Paso del Norte Community Foundation
and
Supporting Organizations

Consolidated Financial Statements
and Single Audit Reports
for the year ended December 31, 2022

Paso del Norte Community Foundation and Supporting Organizations

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Independent Auditors' Report

To the Board of Directors of
Paso del Norte Community Foundation and
Paso del Norte Health Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paso del Norte Community Foundation and Supporting Organizations, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Paso del Norte Community Foundation and Supporting Organizations as of December 31, 2022 and 2021, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Paso del Norte Community Foundation and Supporting Organizations 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 Paso del Norte Community Foundation and Supporting Organizations' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Paso del Norte Community Foundation and Supporting Organizations' 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 Paso del Norte Community Foundation and Supporting Organizations' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended December 31, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 on our consideration of Paso del Norte Community Foundation and Supporting Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Paso del Norte Community Foundation and Supporting Organizations' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paso del Norte Community Foundation and Supporting Organizations' internal control over financial reporting and compliance.

Blazek & Vetterling

September 21, 2023

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position as of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 7,758,055	$ 4,166,284
Prepaid expenses and miscellaneous receivables	636,337	893,055
Contributions receivable, net *(Note 3)*	7,052,423	9,700,692
Investments *(Note 4)*	281,143,758	305,497,606
Operating right-of-use assets *(Note 5)*	520,124	–
Finance right-of-use assets *(Note 5)*	19,702	–
Property, net *(Note 6)*	172,797	136,615
TOTAL ASSETS	$ 297,303,196	$ 320,394,252
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 826,075	$ 365,350
Operating lease liability *(Note 5)*	525,188	–
Finance lease liability *(Note 5)*	20,529	–
Grants payable *(Note 8)*	10,853,684	11,549,322
Total liabilities	12,225,476	11,914,672
Commitments and contingencies *(Notes 4, 8, and 10)*		
Net assets:		
Without donor restrictions	274,810,942	297,642,244
With donor restrictions *(Note 7)*	10,266,778	10,837,336
Total net assets	285,077,720	308,479,580
TOTAL LIABILITIES AND NET ASSETS	$ 297,303,196	$ 320,394,252

See accompanying notes to consolidated financial statements.

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Contributions	$ 22,283,249	$ 3,444,731	$ 25,727,980
Government grants *(Note 10)*	–	12,979,920	12,979,920
Other income	110,279	–	110,279
Total revenue	22,393,528	16,424,651	38,818,179
Net assets released from restrictions:			
Program expenditures	16,939,823	(16,939,823)	–
Total	39,333,351	(515,172)	38,818,179
EXPENSES:			
Program expenses:			
Grants awarded	29,446,817	–	29,446,817
Program management	2,667,256	–	2,667,256
Total program expenses	32,114,073	–	32,114,073
Management and general	1,638,655	–	1,638,655
Total expenses	33,752,728	–	33,752,728
OTHER CHANGES:			
Net investment return *(Note 4)*	(28,411,925)	(55,386)	(28,467,311)
CHANGES IN NET ASSETS	(22,831,302)	(570,558)	(23,401,860)
Net assets, beginning of year	297,642,244	10,837,336	308,479,580
Net assets, end of year	$ 274,810,942	$ 10,266,778	$ 285,077,720

See accompanying notes to consolidated financial statements.

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Contributions	$ 8,209,825	$ 2,114,456	$ 10,324,281
Government grants *(Note 10)*	–	19,238,125	19,238,125
Grant reversions and rescissions	178,240	–	178,240
Other income	19,431	–	19,431
Total revenue	8,407,496	21,352,581	29,760,077
Net assets released from restrictions:			
Program expenditures	22,256,449	(22,256,449)	–
Total	30,663,945	(903,868)	29,760,077
EXPENSES:			
Program expenses:			
Grants awarded	31,535,022	–	31,535,022
Program management	2,785,780	–	2,785,780
Total program expenses	34,320,802	–	34,320,802
Management and general	1,443,220	–	1,443,220
Total expenses	35,764,022	–	35,764,022
OTHER CHANGES:			
Net investment return *(Note 4)*	44,449,447	–	44,449,447
CHANGES IN NET ASSETS	39,349,370	(903,868)	38,445,502
Net assets, beginning of year	258,292,874	11,741,204	270,034,078
Net assets, end of year	$ 297,642,244	$ 10,837,336	$ 308,479,580

See accompanying notes to consolidated financial statements.

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Functional Expenses for the years ended December 31, 2022 and 2021

EXPENSES	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	2022 TOTAL
Grants	$ 29,446,817	$ –	$ 29,446,817
Salaries and related benefits	1,218,739	1,110,565	2,329,304
Professional fees	1,141,111	175,475	1,316,586
Occupancy	92,247	82,216	174,463
Telephone and technology	84,716	76,349	161,065
Depreciation	21,769	20,597	42,366
Other	108,674	173,453	282,127
Total expenses	$ 32,114,073	$ 1,638,655	$ 33,752,728

EXPENSES	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	2021 TOTAL
Grants	$ 31,535,022	$ –	$ 31,535,022
Salaries and related benefits	1,179,731	974,694	2,154,425
Professional fees	1,275,835	164,451	1,440,286
Occupancy	96,256	59,499	155,755
Telephone and technology	97,953	65,643	163,596
Depreciation	43,601	38,243	81,844
Other	92,404	140,690	233,094
Total expenses	$ 34,320,802	$ 1,443,220	$ 35,764,022

See accompanying notes to consolidated financial statements.

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (23,401,860)	$ 38,445,502
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Investment return:		
Common trust funds and partnerships	(15,668,854)	(31,571,196)
Net realized and unrealized (gain) loss on investments	43,746,738	(13,312,775)
Depreciation	42,366	81,844
Amortization of finance right-of-use assets	8,153	–
Changes in operating assets and liabilities:		
Prepaid expenses and miscellaneous receivables	256,718	(568,382)
Contributions receivable	2,648,269	1,754,470
Accounts payable and accrued expenses	460,725	(191,407)
Operating lease assets and liability	5,773	–
Grants payable	(695,638)	(1,217,433)
Paycheck Protection Program refundable advances	–	(319,400)
Net cash provided (used) by operating activities	7,402,390	(6,898,777)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment sales and distributions	23,689,188	37,999,627
Investment purchases and partnership capital contributions	(27,749,926)	(29,154,997)
Net change in money market mutual funds held as investments	336,702	(1,509,937)
Purchase of property	(78,548)	(33,725)
Net cash provided (used) by investing activities	(3,802,584)	7,300,968
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on finance lease liability	(8,035)	–
Repayment of note payable	–	(889,978)
Net cash used by financing activities	(8,035)	(889,978)
NET CHANGE IN CASH	3,591,771	(487,787)
Cash, beginning of year	4,166,284	4,654,071
Cash, end of year	$ 7,758,055	$ 4,166,284

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Paso del Norte Community Foundation (PdNCF) was formed in 2013 as a Texas nonprofit public charity located in El Paso, Texas to support the philanthropic goals of individuals, corporations, foundations, and nonprofit organizations to improve health, education, social services, economic development, and quality of life in the Paso del Norte region. PdNCF manages donor-advised funds, designated funds, and long-term endowment funds to support the interests of donors and the needs of nonprofit organizations and charitable causes in the region.

Paso del Norte Health Foundation (PdNHF), a Texas nonprofit organization located in El Paso, Texas, was organized in 1995 following the sale of certain assets of Providence Memorial Hospital. The mission of PdNHF is to lead, leverage, and invest in initiatives, programs, and policies that promote health and prevent disease in the Paso del Norte region. PdNHF provides grants to fund programs and is engaged in activities that provide charitable assistance, training and educational support for the promotion of general physical and mental health, principally for the benefit of the general population of El Paso, Texas, and the surrounding region.

First Light Community Foundation (FLCF) was formed in 2015 as a Texas nonprofit public charity located in El Paso, Texas to provide financial education and scholarships.

One Fund El Paso (OFEP) was formed in 2019 by PdNCF and the El Paso Community Foundation as a Texas nonprofit public charity located in El Paso, Texas. It was established as a supporting organization to PdNCF and El Paso Community Foundation to facilitate the distribution of approximately $11.8 million in philanthropic contributions to support the victims and families of the tragic shooting of August 3, 2019, and future collaborations, as needed. As of December 31, 2019, OFEP has distributed all contributions received for its intended purpose. OFEP continues to exist to support future crises, if needed.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of PdNCF, PdNHF, FLCF, and OFEP (collectively the Foundation). All balances and transactions between these consolidated entities have been eliminated.

Affiliated organization – The Fundacion Paso del Norte para la Salud y Bienestar, A. C. (Fundacion), a not-for-profit civil association in Ciudad Juarez, Chihuahua, Mexico, was formed in 2015 to inspire and grow philanthropic giving and advance partnerships and initiatives to improve health and well-being in Ciudad Juarez. While Fundacion was created by PdNHF, and is supported by PdNCF and PdNHF, it has a self-perpetuating Board of Directors. Fundacion is not controlled by the Foundation, and it is not included in these consolidated financial statements.

Federal income tax status – PdNCF is exempt from income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public charity under §170(b)(1)(A)(vi). PdNHF is exempt from federal income tax under §501(c)(3) of the Code and is further described as a Type 1 supporting organization under §509(a)(3). FLCF and OFEP are exempt from federal income tax under §501(c)(3) of the Code and are further described as Type 1 supporting organizations under §509(a)(3). PdNCF, PdNHF, FLCF, and OFEP are subject to income tax on unrelated business income.

Cash – The Foundation maintains deposits in six financial institutions, which may at times, exceed the federally insured limit per depositor per institution. The Foundation reviews the financial stability of financial institutions in which it maintains deposits.

Investments are reported at fair value. Realized gains and losses on securities sold are determined using the specific identification method and original cost. Purchases and sales of investments are reported on a trade-date basis. Unrealized gains and losses on investments arise from increases or decreases in fair value. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions.

Property – All property acquired with a value of $5,000 or greater and with a life expectancy of more than one year is capitalized and reported at cost. Maintenance and repairs are charged to expense as incurred. Property is depreciated using the straight-line method over the estimated useful lives of 10 years for leasehold improvements and 3 to 15 years for furniture, fixtures, and equipment.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or used for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the contributions are recognized. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. Funding received before conditions are met is reported as refundable contributions.

Grants are recognized as expense when the Foundation approves an unconditional commitment to a grant recipient. Commitments made but not yet funded are reported as grants payable and are discounted to estimate the present value of future cash flows, if material. Conditional grants are subject to one or more barriers that must be overcome before the recipient is entitled to receive or retain funding. Conditional grants are recognized in the same manner when the conditions are met by the recipient.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Expenses that are not directly attributable to grants, the related programming or management and general are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets totaled $296 million at December 31, 2022 and $320 million at December 31, 2021. The majority of the Foundation's financial assets are investments which are managed to provide long-term appreciation and current income to support the Foundation's general expenditures for philanthropic activities in El Paso and the surrounding region. Other than $116 million of donor-restricted net assets and partnership interests with redemption restrictions at December 31, 2022 and $116 million at December 31, 2021, the Foundation's financial assets are available to be spent at the discretion of the Board of Directors to support general expenditures in the following year. The Foundation approves an annual spending level each year as part of the budget process, and through prudent investing activities and spending policies, structures its financial assets to be available to fund general expenditures and liabilities as they become due.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2022	2021
Contributions receivable	$ 7,424,682	$ 10,227,750
Discount to net present value ranging from 0.16% to 2.83%	(372,259)	(527,058)
Contributions receivable, net	$ 7,052,423	$ 9,700,692

Contributions receivable at December 31, 2022 are expected to be collected as follows:

Less than one year	$ 748,247
One to five years	2,781,385
More than five years	3,895,050
Total contributions receivable	$ 7,424,682

In 2022, PdNCF received a conditional 5-year matching gift of up to $1,000,000 to support Fundacion. Payments from this gift will be received periodically as funds are raised and received by Fundacion. PdNCF will recognize the contribution when the conditions are met. As of December 31, 2022, $400,000 of this matching gift has been recognized and $600,000 remains conditional.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment Composition

The Foundation's investments are summarized as follows:

	2022		2021	
	FAIR VALUE	COST	FAIR VALUE	COST
Common trust funds	$ 170,488,290	$ 209,012,578	$ 195,502,451	$ 193,056,667
Partnerships	106,078,230	68,664,564	105,083,568	62,007,064
Money market mutual funds	4,568,355	4,568,355	4,905,057	4,905,057
Common stock	8,883	33,714	6,530	34,160
Total investments	$ 281,143,758	$ 282,279,211	$ 305,497,606	$ 260,002,948

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Fair Value Measurements

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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.

The inputs used to measure assets reported at fair value are categorized as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. There are no investments categorized as Level 3 investments at December 31, 2022 and 2021.
- *NAV-PE* – Investments which do not have a readily determinable fair value and are not traded on a public exchange are measured using net asset value per share (or its equivalent) as a practical expedient and are not required to be categorized by level in the fair value hierarchy.

Assets measured at fair value at December 31, 2022 are as follows:

	LEVEL 1	LEVEL 2	NAV-PE	TOTAL
Investments:				
Common trust funds:				
Domestic market index	$ –	$ 78,740,515	$ –	$ 78,740,515
Domestic fixed-income index	–	48,781,377	–	48,781,377
International equity	–	42,966,398	–	42,966,398
Partnerships	–	–	106,078,230	106,078,230
Money market mutual funds	4,568,355	–	–	4,568,355
Common stock	8,883	–	–	8,883
Total investments measured at fair value	$ 4,577,238	$ 170,488,290	$ 106,078,230	$ 281,143,758

Assets measured at fair value at December 31, 2021 are as follows:

	LEVEL 1	LEVEL 2	NAV-PE	TOTAL
Investments:				
Common trust funds:				
Domestic market index	$ –	$ 88,932,210	$ –	$ 88,932,210
Domestic fixed-income index	–	54,201,680	–	54,201,680
International equity	–	52,368,561	–	52,368,561
Partnerships	–	–	105,083,568	105,083,568
Money market mutual funds	4,905,057	–	–	4,905,057
Common stock	6,530	–	–	6,530
Total investments measured at fair value	$ 4,911,587	$ 195,502,451	$ 105,083,568	$ 305,497,606

Valuation methods used to measure assets reported at fair value are as follows:

- *Common trust* and *mutual funds* are valued at net asset value.
- *Partnerships* are valued using the net asset value per share (or its equivalent) provided by the fund manager.
- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Common trust funds and partnerships

Common trust funds and partnerships (collectively the funds and partnerships) maintain multiple global and domestic strategies. These investments include both publicly and privately traded equity and fixed-income securities in both foreign and domestic markets. In the normal course of operations, the funds and partnerships may enter into various contractual commitments involving forward settlements including future contracts, forward foreign currency contracts, short sales of securities, swap contracts, and writing of option contracts. Commitments involving future settlements give rise to off-balance-sheet market risk, which represents the potential for an accounting loss that can be caused by a change in the market value of a particular investment. Concentrations of credit risk may exist if a number of companies in which the funds and partnerships invest are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. To mitigate exposure to concentrations of credit risk, the funds and partnerships invest in a variety of industries located in diverse geographic areas.

Legal, tax and regulatory changes could occur during the term of the Foundation's investments in the funds and partnerships. The regulatory environment for these types of investment funds is evolving, and changes in regulations may adversely affect the value of investments held by the Foundation. The Foundation believes that the effect of any future regulatory change in the Foundation's assets would likely not be substantial.

Details of the Foundation's investments in partnerships are as follows:

STRATEGY	2022 FAIR VALUE	2021 FAIR VALUE	REMAINING LIFE FOR LOCK-OUT PERIOD	REDEMPTION TERMS
Private equity funds – Invest in a diversified portfolio of partnerships that invest in loans to middle market companies, debt and equity financing, leveraged buyouts, venture capital, technology and healthcare and an international portfolio that includes European partnership investments.	$71,927,726	$74,899,820	Funds dissolve between 2022 and 2035 subject to extension or early termination. May be further extended by the general partner subject to approval by the limited partners.	Distributions are made solely at the discretion of the general partners. The Foundation has no ability for redemption, except in limited cases.
Real estate – Invests primarily in institutional quality properties in the United States.	$24,419,186	$18,441,551	None.	Quarterly liquidity with 45-days' notice. The general partner is not required to liquidate or encumber assets to satisfy redemption requests and may defer requests.
Emerging markets – Invest in emerging market equity securities with the goal of capital appreciation.	$5,165,809	$6,029,356	None.	Monthly liquidity with 10-days' notice. The general partner may suspend or limit withdrawals.
Opportunistic – Invests in public corporate, securitized and structure credit, opportunistic credit, and public and private real estate credit.	$4,565,509	$5,712,841	None.	Distributions are made solely at the discretion of the general partners.
Total	$106,078,230	$105,083,568		

The Foundation has unfunded alternative investment commitments of approximately $23.2 million at December 31, 2022.

After year end, the board approved an additional $3 million commitment to a real estate investment fund.

Net investment return consists of the following:

	2022	2021
Common trust funds and partnerships	$ 15,668,854	$ 31,571,196
Net realized and unrealized gain (loss) on investments	(47,694,899)	13,312,775
Net realized gain on securities litigation	3,948,161	–
Interest and dividends	101,172	34,887
Investment management fees	(490,599)	(469,411)
Net investment return	$ (28,467,311)	$ 44,449,447

NOTE 5 – LEASES

The Foundation adopted Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022. There was no cumulative effect at the date of adoption and prior year amounts and disclosures were not restated. The Foundation has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term. The Foundation elected to use its incremental borrowing rate as the discount rate when the rate implicit in a lease is not readily determinable.

The Foundation has one operating lease for office space in El Paso, Texas and one finance lease for office equipment. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Components of lease costs for the year ended December 31, 2022:

Operating lease costs	$ 160,753
Finance lease costs:	
Amortization of right-of-use assets	8,153
Interest on lease liabilities	809
Total lease costs	$ 169,715

Lease costs recognized during the year ended December 31, 2021, prior to adoption of the new accounting standard, were $106,681.

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022:

Operating leases – operating cash outflows	$157,976
Finance leases:	
Operating cash outflows	$809
Financing cash outflows	$8,035

Weighted-average lease term and discount rates at December 31, 2022:

	OPERATING	FINANCE
Weighted-average remaining lease term	39 months	29 months
Weighted-average discount rate	3.25%	3.25%

Undiscounted cash flows related to lease liabilities at December 31, 2022:

	OPERATING	FINANCE
2023	$ 159,936	$ 8,844
2024	161,896	8,844
2025	163,857	3,685
2026	68,614	–
Total undiscounted cash flows	554,303	21,373
Less discount to present value	(29,115)	(844)
Total discounted present value of lease liabilities	$ 525,188	$ 20,529

In January 2023, the Foundation entered into an operating lease agreement for office equipment that will commence in 2023. The agreement requires payments of $459 per month for 60 months. The Foundation will recognize an operating right-of-use asset and a lease liability when this lease agreement commences in 2023.

NOTE 6 – PROPERTY

Property consists of the following:

	2022	2021
Leasehold improvements	$ 963,751	$ 963,751
Furniture, fixtures, and equipment	499,165	444,682
Total property, at cost	1,462,916	1,408,433
Accumulated depreciation	(1,290,119)	(1,271,818)
Property, net	$ 172,797	$ 136,615

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Bracero Project	$ 698,085	$ 743,625
Fundacion	321,446	257,704
Downtown Deck Plaza	273,442	–
Coronavirus relief	551	54,775
Various purposes	294,155	80,540
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	7,526,621	9,700,692
Endowment subject to spending policy and appropriation:		
Lois Helen Cole Endowment Fund – Alpine Humane Society	1,152,478	–
Total net assets with donor restrictions	$ 10,266,778	$ 10,837,336

During 2022, the Foundation received donor-restricted contributions of approximately $1,279,000 establishing the *Lois Helen Cole Endowment Fund* to provide support to the Humane Society. The Endowment is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA), which provides guidelines for prudent spending in the absence of explicit donor stipulations. This fund is being administered in accordance with explicit donor stipulations. The amount specified by the donor to be maintained in perpetuity of $1,000,000 is not reduced by investment losses or by approved distributions from the Endowment. During 2022, the fund distributed approximately $71,000 to the Humane Society after recognizing a net investment loss of approximately $55,000.

NOTE 8 – GRANTS PAYABLE AND GRANT COMMITMENTS

At December 31, 2022, grants approved and committed for future payments are payable as follows:

2023	$ 2,875,320
2024	731,509
2025	438,402
2026	942,128
2027	950,136
Thereafter	4,916,189
Total grants payable	$ 10,853,684

The Board of Directors of the Foundation has approved grants to be paid in future years that depend on the occurrence of specified future and uncertain events to bind the Foundation and are therefore considered conditional grants. As of December 31, 2022, conditional grants of approximately $5,200,000 had been approved, but not recognized in the financial statements as the conditions had not been substantially met.

NOTE 9 – RETIREMENT SAVINGS PLAN

The Foundation has a noncontributory simplified employee pension plan (the Plan) that provides retirement benefits to employees who have attained 21 years of age and six months of continuous service. The Foundation may contribute a discretionary amount to the Plan, as determined by the Board of Directors. Employees are 100% vested in the Foundation's contributions when eligible to participate. The Foundation's contributions to the Plan totaled approximately $178,000 during 2022 and $165,000 during 2021.

NOTE 10 – GOVERNMENT GRANTS

The Foundation recognized government grants from the U. S. Department of the Treasury and the U. S. Department of Housing and Urban Development, which were passed through the City and County of El Paso. These grants require compliance with contract provisions and are subject to review and audit by the U. S. Department of the Treasury, the U. S. Department of Housing and Urban Development, and the City and County of El Paso. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by the Foundation with the terms of the grants. Management believes such disallowances, if any, would not be material to the Foundation's financial position or changes in net assets.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Paso del Norte Community Foundation and Supporting Organizations

Schedule of Expenditures of Federal Awards for the year ended December 31, 2022

FEDERAL GRANTOR Pass-through Grantor Program Title & Period	Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF THE TREASURY					
Passed through City of El Paso:					
COVID-19 – Emergency Rental Assistance Program					
#1 04/12/21 – 06/30/22	21.023	21-1052	$13,099,166	$ 3,062,347	$ 3,062,347
#2 12/01/21 – 07/31/22	21.023	21-1039	$13,400,000	6,734,998	6,429,631
Coronavirus State and Local Fiscal Recovery Funds					
#3 04/07/22 – 10/31/22	21.027	21-1056	$294,421	294,421	232,437
Subtotal passed through City of El Paso				10,091,766	9,724,415
Passed through County of El Paso:					
COVID-19 – Emergency Rental Assistance Program					
#4 04/19/21 – 05/31/22	21.023	21-0270	$4,382,406	2,888,155	2,826,528
Subtotal passed through County of El Paso				2,888,155	2,826,528
TOTAL FEDERAL AWARDS				$ 12,979,921	$ 12,550,943

Federal expenditures by Assistance Listing Number:	
Assistance Listing Number 21.023	$ 12,685,500
Assistance Listing Number 21.027	294,421
TOTAL FEDERAL AWARDS	$ 12,979,921

See accompanying note to schedule of expenditures of federal awards.

Paso del Norte Community Foundation and Supporting Organizations

Note to Schedule of Expenditures of Federal Awards for the year ended December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards (the schedule) is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Federal expenditures include allowable costs funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and the U. S. Department of the Treasury and include costs that are recognized in the Foundation's financial statements in conformity with generally accepted accounting principles. The Foundation has elected not to use the 10% de minimus rate for indirect costs.

Subrecipient expenditures – In accordance with the Uniform Guidance, subrecipient expenditures are reported in the schedule when distributed as agreed to through contracts with subrecipients.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Paso del Norte Community Foundation and
Paso del Norte Health Foundation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Paso del Norte Community Foundation and Supporting Organizations (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, of functional expenses, and of cash flows as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

September 21, 2023

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Paso del Norte Community Foundation and
Paso del Norte Health Foundation:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Paso del Norte Community Foundation and Supporting Organizations' (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2022. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

September 21, 2023

Paso del Norte Community Foundation and Supporting Organizations

Schedule of Findings and Questioned Costs for the year ended December 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? ☐ yes ☒ no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.023	Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards.*

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).