




El Paso Children's Hospital Foundation

A Component Unit of University Medical Center Foundation of El Paso

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

December 31, 2023 and 2022



El Paso Children’s Hospital Foundation
A Component Unit of University Medical Center Foundation of El Paso
September 30, 2023 and 2022

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

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 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.

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 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 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 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 15, 2023**

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

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 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 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, 2023 and 2022

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, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Children’s Foundation.

Financial Highlights

- At September 30, 2023, contributions and pledges receivable, net of discount and allowance, totaled \$2,102,749.
- At September 30, 2023, the Children’s Foundation had restricted cash and cash equivalents of \$4,183,744.
- The Children’s Foundation reported operating revenue of \$4,450,195 for the year ended September 30, 2023, of which \$899,855 was contributed services and \$3,550,340 was contribution revenue, net of the provision for uncollectible accounts.
- The Children’s Foundation had restricted investments of \$2,935,012 at September 30, 2023.
- The Children’s Foundation contributed \$1,465,575 to El Paso Children’s and \$209,570 to other organizations during 2023.

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

	2023	2022	2021
Assets			
Contributions and pledges receivable	\$ 2,102,749	\$ 944,461	\$ 1,252,778
Prepaid expenses	49,187	189,191	102,407
Due from UMC Foundation	-	10,250	5,000
Investments restricted by donor	2,935,012	2,300,875	2,671,397
Restricted cash and cash equivalents	<u>4,183,744</u>	<u>3,961,595</u>	<u>3,342,719</u>
Total assets	<u>\$ 9,270,692</u>	<u>\$ 7,406,372</u>	<u>\$ 7,374,301</u>
Liabilities			
Total liabilities	<u>\$ 59,790</u>	<u>\$ 192,707</u>	<u>\$ 139,640</u>
Net Position			
Restricted – expendable	6,175,154	4,750,409	4,389,386
Restricted – non-expendable	<u>3,035,748</u>	<u>2,463,256</u>	<u>2,845,275</u>
Total net position	<u>9,210,902</u>	<u>7,213,665</u>	<u>7,234,661</u>
Total liabilities and net position	<u>\$ 9,270,692</u>	<u>\$ 7,406,372</u>	<u>\$ 7,374,301</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, 2023, 2022 and 2021.

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues			
Contribution revenue	\$ 3,550,340	\$ 2,440,122	\$ 1,660,131
Contributed services	<u>899,855</u>	<u>699,303</u>	<u>395,368</u>
Total operating revenues	<u>4,450,195</u>	<u>3,139,425</u>	<u>2,055,499</u>
Operating Expenses			
Purchased services	998,556	831,976	510,977
Contributions	1,675,145	1,568,881	1,302,353
Other	<u>377,506</u>	<u>404,048</u>	<u>196,902</u>
Total operating expenses	<u>3,051,207</u>	<u>2,804,905</u>	<u>2,010,232</u>
Operating Income	1,398,988	334,520	45,267
Nonoperating Revenues			
Investment income (loss)	378,042	(471,516)	371,230
Contributions for Endowments	<u>220,207</u>	<u>116,000</u>	<u>227,532</u>
Increase (Decrease) in Net Position	<u>\$ 1,997,237</u>	<u>\$ (20,996)</u>	<u>\$ 644,029</u>

Nonoperating Revenues and Expenses

Nonoperating revenues primarily consist of investment income (loss) from investments restricted by donors, totaled \$378,042 in 2023 and \$(471,516) in 2022.

The Children's Foundation Cash Flows

The Children's Foundation experienced an increase in cash and cash equivalents in 2023 due to an increase in contribution revenue, and an increase in cash and cash equivalents in 2022 due to a decrease in pledges receivable and increase in contribution revenue.

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 2023, the Children's Foundation granted \$1,465,575 to El Paso Children's which consisted of medical equipment, building expansions and program support, including the following:

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 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, 2023 and 2022

Assets

	2023	2022
Current Assets		
Contributions receivable	\$ 464,715	\$ 20,529
Prepaid expenses	49,187	189,191
Due from UMC Foundation	-	10,250
Pledges receivable	476,250	327,687
Total current assets	990,152	547,657
Noncurrent Assets		
Cash and cash equivalents restricted by donor	4,183,744	3,961,595
Investments restricted by donor	2,935,012	2,300,875
Contributions receivable	400,000	-
Pledges receivable, net	761,784	596,245
Total noncurrent cash and cash equivalents and pledges	8,280,540	6,858,715
Total assets	\$ 9,270,692	\$ 7,406,372

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 4,721	\$ 5,173
Unearned revenue	5,000	43,551
Due to affiliates	50,069	143,983
Total current liabilities	59,790	192,707
Net Position		
Restricted – expendable	6,175,154	4,750,409
Restricted – non-expendable	3,035,748	2,463,256
Total net position	9,210,902	7,213,665
Total liabilities and net position	\$ 9,270,692	\$ 7,406,372

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Contribution revenue, net of provision for uncollectible accounts, 2023 – \$876 and 2022 – \$5,649	\$ 3,550,340	\$ 2,440,122
Contributed services	<u>899,855</u>	<u>699,303</u>
Total operating revenues	<u>4,450,195</u>	<u>3,139,425</u>
Operating Expenses		
Purchased services - salaries and benefits	628,615	505,160
Purchased services	369,941	326,816
Contributions to El Paso Children's	1,465,575	1,483,927
Contributions to others	209,570	84,954
Other	<u>377,506</u>	<u>404,048</u>
Total operating expenses	<u>3,051,207</u>	<u>2,804,905</u>
Operating Income	1,398,988	334,520
Nonoperating Revenues		
Investment income (loss)	378,042	(471,516)
Contributions for Endowments	<u>220,207</u>	<u>116,000</u>
Increase (Decrease) in Net Position	1,997,237	(20,996)
Net Position, Beginning of Year	<u>7,213,665</u>	<u>7,234,661</u>
Net Position, End of Year	<u>\$ 9,210,902</u>	<u>\$ 7,213,665</u>

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, 2023 and 2022

	2023	2022
Operating Activities		
Contribution revenue	\$ 2,288,543	\$ 2,648,610
Payments for purchased services - salaries and benefits	(628,615)	(505,160)
Payments for purchased services, contributions to others and other	<u>(1,477,099)</u>	<u>(1,539,580)</u>
Net cash provided by operating activities	<u>182,829</u>	<u>603,870</u>
Noncapital Financing Activities		
Contributions for endowments	<u>220,207</u>	<u>116,000</u>
Net cash provided by noncapital financing activities	<u>220,207</u>	<u>116,000</u>
Investing Activities		
Purchase of investments	(1,114,889)	(359,535)
Proceeds from disposition of investments	851,225	194,079
Interest income received	<u>82,777</u>	<u>64,462</u>
Net cash used in investing activities	<u>(180,887)</u>	<u>(100,994)</u>
Increase in Cash and Cash Equivalents	222,149	618,876
Cash and Cash Equivalents, Beginning of Year	<u>3,961,595</u>	<u>3,342,719</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,183,744</u>	<u>\$ 3,961,595</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,398,988	\$ 334,520
Change in operating assets and liabilities		
Pledges and contributions receivable	(1,233,496)	308,317
Due to/from UMC	(93,914)	143,355
Due to/from UMC Foundation	10,250	(5,250)
Other assets	140,004	(86,784)
Unearned revenue	(38,551)	(94,579)
Accounts payable	<u>(452)</u>	<u>4,291</u>
Net cash provided by operating activities	<u>\$ 182,829</u>	<u>\$ 603,870</u>

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

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, 2023 and 2022, 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, 2023 and 2022

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

Net position 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 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.

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, 2023 and 2022, 67 percent and 58 percent of the gross pledge receivable balance was owed from four donors and two donors, respectively.

At September 30, 2023, 94 percent of the gross contribution receivable balance was owed from two donors.

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

Unearned Revenue

At September 30, 2023 and 2022, the Children’s Foundation had unearned revenue of \$5,000 and \$43,551, 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 (IRC) 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, 2023, the Children’s Foundation had bank balances of \$4,183,744, of which \$350,736 was insured and the remainder was uninsured and uncollateralized. At September 30, 2022, the Children’s Foundation had bank balances \$3,961,595, of which \$412,381 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, 2023 and 2022

Investments

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

	<u>2023</u>	<u>2022</u>
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>\$ 2,935,012</u>	 <u>\$ 2,300,875</u>

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, 2023 and 2022

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 \$707,867 and \$553,037 during 2023 and 2022, 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 \$50,069 and \$132,733 to UMC for these expenses at September 30, 2023 and 2022, 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, 2023 and 2022, \$5,822 and \$14,396 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 at September 30:

	2023	2022
Due within one year	\$ 476,250	\$ 327,687
Due in one to five years	954,549	729,299
	1,430,799	1,056,986
Less		
Allowance for uncollectible pledges	10,932	15,057
Unamortized discount	181,833	117,997
	\$ 1,238,034	\$ 923,932

Discount rates ranged from 4.80 percent to 5.49 percent at September 30, 2023 and 3.83 percent to 4.25 percent at September 30, 2022.

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

Note 5: Contributions Receivable

Contribution receivables for the Children’s Foundation consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 464,715	\$ 20,529
Due in one to five years	<u>400,000</u>	<u>-</u>
	<u>\$ 864,715</u>	<u>\$ 20,529</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.

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>
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
En Voz Alta fund	6,392	6,367
Crime victims clinic fund	<u>251,670</u>	<u>251,670</u>
Total restricted expendable net position	<u>\$ 6,175,154</u>	<u>\$ 4,750,409</u>

Note 7: Endowments

The Children’s 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 Children's Foundation received of \$220,207 and \$116,000, 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.

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

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 (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, 2023 and 2022.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
U.S. equities	\$ 658,511	\$ 658,511	\$ -	\$ -
Exchange-traded funds and closed-end funds	940,954	940,954	-	-
Mutual funds	1,335,547	1,335,547	-	-
Total investments	<u>\$ 2,935,012</u>	<u>\$ 2,935,012</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2022				
U.S. equities	\$ 894,835	\$ 894,835	\$ -	\$ -
Exchange-traded funds and closed-end funds	279,902	279,902	-	-
Mutual funds	1,126,138	1,126,138	-	-
Total investments	<u>\$ 2,300,875</u>	<u>\$ 2,300,875</u>	<u>\$ -</u>	<u>\$ -</u>

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

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.