

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

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Paso del Norte Community Foundation and Supporting Organizations

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CERTIFIED PUBLIC ACCOUNTANTS

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 comprises the consolidated statements of financial position as of December 31, 2021 and 2020 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, 2021 and 2020, 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.

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 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 16 through 19 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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022 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.

The logo consists of the company name "Blazek & Vetterling" written in a stylized, cursive script font.

September 22, 2022

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 4,166,284	\$ 4,654,071
Prepaid expenses and miscellaneous receivables	893,055	324,673
Contributions receivable, net (<i>Note 3</i>)	9,700,692	11,455,162
Investments (<i>Note 4</i>)	305,497,606	267,948,328
Property, net (<i>Note 5</i>)	136,615	184,734
TOTAL ASSETS	<u>\$ 320,394,252</u>	<u>\$ 284,566,968</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 365,350	\$ 556,757
Grants payable (<i>Note 7</i>)	11,549,322	12,766,755
Paycheck Protection Program refundable advances	—	319,400
Note payable	—	889,978
Total liabilities	<u>11,914,672</u>	<u>14,532,890</u>
Commitments and contingencies (<i>Notes 4, 7, and 9</i>)		
Net assets:		
Without donor restrictions	297,642,244	258,292,874
With donor restrictions (<i>Note 6</i>)	<u>10,837,336</u>	<u>11,741,204</u>
Total net assets	<u>308,479,580</u>	<u>270,034,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 320,394,252</u>	<u>\$ 284,566,968</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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Net investment return (<i>Note 4</i>)	\$ 44,449,447	\$ —	\$ 44,449,447
Contributions:			
Government grants	—	19,238,125	19,238,125
Other	8,209,825	2,114,456	10,324,281
Grant reversions and rescissions	178,240	—	178,240
Other income	<u>19,431</u>	<u>—</u>	<u>19,431</u>
Total revenue	52,856,943	21,352,581	74,209,524
Net assets released from restrictions:			
Program expenditures	<u>22,256,449</u>	<u>(22,256,449)</u>	<u>—</u>
Total	<u>75,113,392</u>	<u>(903,868)</u>	<u>74,209,524</u>
EXPENSES:			
Program expenses:			
Grants awarded	31,535,022	—	31,535,022
Program management	<u>2,785,780</u>	<u>—</u>	<u>2,785,780</u>
Total program expenses	34,320,802	—	34,320,802
Management and general	<u>1,443,220</u>	<u>—</u>	<u>1,443,220</u>
Total expenses	<u>35,764,022</u>	<u>—</u>	<u>35,764,022</u>
CHANGES IN NET ASSETS	39,349,370	(903,868)	38,445,502
Net assets, beginning of year	<u>258,292,874</u>	<u>11,741,204</u>	<u>270,034,078</u>
Net assets, end of year	<u>\$ 297,642,244</u>	<u>\$ 10,837,336</u>	<u>\$ 308,479,580</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, 2020

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Net investment return (<i>Note 4</i>)	\$ 24,434,244	\$ —	\$ 24,434,244
Contributions:			
Government grants	—	6,648,000	6,648,000
Other	4,511,887	11,666,665	16,178,552
Grant reversions and rescissions	141,876	—	141,876
Other income	<u>87,747</u>	<u>—</u>	<u>87,747</u>
Total revenue	29,175,754	18,314,665	47,490,419
Net assets released from restrictions:			
Program expenditures	<u>9,913,721</u>	<u>(9,913,721)</u>	<u>—</u>
Total	<u>39,089,475</u>	<u>8,400,944</u>	<u>47,490,419</u>
EXPENSES:			
Program expenses:			
Grants awarded	31,368,947	—	31,368,947
Program management	<u>2,564,780</u>	<u>—</u>	<u>2,564,780</u>
Total program expenses	33,933,727	—	33,933,727
Management and general	<u>1,256,779</u>	<u>—</u>	<u>1,256,779</u>
Total expenses	<u>35,190,506</u>	<u>—</u>	<u>35,190,506</u>
CHANGES IN NET ASSETS	3,898,969	8,400,944	12,299,913
Net assets, beginning of year	<u>254,393,905</u>	<u>3,340,260</u>	<u>257,734,165</u>
Net assets, end of year	<u>\$ 258,292,874</u>	<u>\$ 11,741,204</u>	<u>\$ 270,034,078</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, 2021 and 2020

<u>EXPENSES</u>	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	2021 <u>TOTAL</u>
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
Telephone and technology	97,953	65,643	163,596
Occupancy	96,256	59,499	155,755
Depreciation	43,601	38,243	81,844
Other	<u>92,404</u>	<u>140,690</u>	<u>233,094</u>
Total expenses	<u>\$ 34,320,802</u>	<u>\$ 1,443,220</u>	<u>\$ 35,764,022</u>

<u>EXPENSES</u>	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	2020 <u>TOTAL</u>
Grants	\$ 31,368,947	\$ —	\$ 31,368,947
Salaries and related benefits	1,188,304	918,448	2,106,752
Professional fees	876,122	147,648	1,023,770
Telephone and technology	115,779	53,826	169,605
Occupancy	107,210	44,737	151,947
Depreciation	85,420	42,793	128,213
Other	<u>191,945</u>	<u>49,327</u>	<u>241,272</u>
Total expenses	<u>\$ 33,933,727</u>	<u>\$ 1,256,779</u>	<u>\$ 35,190,506</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 38,445,502	\$ 12,299,913
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Investment return:		
Common trust funds and partnerships	(31,571,196)	(12,695,775)
Net realized and unrealized gain on investments	(13,312,775)	(12,147,990)
Depreciation	81,844	128,213
Changes in operating assets and liabilities:		
Prepaid expenses and miscellaneous receivables	(568,382)	208,978
Partnership capital call receivable	—	412,272
Contributions receivable	1,754,470	(8,831,992)
Accounts payable and accrued expenses	(191,407)	(4,680)
Grants payable	(1,217,433)	10,249,474
Paycheck Protection Program refundable advances	<u>(319,400)</u>	<u>319,400</u>
Net cash used by operating activities	<u>(6,898,777)</u>	<u>(10,062,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment sales and distributions from partnerships	37,999,627	36,779,474
Investment purchases and partnership capital contributions	(29,154,997)	(25,600,117)
Net change in money market mutual funds held as investments	(1,509,937)	(239,649)
Purchase of property	<u>(33,725)</u>	<u>(43,596)</u>
Net cash provided by investing activities	<u>7,300,968</u>	<u>10,896,112</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	—	889,978
Repayment of note payable	<u>(889,978)</u>	<u>—</u>
Net cash provided (used) by financing activities	<u>(889,978)</u>	<u>889,978</u>
NET CHANGE IN CASH		
	(487,787)	1,723,903
Cash, beginning of year	<u>4,654,071</u>	<u>2,930,168</u>
Cash, end of year	<u>\$ 4,166,284</u>	<u>\$ 4,654,071</u>

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, 2021 and 2020

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 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.

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.

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, 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. 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 \$320 million at December 31, 2021 and \$285 million at December 31, 2020. 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 partnership interests with redemption restrictions totaling \$105.1 million at December 31, 2021 and \$82.6 million at December 31, 2020, 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>2021</u>	<u>2020</u>
Contributions receivable	\$ 10,227,750	\$ 12,176,865
Discount to net present value ranging from 0.16% to 2.83%	<u>(527,058)</u>	<u>(721,703)</u>
Contributions receivable, net	<u>\$ 9,700,692</u>	<u>\$ 11,455,162</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

Less than one year	\$ 1,580,115
One to five years	3,490,635
More than five years	<u>5,157,000</u>
Total contributions receivable	<u>\$ 10,227,750</u>

In 2021, 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, 2021, \$200,000 of this matching gift has been recognized and \$800,000 remains conditional.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment Composition

The Foundation's investments are summarized as follows:

	2021		2020	
	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>
Common trust funds	\$ 195,502,451	\$ 193,056,667	\$ 181,964,450	\$ 171,897,902
Partnerships	105,083,568	62,007,064	82,580,845	56,732,235
Money market mutual funds	4,905,057	4,905,057	3,395,120	3,395,120
Common stock	<u>6,530</u>	<u>34,160</u>	<u>7,913</u>	<u>34,160</u>
Total investments	<u><u>\$ 305,497,606</u></u>	<u><u>\$ 260,002,948</u></u>	<u><u>\$ 267,948,328</u></u>	<u><u>\$ 232,059,417</u></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.

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 that are categorized as Level 3 investments at December 31, 2021 and 2020.
- *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, 2021 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	\$ –	\$ 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	<u>6,530</u>	<u>–</u>	<u>–</u>	<u>6,530</u>
Total investments measured at fair value	<u><u>\$ 4,911,587</u></u>	<u><u>\$ 195,502,451</u></u>	<u><u>\$ 105,083,568</u></u>	<u><u>\$ 305,497,606</u></u>

Assets measured at fair value at December 31, 2020 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	\$ —	\$ 67,095,877	\$ —	\$ 67,095,877
Domestic fixed-income index	—	51,345,117	—	51,345,117
International equity	—	63,523,456	—	63,523,456
Partnerships	—	—	82,580,845	82,580,845
Money market mutual funds	3,395,120	—	—	3,395,120
Common stock	7,913	—	—	7,913
Total investments measured at fair value	<u>\$ 3,403,033</u>	<u>\$ 181,964,450</u>	<u>\$ 82,580,845</u>	<u>\$ 267,948,328</u>

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:

<u>STRATEGY</u>	<u>2021 FAIR VALUE</u>	<u>2020 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.	\$74,899,820	\$56,596,820	Funds dissolve between 2021 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.	\$18,441,551	\$15,377,523	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.	\$6,029,356	\$6,203,692	None.	Monthly liquidity with 10-days' notice. The general partner may suspend or limit withdrawals.
Opportunistic – Invests in public corporate, securitized and structured credit, opportunistic credit, and public and private real estate credit.	\$5,712,841	\$4,402,810	None.	Distributions are made solely at the discretion of the general partners.
Total	\$105,083,568	\$82,580,845		

* The Foundation has unfunded private equity commitments of approximately \$32.6 million at December 31, 2021.

Net investment return consists of the following:

	<u>2021</u>	<u>2020</u>
Common trust funds and partnerships	\$ 31,571,196	\$ 12,695,775
Net realized and unrealized gain on investments	13,312,775	12,147,990
Interest and dividends	34,887	4,095
Investment management fees	<u>(469,411)</u>	<u>(413,616)</u>
Net investment return	<u>\$ 44,449,447</u>	<u>\$ 24,434,244</u>

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 963,751	\$ 963,751
Furniture, fixtures, and equipment	<u>444,682</u>	<u>429,784</u>
Total property, at cost	1,408,433	1,393,535
Accumulated depreciation	<u>(1,271,818)</u>	<u>(1,208,801)</u>
Property, net	<u>\$ 136,615</u>	<u>\$ 184,734</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Future use	\$ 9,700,692	\$ 11,455,162
Bracero Project	743,625	–
Fundacion	257,704	220,870
Coronavirus relief	54,775	65,172
Other	<u>80,540</u>	<u>–</u>
Total net assets with donor restrictions	<u>\$ 10,837,336</u>	<u>\$ 11,741,204</u>

NOTE 7 – GRANTS PAYABLE AND GRANT COMMITMENTS

At December 31, 2021, grants approved and committed for future payments are payable as follows:

2022	\$ 2,689,597
2023	686,555
2024	430,528
2025	934,188
2026	942,128
Thereafter	<u>5,866,326</u>
Total grants payable	<u>\$ 11,549,322</u>

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, 2021, conditional grants of approximately \$8,200,000 had been approved but not recognized in the financial statements as the conditions had not been substantially met.

NOTE 8 – 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 \$165,000 during 2021 and \$172,000 during 2020.

NOTE 9 – CONCENTRATIONS AND CONTINGENCIES

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 10 – SUBSEQUENT EVENTS

In April 2022, the Foundation entered into a settlement agreement to recover principal losses on an investment realized in 2021. The Foundation received approximately \$3.9 million upon settlement.

Management has evaluated subsequent events through September 22, 2022, 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 and Supporting Organizations

Consolidating Statement of Financial Position as of December 31, 2021

	PASO DEL NORTE COMMUNITY <u>FOUNDATION</u>	PASO DEL NORTE HEALTH <u>FOUNDATION</u>	ELIMINATIONS	TOTAL
ASSETS				
Cash	\$ 4,053,214	\$ 113,070	\$ —	\$ 4,166,284
Prepaid expenses and miscellaneous receivables	609,452	283,603	—	893,055
Contributions receivable, net	9,700,692	—	—	9,700,692
Investments	11,989,436	305,497,606	(11,989,436)	305,497,606
Property, net	<u>58,862</u>	<u>77,753</u>	<u>—</u>	<u>136,615</u>
TOTAL ASSETS	<u>\$ 26,411,656</u>	<u>\$ 305,972,032</u>	<u>\$ (11,989,436)</u>	<u>\$ 320,394,252</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 109,946	\$ 255,404	\$ —	\$ 365,350
Grants payable	9,024,310	2,525,012	—	11,549,322
Investments held for PdNCF	<u>—</u>	<u>11,989,436</u>	<u>(11,989,436)</u>	<u>—</u>
Total liabilities	<u>9,134,256</u>	<u>14,769,852</u>	<u>(11,989,436)</u>	<u>11,914,672</u>
Total net assets	<u>17,277,400</u>	<u>291,202,180</u>	<u>—</u>	<u>308,479,580</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,411,656</u>	<u>\$ 305,972,032</u>	<u>\$ (11,989,436)</u>	<u>\$ 320,394,252</u>

Paso del Norte Community Foundation and Supporting Organizations

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

	PASO DEL NORTE COMMUNITY <u>FOUNDATION</u>	PASO DEL NORTE HEALTH <u>FOUNDATION</u>	ELIMINATIONS	TOTAL
REVENUE:				
Net investment return	\$ 1,352,557	\$ 43,096,890	\$ —	\$ 44,449,447
Contributions:				
Government grants	19,238,125	—	—	19,238,125
Other	10,479,602	267,409	(422,730)	10,324,281
Grant reversions and rescissions	—	178,240	—	178,240
Other income	<u>19,291</u>	<u>140</u>	<u>—</u>	<u>19,431</u>
Total revenue	<u>31,089.575</u>	<u>43,542,679</u>	<u>(422,730)</u>	<u>74,209.524</u>
EXPENSES:				
Program expenses:				
Grants awarded	23,215,646	8,742,106	(422,730)	31,535,022
Program management	<u>468,496</u>	<u>2,317,284</u>	<u>—</u>	<u>2,785,780</u>
Total program expenses	<u>23,684,142</u>	<u>11,059,390</u>	<u>(422,730)</u>	<u>34,320,802</u>
Management and general	<u>679,307</u>	<u>763,913</u>	<u>—</u>	<u>1,443,220</u>
Total expenses	<u>24,363,449</u>	<u>11,823,303</u>	<u>(422,730)</u>	<u>35,764,022</u>
CHANGES IN NET ASSETS	6,726,126	31,719,376	—	38,445,502
Net assets, beginning of year	<u>10,551,274</u>	<u>259,482,804</u>	<u>—</u>	<u>270,034.078</u>
Net assets, end of year	<u>\$ 17,277,400</u>	<u>\$ 291,202,180</u>	<u>\$ —</u>	<u>\$ 308,479,580</u>

Paso del Norte Community Foundation and Supporting Organizations

Consolidating Statement of Financial Position as of December 31, 2020

	PASO DEL NORTE COMMUNITY <u>FOUNDATION</u>	PASO DEL NORTE HEALTH <u>FOUNDATION</u>	ELIMINATIONS	TOTAL
ASSETS				
Cash	\$ 4,350,792	\$ 303,279	\$ —	\$ 4,654,071
Prepaid expenses and miscellaneous receivables	36,218	288,455	—	324,673
Contributions receivable, net	11,455,162	—	—	11,455,162
Investments	5,209,420	267,948,328	(5,209,420)	267,948,328
Property, net	<u>63,270</u>	<u>121,464</u>	<u>—</u>	<u>184,734</u>
TOTAL ASSETS	<u>\$ 21,114,862</u>	<u>\$ 268,661,526</u>	<u>\$ (5,209,420)</u>	<u>\$ 284,566,968</u>
 LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 163,407	\$ 393,350	\$ —	\$ 556,757
Grants payable	9,443,103	3,323,652	—	12,766,755
Paycheck Protection Program refundable advances	67,100	252,300	—	319,400
Note payable	889,978	—	—	889,978
Investments held for PdNCF	<u>—</u>	<u>5,209,420</u>	<u>(5,209,420)</u>	<u>—</u>
Total liabilities	<u>10,563,588</u>	<u>9,178,722</u>	<u>(5,209,420)</u>	<u>14,532,890</u>
Total net assets	<u>10,551,274</u>	<u>259,482,804</u>	<u>—</u>	<u>270,034,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,114,862</u>	<u>\$ 268,661,526</u>	<u>\$ (5,209,420)</u>	<u>\$ 284,566,968</u>

Paso del Norte Community Foundation and Supporting Organizations

Consolidating Statement of Activities for the year ended December 31, 2020

	PASO DEL NORTE COMMUNITY <u>FOUNDATION</u>	PASO DEL NORTE HEALTH <u>FOUNDATION</u>	ELIMINATIONS	TOTAL
REVENUE:				
Net investment return	\$ 508,347	\$ 23,925,897	\$ —	\$ 24,434,244
Contributions:				
Government grants	6,648,000	—	—	6,648,000
Other	17,514,133	300	(1,335,881)	16,178,552
Grant reversions and rescissions	—	141,876	—	141,876
Other income	<u>87,387</u>	<u>360</u>	<u>—</u>	<u>87,747</u>
Total revenue	<u>24,757,867</u>	<u>24,068,433</u>	<u>(1,335,881)</u>	<u>47,490,419</u>
EXPENSES:				
Program expenses:				
Grants awarded	22,600,257	10,104,571	(1,335,881)	31,368,947
Program management	<u>421,971</u>	<u>2,142,809</u>	<u>—</u>	<u>2,564,780</u>
Total program expenses	<u>23,022,228</u>	<u>12,247,380</u>	<u>(1,335,881)</u>	<u>33,933,727</u>
Management and general	<u>510,240</u>	<u>746,539</u>	<u>—</u>	<u>1,256,779</u>
Total expenses	<u>23,532,468</u>	<u>12,993,919</u>	<u>(1,335,881)</u>	<u>35,190,506</u>
CHANGES IN NET ASSETS	1,225,399	11,074,514	—	12,299,913
Net assets, beginning of year	<u>9,325,875</u>	<u>248,408,290</u>	<u>—</u>	<u>257,734,165</u>
Net assets, end of year	<u>\$ 10,551,274</u>	<u>\$ 259,482,804</u>	<u>\$ —</u>	<u>\$ 270,034,078</u>