

**Paso del Norte Community Foundation
and
Supporting Organizations**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

Paso del Norte Community Foundation and Supporting Organizations

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of December 31, 2019 and 2018	3
Consolidated Statement of Activities for the year ended December 31, 2019	4
Consolidated Statement of Activities for the year ended December 31, 2018	5
Consolidated Statements of Functional Expenses for the years ended December 31, 2019 and 2018	6
Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018	7
Notes to Consolidated Financial Statements for the years ended December 31, 2019 and 2018	8
Supplementary Information:	
Consolidating Statement of Financial Position as of December 31, 2019	17
Consolidating Statement of Activities for the year ended December 31, 2019	18
Consolidating Statement of Financial Position as of December 31, 2018	19
Consolidating Statement of Activities for the year ended December 31, 2018	20

Independent Auditors' Report

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

We have audited the accompanying financial statements of Paso del Norte Community Foundation and Supporting Organizations, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paso del Norte Community Foundation and Supporting Organizations as of December 31, 2019 and 2018 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating financial statements on pages 17 through 20 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 our audits 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.

Blazek & Vetterling

September 22, 2020

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 2,930,168	\$ 1,268,351
Prepaid expenses and accounts receivable	533,651	347,333
Unsettled investment trade receivable	–	1,000,008
Partnership capital call receivable	412,272	–
Contributions receivable, net (Note 3)	2,623,170	66,844
Investments (Note 4)	254,044,271	225,920,179
Playa Drain Trail project in process (Note 7)	–	2,373,148
Property, net (Note 5)	<u>269,351</u>	<u>389,563</u>
TOTAL ASSETS	<u>\$ 260,812,883</u>	<u>\$ 231,365,426</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 561,437	\$ 691,387
Grants payable (Note 8)	<u>2,517,281</u>	<u>6,696,036</u>
Total liabilities	<u>3,078,718</u>	<u>7,387,423</u>
Net assets:		
Without donor restrictions	254,393,905	223,782,786
With donor restrictions (Note 7)	<u>3,340,260</u>	<u>195,217</u>
Total net assets	<u>257,734,165</u>	<u>223,978,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 260,812,883</u>	<u>\$ 231,365,426</u>

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, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Net investment return <i>(Note 4)</i>	\$ 39,416,914	\$ —	\$ 39,416,914
Contributions	5,430,328	9,357,600	14,787,928
Grant reversions and rescissions	2,546,940	—	2,546,940
Other income	<u>57,884</u>	<u>—</u>	<u>57,884</u>
Total revenue	47,452,066	9,357,600	56,809,666
Net assets released from restrictions:			
Program expenditures	<u>6,212,557</u>	<u>(6,212,557)</u>	<u>—</u>
Total	<u>53,664,623</u>	<u>3,145,043</u>	<u>56,809,666</u>
EXPENSES:			
Program expenses:			
Grants awarded	19,680,400	—	19,680,400
Program management	<u>2,254,138</u>	<u>—</u>	<u>2,254,138</u>
Total program expenses	21,934,538	—	21,934,538
Management and general	<u>1,118,966</u>	<u>—</u>	<u>1,118,966</u>
Total expenses	<u>23,053,504</u>	<u>—</u>	<u>23,053,504</u>
CHANGES IN NET ASSETS	30,611,119	3,145,043	33,756,162
Net assets, beginning of year	<u>223,782,786</u>	<u>195,217</u>	<u>223,978,003</u>
Net assets, end of year	<u>\$ 254,393,905</u>	<u>\$ 3,340,260</u>	<u>\$ 257,734,165</u>

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, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Net investment return <i>(Note 4)</i>	\$ (8,345,503)	\$ —	\$ (8,345,503)
Contributions	1,457,288	313,662	1,770,950
Grant reversions and rescissions	115,202	—	115,202
Other income	<u>38,162</u>	<u>—</u>	<u>38,162</u>
Total revenue	(6,734,851)	313,662	(6,421,189)
Net assets released from restrictions:			
Program expenditures	<u>326,478</u>	<u>(326,478)</u>	<u>—</u>
Total	<u>(6,408,373)</u>	<u>(12,816)</u>	<u>(6,421,189)</u>
EXPENSES:			
Program expenses:			
Grants awarded	8,397,729	—	8,397,729
Program management	<u>1,757,159</u>	<u>—</u>	<u>1,757,159</u>
Total program expenses	10,154,888	—	10,154,888
Management and general	944,997	—	944,997
Provision for federal excise tax <i>(Note 6)</i>	<u>(366,671)</u>	<u>—</u>	<u>(366,671)</u>
Total expenses	<u>10,733,214</u>	<u>—</u>	<u>10,733,214</u>
CHANGES IN NET ASSETS	(17,141,587)	(12,816)	(17,154,403)
Net assets, beginning of year	<u>240,924,373</u>	<u>208,033</u>	<u>241,132,406</u>
Net assets, end of year	<u>\$ 223,782,786</u>	<u>\$ 195,217</u>	<u>\$ 223,978,003</u>

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, 2019 and 2018

<u>EXPENSES</u>	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>2019 TOTAL</u>
Grants	\$ 19,680,400	\$ —	\$ 19,680,400
Salaries and related benefits	1,153,950	798,048	1,951,998
Professional fees	702,036	107,866	809,902
Occupancy	108,505	44,030	152,535
Telephone and technology	93,617	42,619	136,236
Depreciation	87,617	38,802	126,419
Other	<u>108,413</u>	<u>87,601</u>	<u>196,014</u>
Total expenses	<u>\$ 21,934,538</u>	<u>\$ 1,118,966</u>	<u>\$ 23,053,504</u>

<u>EXPENSES</u>	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>2018 TOTAL</u>
Grants	\$ 8,397,729	\$ —	\$ 8,397,729
Salaries and related benefits	1,175,701	675,338	1,851,039
Professional fees	146,388	126,777	273,165
Occupancy	117,526	32,630	150,156
Telephone and technology	75,354	29,685	105,039
Depreciation	89,960	36,383	126,343
Other	<u>152,230</u>	<u>44,184</u>	<u>196,414</u>
Total expenses	<u>\$ 10,154,888</u>	<u>\$ 944,997</u>	11,099,885
Benefit for federal excise tax			<u>(366,671)</u>
Total			<u>\$ 10,733,214</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 33,756,162	\$ (17,154,403)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	126,419	126,343
Realized and unrealized (gain) loss on investments	(20,592,053)	21,750,822
Income from partnerships and common trust funds	(19,257,551)	(13,839,853)
Unsettled investment trade receivable	1,000,008	(1,000,008)
Changes in operating assets and liabilities:		
Prepaid expenses and accounts receivable	(279,318)	(31,428)
Partnership capital call receivable	(412,272)	-
Contributions receivable	(2,556,326)	240,679
Playa Drain Trail project in process	2,159,026	(2,159,026)
Federal excise tax, assets and liabilities	93,000	(494,048)
Accounts payable and accrued expenses	84,172	(337,261)
Grants payable	<u>(4,178,755)</u>	<u>(725,578)</u>
Net cash used by operating activities	<u>(10,057,488)</u>	<u>(13,623,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments in common trust funds and comingled equity funds	(2,534,188)	(7,973,024)
Net change in money market mutual funds held as investments	(1,337,214)	(681,017)
Capital investments in partnerships	(12,429,803)	(10,154,473)
Distributions from partnerships	13,391,860	13,768,772
Proceeds from sales of common trust funds and comingled equity funds	14,634,857	18,164,518
Purchase of property	<u>(6,207)</u>	<u>(5,405)</u>
Net cash provided by investing activities	<u>11,719,305</u>	<u>13,119,371</u>
NET CHANGE IN CASH	1,661,817	(504,390)
Cash, beginning of year	<u>1,268,351</u>	<u>1,772,741</u>
Cash, end of year	<u>\$ 2,930,168</u>	<u>\$ 1,268,351</u>

Supplemental disclosure of cash flow information:

Taxes paid		\$239,500
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See accompanying notes to consolidated financial statements.

Paso del Norte Community Foundation and Supporting Organizations

Notes to Consolidated Financial Statements for the years ended December 31, 2019 and 2018

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 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 might be needed. As of December 31, 2019, OFEP has distributed all contributions received for their intended purpose.

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 the City of 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. PdNHF, originally classified as a private foundation, became a Type I supporting organization of PdNCF effective January 1, 2019. FLCF and OFEP are exempt from federal income tax under §501(c)(3) of the Code and are further described as a Type 1 supporting organization under §509(a)(3). PdNCF, PdNHF, FLCF and OFEP are subject to income tax on unrelated business income.

Cash – The Foundation maintains deposits in four 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.

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 contributions revenue. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

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 \$1,000 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, equipment and software.

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.

Grants are recognized as expense when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return applicable to the year the grant was made. At December 31, 2019, all grants are expected to be paid within one year.

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 programs. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Expenses that are not directly attributable to grants and 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 \$260.0 million at December 31, 2019 and \$228.3 million at December 31, 2018. 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 donor-restricted net assets and non-liquid partnership interests totaling \$65.7 million at December 31, 2019 and \$59.9 million at December 31, 2018, 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:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 2,790,770	\$ 68,075
Discount to net present value ranging from 1.2% to 2.7%	<u>(167,600)</u>	<u>(1,231)</u>
Contributions receivable, net	<u>\$ 2,623,170</u>	<u>\$ 66,844</u>

Contributions receivable at December 31, 2019 are expected to be collected as follows:

Less than one year	\$ 539,650
One to five years	2,062,735
More than five years	<u>188,385</u>
Total contributions receivable	<u>\$ 2,790,770</u>

In 2016, 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. As of December 31, 2019, \$652,000 of this matching gift has been recognized. PdNCF will recognize the remaining contribution when the conditions are met.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment Composition

The Foundation's investments are summarized as follows:

	2019		2018	
	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>
Common trust funds	\$ 170,598,443	\$ 168,987,309	\$ 153,189,809	\$ 166,945,760
Partnerships	65,734,899	46,740,615	59,943,451	45,668,435
Comingled equity funds	14,545,299	14,372,157	10,956,766	11,101,023
Money market mutual funds	3,155,471	3,155,471	1,818,257	1,818,257
Common stock	<u>10,159</u>	<u>34,160</u>	<u>11,896</u>	<u>34,160</u>
Total investments	<u>\$ 254,044,271</u>	<u>\$ 233,289,712</u>	<u>\$ 225,920,179</u>	<u>\$ 225,567,635</u>

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. Investments in partnerships which do not have a readily determinable fair value and are not traded on a public exchange are measured at net asset value per share (or its equivalent) using the practical expedient (NAV-PE) which are not required to be categorized in the fair value hierarchy.

The three levels of the fair value hierarchy are 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 that are categorized as Level 3 investments at December 31, 2019 and 2018.

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Common trust funds:				
Domestic market index	\$ —	\$ 61,755,090	\$ —	\$ 61,755,090
International equity	—	57,953,260	—	57,953,260
Domestic fixed-income index	—	50,890,093	—	50,890,093
Partnerships	—	—	65,734,899	65,734,899
Comingled equity fund	—	14,545,299	—	14,545,299
Money market mutual funds	3,155,471	—	—	3,155,471
Common stock	10,159	—	—	10,159
Total investments measured at fair value	<u>\$ 3,165,630</u>	<u>\$ 185,143,742</u>	<u>\$ 65,734,899</u>	<u>\$ 254,044,271</u>

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Common trust funds:				
Domestic market index	\$ —	\$ 51,904,907	\$ —	\$ 51,904,907
International equity	—	50,960,432	—	50,960,432
Domestic fixed-income index	—	50,324,470	—	50,324,470
Partnerships	—	—	59,943,451	59,943,451
Comingled equity fund	—	10,956,766	—	10,956,766
Money market mutual funds	1,818,257	—	—	1,818,257
Common stock	11,896	—	—	11,896
Total investments measured at fair value	<u>\$ 1,830,153</u>	<u>\$ 164,146,575</u>	<u>\$ 59,943,451</u>	<u>\$ 225,920,179</u>

Valuation methods used for assets measured at fair value are as follows:

- *Common trust, comingled equity and mutual funds* are valued at net asset value.
- *Partnerships* are valued using the net asset value per share (or its equivalent) as a practical expedient to determine the fair value of investments in partnerships that do not have a readily determinable fair value.
- *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, comingled equity fund and partnerships

Common trust funds, comingled equity fund 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.

Net investment return consists of the following:

	<u>2019</u>	<u>2018</u>
Partnerships, comingled equity, and common trust fund income	\$ 19,257,551	\$ 13,839,853
Net realized and unrealized gain (loss) on investments	20,592,053	(21,750,822)
Interest and dividends	34,604	38,118
Investment management fees	<u>(467,294)</u>	<u>(472,652)</u>
Net investment return	<u>\$ 39,416,914</u>	<u>\$ (8,345,503)</u>

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

<u>STRATEGY</u>	<u>2019 FAIR VALUE</u>	<u>2018 FAIR VALUE</u>	<u>REMAINING LIFE FOR LOCK-OUT PERIOD</u>	<u>REDEMPTION TERMS</u>
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.	\$42,055,780	\$32,573,765	Funds dissolve between 2019 and 2033 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.	\$15,765,890	\$14,959,883	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.

<u>STRATEGY</u>	<u>2019 FAIR VALUE</u>	<u>2018 FAIR VALUE</u>	<u>REMAINING LIFE FOR LOCK-OUT PERIOD</u>	<u>REDEMPTION TERMS</u>
Emerging markets – Invest in emerging market equity securities with the goal of capital appreciation.	\$5,378,013	\$4,286,452	None.	Monthly liquidity with 10-days’ notice. The general partner may suspend or limit withdrawals.
Bank loan fund – Invests primarily in senior bank loans and other senior debt instruments.	\$2,535,216	\$8,123,351	None.	Quarterly liquidity with 60-days’ notice. The general partner may delay or suspend withdrawals.
Total	\$65,734,899	\$59,943,451		

*Unfunded commitments at December 31, 2019 total approximately \$30.7 million.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 963,751	\$ 963,751
Furniture, fixtures, equipment and software	<u>403,831</u>	<u>397,623</u>
Total property, at cost	1,367,582	1,361,374
Accumulated depreciation	<u>(1,098,231)</u>	<u>(971,811)</u>
Property, net	<u>\$ 269,351</u>	<u>\$ 389,563</u>

NOTE 6 – FEDERAL EXCISE TAX

Until January 1, 2019 when PdNHF changed its status from a private foundation to a supporting organization of PdNCF, it was subject to federal excise tax on net investment income (principally interest, dividends and net realized capital gains, less expenses incurred in the production of investment income). The Foundation computed its provision for current federal excise tax at the rate of 1% in 2018, but had no deferred tax liability at December 31, 2018 and no excise tax liability in 2019 due to the change in status. The provision for excise and income tax for the year ending December 31, 2018 consisted of the following:

Current federal excise tax	\$ 152,377
Deferred federal excise tax benefit	<u>(519,048)</u>
Total federal excise tax benefit	<u>\$ (366,671)</u>
Current federal excise tax receivable	<u>\$ 93,000</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Time	\$ 2,623,170	\$ –
Census 2020	492,959	–
Fundacion	224,131	145,217
Playa Drain Trail project	<u>–</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 3,340,260</u>	<u>\$ 195,217</u>

During 2017, PdNCF entered into agreements for the design and construction of a 3.4-mile segment of the Playa Drain Trail project in partnership with PdNHF, the City of El Paso and El Paso Water. The total cost of the project was approximately \$2.8 million. The project was accepted by and transferred to the City of El Paso during May 2019.

NOTE 8 – COMMITMENTS

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, 2019, conditional grants of approximately \$6,000,000 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 \$153,000 during 2019 and \$150,000 during 2018.

NOTE 10 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. Financial markets have fluctuated due to the economic uncertainty caused by the pandemic and a decline in oil prices. While the Foundation expects these events to impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

During April 2020, PdNCF and PdNHF received forgivable loans under the Coronavirus Aid Relief and Economic Security Act. PdNCF received \$67,100 and PdNHF received \$252,300. Federal guidelines provide for forgiveness of the loan to the extent funds are used to support compensation, rent, and utility costs over a specified period. Any amounts not forgiven would bear interest at 1% and be due within two years.

During May 2020, the Foundation redeemed its investment in the comingled equity fund and the bank loan fund and recognized losses on redemption of approximately \$8.4 million.

Subsequent to December 31, 2019, the Foundation subscribed to a \$7 million commitment to a pooled investment fund and \$4 million in commitments to two new partnership investments.

Management has evaluated subsequent events through September 22, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation no other 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

Consolidating Statement of Financial Position as of December 31, 2019

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
ASSETS				
Cash	\$ 2,474,554	\$ 455,614	\$ –	\$ 2,930,168
Prepaid expenses and accounts receivable	169,950	378,391	(14,690)	533,651
Partnership capital call receivable	–	412,272	–	412,272
Contributions receivable, net	2,623,170	–	–	2,623,170
Investments	4,159,414	254,044,271	(4,159,414)	254,044,271
Property, net	<u>32,942</u>	<u>236,409</u>	<u>–</u>	<u>269,351</u>
TOTAL ASSETS	<u>\$ 9,460,030</u>	<u>\$ 255,526,957</u>	<u>\$ (4,174,104)</u>	<u>\$ 260,812,883</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 134,155	\$ 441,972	\$ (14,690)	\$ 561,437
Grants payable	–	2,517,281	–	2,517,281
Investments held for PdNCF	<u>–</u>	<u>4,159,414</u>	<u>(4,159,414)</u>	<u>–</u>
Total liabilities	134,155	7,118,667	(4,174,104)	3,078,718
Net assets	<u>9,325,875</u>	<u>248,408,290</u>	<u>–</u>	<u>257,734,165</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,460,030</u>	<u>\$ 255,526,957</u>	<u>\$ (4,174,104)</u>	<u>\$ 260,812,883</u>

Paso del Norte Community Foundation

Consolidating Statement of Activities for the year ended December 31, 2019

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Net investment return	\$ 587,518	\$ 38,829,396	\$ –	\$ 39,416,914
Contributions	15,924,822	58,816	(1,195,710)	14,787,928
Grant reversions and rescissions	–	2,561,622	(14,682)	2,546,940
Other income	<u>52,484</u>	<u>5,400</u>	<u>–</u>	<u>57,884</u>
Total revenue	<u>16,564,824</u>	<u>41,455,234</u>	<u>(1,210,392)</u>	<u>56,809,666</u>
EXPENSES:				
Program expenses:				
Grants awarded	13,114,323	7,776,469	(1,210,392)	19,680,400
Program management	<u>398,048</u>	<u>1,856,090</u>	<u>–</u>	<u>2,254,138</u>
Total program expenses	13,512,371	9,632,559	(1,210,392)	21,934,538
Management and general	<u>362,694</u>	<u>756,272</u>	<u>–</u>	<u>1,118,966</u>
Total expenses	<u>13,875,065</u>	<u>10,388,831</u>	<u>(1,210,392)</u>	<u>23,053,504</u>
CHANGES IN NET ASSETS	2,689,759	31,066,403	–	33,756,162
Net assets, beginning of year	<u>6,636,116</u>	<u>217,341,887</u>	<u>–</u>	<u>223,978,003</u>
Net assets, end of year	<u>\$ 9,325,875</u>	<u>\$ 248,408,290</u>	<u>\$ –</u>	<u>\$ 257,734,165</u>

Paso del Norte Community Foundation

Consolidating Statement of Financial Position as of December 31, 2018

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
ASSETS				
Cash	\$ 1,132,135	\$ 136,216	\$ –	\$ 1,268,351
Prepaid expenses and accounts receivable	21,451	326,219	(337)	347,333
Unsettled trade receivable	–	1,000,008	–	1,000,008
Contributions receivable, net	66,844	–	–	66,844
Investments	3,663,154	225,920,179	(3,663,154)	225,920,179
Playa Drain Trial project	2,373,148	–	–	2,373,148
Property, net	<u>29,972</u>	<u>359,591</u>	<u>–</u>	<u>389,563</u>
TOTAL ASSETS	<u>\$ 7,286,704</u>	<u>\$ 227,742,213</u>	<u>\$ (3,663,491)</u>	<u>\$ 231,365,426</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 363,883	\$ 327,841	\$ (337)	\$ 691,387
Grants payable	286,705	6,409,331	–	6,696,036
Investments held for PdNCF	<u>–</u>	<u>3,663,154</u>	<u>(3,663,154)</u>	<u>–</u>
Total liabilities	650,588	10,400,326	(3,663,491)	7,387,423
Net assets	<u>6,636,116</u>	<u>217,341,887</u>	<u>–</u>	<u>223,978,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,286,704</u>	<u>\$ 227,742,213</u>	<u>\$ (3,663,491)</u>	<u>\$ 231,365,426</u>

Paso del Norte Community Foundation

Consolidating Statement of Activities for the year ended December 31, 2018

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Net investment return	\$ (146,063)	\$ (8,199,440)	\$ –	\$ (8,345,503)
Contributions	2,036,685	350	(266,085)	1,770,950
Grant reversions and rescissions	–	115,202	–	115,202
Other income	<u>23,942</u>	<u>33,788</u>	<u>(19,568)</u>	<u>38,162</u>
Total revenue	<u>1,914,564</u>	<u>(8,050,100)</u>	<u>(285,653)</u>	<u>(6,421,189)</u>
EXPENSES:				
Program expenses:				
Grants awarded	1,667,373	6,996,441	(266,085)	8,397,729
Program management	<u>364,524</u>	<u>1,392,635</u>	<u>–</u>	<u>1,757,159</u>
Total program expenses	2,031,897	8,389,076	(266,085)	10,154,888
Management and general	235,709	728,856	(19,568)	944,997
Provision for federal excise tax	<u>–</u>	<u>(366,671)</u>	<u>–</u>	<u>(366,671)</u>
Total expenses	<u>2,267,606</u>	<u>8,751,261</u>	<u>(285,653)</u>	<u>10,733,214</u>
CHANGES IN NET ASSETS	(353,042)	(16,801,361)	–	(17,154,403)
Net assets, beginning of year	<u>6,989,158</u>	<u>234,143,248</u>	<u>–</u>	<u>241,132,406</u>
Net assets, end of year	<u>\$ 6,636,116</u>	<u>\$ 217,341,887</u>	<u>\$ –</u>	<u>\$ 223,978,003</u>
