 and 2021 – \$7,123	\$ 2,440,122	\$ 1,660,131
Contributed services	699,303	395,368
Total operating revenues	3,139,425	2,055,499
<b>Operating Expenses</b>		
Purchased services - salaries and benefits	505,160	369,757
Purchased services	326,816	141,220
Contributions to El Paso Children's	1,483,927	1,229,927
Contributions to others	84,954	72,426
Other	404,048	196,902
Total operating expenses	2,804,905	2,010,232
<b>Operating Income</b>	334,520	45,267
<b>Nonoperating Revenues</b>		
Investment income (loss)	(471,516)	371,230
<b>Contributions for Endowments</b>	116,000	227,532
<b>Increase (Decrease) in Net Position</b>	(20,996)	644,029
<b>Net Position, Beginning of Year</b>	7,234,661	6,590,632
<b>Net Position, End of Year</b>	\$ 7,213,665	\$ 7,234,661

**El Paso Children's Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Contribution revenue	\$ 2,648,610	\$ 2,123,076
Payments for purchased services - salaries and benefits	(505,160)	(369,757)
Payments for purchased services, contributions to others and other	(1,539,580)	(1,273,418)
Net cash provided by operating activities	603,870	479,901
<b>Noncapital Financing Activities</b>		
Contributions for endowments	116,000	227,532
Net cash provided by noncapital financing activities	116,000	227,532
<b>Investing Activities</b>		
Purchase of investments	(359,535)	(303,607)
Proceeds from disposition of investments	194,079	197,525
Interest income received	64,462	50,221
Net cash used in investing activities	(100,994)	(55,861)
<b>Increase in Cash and Cash Equivalents</b>	618,876	651,572
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,342,719	2,691,147
<b>Cash and Cash Equivalents, End of Year</b>	\$ 3,961,595	\$ 3,342,719
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 334,520	\$ 45,267
Change in operating assets and liabilities		
Pledges and contributions receivable	308,317	415,965
Due to/from UMC	143,355	(18,231)
Due to/from UMC Foundation	(5,250)	-
Other assets	(86,784)	2,756
Unearned revenue	(94,579)	46,980
Accounts payable	4,291	(12,836)
Net cash provided by operating activities	\$ 603,870	\$ 479,901

**El Paso Children's Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**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***

El Paso Children's Hospital Foundation (Children's Foundation), a Texas not for-profit corporation, is a component unit of the University Medical Center Foundation of El Paso (UMC Foundation). The Children's Foundation is the designated Internal Revenue Code Section 501(c)(3) charitable organization for El Paso Children's Hospital Corporation (El Paso Children's). UMC Foundation is the sole member of the Children's Foundation and, accordingly, the Children's Foundation is included in the financial statements of UMC Foundation. University Medical Center of El Paso (UMC) is the sole member of UMC Foundation. The Children's Foundation is a member of the Children's Miracle Network.

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

***Basis of Accounting and Presentation***

The financial statements of the Children's 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 Children's 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.

***Cash and Cash Equivalents***

The Children's 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 of money market accounts, savings deposits, and cash held in brokerage accounts.

**El Paso Children's Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Notes to Financial Statements**  
**September 30, 2022 and 2021**

***Investments and Investment Income***

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

Investment income 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 Children's Foundation. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Children's Foundation, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of restricted net position.

***Contributions and Pledges Receivable***

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

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

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

At September 30, 2022 and 2021, 58 percent and 73 percent of the gross pledge receivable balance was owed from two donors, respectively.



**El Paso Children's Hospital Foundation**  
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**Notes to Financial Statements**  
**September 30, 2022 and 2021**

***Unearned Revenue***

At September 30, 2022 and 2021, the Children's Foundation had unearned revenue of \$43,551 and \$138,130, respectively, resulting from entry and sponsorship fees received for events 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 consisted of management, accounting and fundraising activities performed by UMC.

***Income Taxes***

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

The Children's 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 Children's Foundation had bank balances of \$3,961,595, of which \$412,381 was insured and the remainder was uninsured and uncollateralized. At September 30, 2021, the Children's Foundation had bank balances \$3,342,719, of which \$423,879 was insured and the remainder was uninsured and uncollateralized.

**El Paso Children’s Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**Notes to Financial Statements**  
**September 30, 2022 and 2021**

**Investments**

At September 30, the Children’s Foundation had the following investments:

	<b>2022</b>	<b>2021</b>
U.S. equities	\$ 894,835	\$ 1,073,485
Exchange-traded funds and closed-end funds	279,902	348,139
Mutual funds	1,126,138	1,249,773
Total investments	\$ 2,300,875	\$ 2,671,397

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Children’s Foundation policy to be in compliance with Texas and federal law, including the *Texas Uniform Prudent Management of Institutional Funds Act*. In addition, the Children’s 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 Children’s 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 Children’s Foundation 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.

**El Paso Children’s Hospital Foundation**  
**A Component Unit of University Medical Center Foundation of El Paso**  
**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 Children’s Foundation. Total services donated to the Children’s Foundation by UMC were \$553,037 and \$326,257 during 2022 and 2021, respectively. These amounts are included in contributed services and purchased services in the statements of revenues, expenses, and changes in net position.

In addition, UMC pays for all the operating expenses of the Children’s Foundation and is subsequently repaid as the Children’s Foundation receives contributions. The Children’s Foundation had payables of \$132,733 and \$628 to UMC for these expenses at September 30, 2022 and 2021, respectively.

Some cash receipts relating to the Children’s Foundation are deposited into UMC Foundation bank accounts and are then subsequently transferred to the Children’s Foundation. At September 30, 2022 and 2021, \$14,396 and \$5,000 of cash receipts related to the Children’s Foundation had been deposited into UMC Foundation bank accounts, for which the Children’s Foundation has recorded a receivable for these expected cash receipts, respectively.

**Note 4: Pledges Receivable**

Pledge receivables for the Children’s Foundation consisted of the following:

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

Discount rates ranged from 3.83 percent to 4.25 percent at September 30, 2022 and 0.09 percent to 1.39 percent at September 30, 2021.

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**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>
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
En Voz Alta fund	6,367	6,367
Crime victims clinic fund	<u>251,670</u>	<u>251,670</u>
Total restricted expendable net position	<u>\$ 4,750,409</u>	<u>\$ 4,389,386</u>

**Note 6: Endowments**

The Children’s 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 2015, and no new commitments have been received from this donor.

The Children’s 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 Children’s Foundation had received the entire \$1,000,000 commitment by 2019.

The Children’s 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 Children’s Foundation has received an aggregate of \$400,407 and \$390,407, respectively, from the respective donors relating to this commitment.

The Children’s 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 Children’s Foundation received \$190,000 and \$150,000, respectively, from Southwest University relating to this commitment.

The Children’s 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.

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The Children's 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 Children's 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 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:

**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

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***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities (in thousands) 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 (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>September 30, 2022</b>				
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>\$ 2,300,875</u>	<u>\$ 2,300,875</u>	<u>\$ -</u>	<u>\$ -</u>
<b>September 30, 2021</b>				
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>\$ 2,671,397</u>	<u>\$ 2,671,397</u>	<u>\$ -</u>	<u>\$ -</u>

***Investments***

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