

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

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 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 comprises the consolidated statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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. 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 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, 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 18 through 21 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 30, 2024

Paso del Norte Community Foundation and Supporting Organizations

Consolidated Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash (Note 3)	\$ 13,781,619	\$ 7,758,055
Contributions receivable, net (Note 4)	8,834,817	7,052,423
Investments (Note 5)	294,131,590	279,991,280
Prepaid expenses and other assets	464,068	636,337
Right-of-use assets (Note 6):		
Operating	373,861	520,124
Finance	18,157	19,702
Property, net (Note 7)	145,365	172,797
Endowment:		
Investments (Note 5)	1,502,560	1,152,478
Contributions receivable, net (Note 4)	<u>1,093,260</u>	<u>—</u>
TOTAL ASSETS	<u>\$ 320,345,297</u>	<u>\$ 297,303,196</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable (Note 10)	\$ 10,785,312	\$ 10,853,684
Accounts payable	475,974	826,075
Lease liabilities (Note 6):		
Operating	379,742	525,188
Finance	<u>19,037</u>	<u>20,529</u>
Total liabilities	<u>11,660,065</u>	<u>12,225,476</u>
Commitments and contingencies (Notes 5 and 10)		
Net assets:		
Without donor restrictions	294,962,380	274,810,942
With donor restrictions (Notes 8 and 9)	<u>13,722,852</u>	<u>10,266,778</u>
Total net assets	<u>308,685,232</u>	<u>285,077,720</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 320,345,297</u>	<u>\$ 297,303,196</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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 12</i>)	\$ 12,475,833	\$ 8,611,142	\$ 21,086,975
Other income	<u>129,309</u>	<u>—</u>	<u>129,309</u>
Total revenue	<u>12,605,142</u>	<u>8,611,142</u>	<u>21,216,284</u>
EXPENSES:			
Program expenses:			
Grants awarded	20,470,712	—	20,470,712
Program management	<u>2,431,113</u>	<u>—</u>	<u>2,431,113</u>
Total program expenses	22,901,825	—	22,901,825
Management and general	<u>1,690,683</u>	<u>—</u>	<u>1,690,683</u>
Total expenses	<u>24,592,508</u>	<u>—</u>	<u>24,592,508</u>
OTHER CHANGES:			
Net investment return	26,873,858	109,878	26,983,736
Net assets released from restrictions:			
Program expenditures	<u>5,264,946</u>	<u>(5,264,946)</u>	<u>—</u>
Total other changes	<u>32,138,804</u>	<u>(5,155,068)</u>	<u>26,983,736</u>
CHANGES IN NET ASSETS	20,151,438	3,456,074	23,607,512
Net assets, beginning of year	<u>274,810,942</u>	<u>10,266,778</u>	<u>285,077,720</u>
Net assets, end of year	<u>\$ 294,962,380</u>	<u>\$ 13,722,852</u>	<u>\$ 308,685,232</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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 12</i>)	\$ 22,283,249	\$ 16,424,651	\$ 38,707,900
Other income	<u>110,279</u>	<u>—</u>	<u>110,279</u>
Total revenue	<u>22,393,528</u>	<u>16,424,651</u>	<u>38,818,179</u>
EXPENSES:			
Program expenses:			
Grants awarded	29,446,817	—	29,446,817
Program management	<u>2,667,256</u>	<u>—</u>	<u>2,667,256</u>
Total program expenses	32,114,073	—	32,114,073
Management and general	<u>1,638,655</u>	<u>—</u>	<u>1,638,655</u>
Total expenses	<u>33,752,728</u>	<u>—</u>	<u>33,752,728</u>
OTHER CHANGES:			
Net investment return	(28,411,925)	(55,386)	(28,467,311)
Net assets released from restrictions:			
Program expenditures	<u>16,939,823</u>	<u>(16,939,823)</u>	<u>—</u>
Total other changes	<u>(11,472,102)</u>	<u>(16,995,209)</u>	<u>(28,467,311)</u>
CHANGES IN NET ASSETS	(22,831,302)	(570,558)	(23,401,860)
Net assets, beginning of year	<u>297,642,244</u>	<u>10,837,336</u>	<u>308,479,580</u>
Net assets, end of year	<u>\$ 274,810,942</u>	<u>\$ 10,266,778</u>	<u>\$ 285,077,720</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, 2023 and 2022

<u>EXPENSES</u>	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>2023 TOTAL</u>
Grants	\$ 20,470,712	\$ —	\$ 20,470,712
Salaries and related benefits	1,187,461	1,161,832	2,349,293
Professional fees	888,214	122,196	1,010,410
Occupancy	92,374	81,916	174,290
Telephone and technology	83,749	68,435	152,184
Depreciation	21,305	18,838	40,143
Other	<u>158,010</u>	<u>237,466</u>	<u>395,476</u>
Total expenses	<u>\$ 22,901,825</u>	<u>\$ 1,690,683</u>	<u>\$ 24,592,508</u>

<u>EXPENSES</u>	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>2022 TOTAL</u>
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	<u>108,674</u>	<u>173,453</u>	<u>282,127</u>
Total expenses	<u>\$ 32,114,073</u>	<u>\$ 1,638,655</u>	<u>\$ 33,752,728</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 23,607,512	\$(23,401,860)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Investment return:		
Common trust funds and partnerships	(18,566,302)	(15,668,854)
Net realized and unrealized (gain) loss on investments	(8,780,930)	43,746,738
Depreciation	40,143	42,366
Amortization of finance right-of-use assets	9,806	8,153
Amortization of operating right-of-use assets	146,263	142,356
Contributions restricted for endowment	(1,393,260)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	172,269	256,718
Contributions receivable	(1,782,394)	2,648,269
Accounts payable and accrued expenses	(350,101)	460,725
Operating lease liability	(145,446)	(136,583)
Grants payable	<u>(68,372)</u>	<u>(695,638)</u>
Net cash provided (used) by operating activities	<u>(7,110,812)</u>	<u>7,402,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment sales and distributions	20,447,866	23,689,188
Investment purchases and partnership capital contributions	(10,028,356)	(27,749,926)
Net change in money market mutual funds held as investments	2,437,330	336,702
Purchase of property	<u>(12,711)</u>	<u>(78,548)</u>
Net cash provided (used) by investing activities	<u>12,844,129</u>	<u>(3,802,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on finance lease liability	(9,753)	(8,035)
Proceeds from contributions restricted for endowment	<u>300,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>290,247</u>	<u>(8,035)</u>
NET CHANGE IN CASH	6,023,564	3,591,771
Cash, beginning of year	<u>7,758,055</u>	<u>4,166,284</u>
Cash, end of year	<u>\$ 13,781,619</u>	<u>\$ 7,758,055</u>
<i>Supplemental disclosure of cash flow information:</i>		
Finance lease obligations for equipment	\$8,260	

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, 2023 and 2022

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.

El Paso Opera Foundation (EPOF), a Texas nonprofit corporation located in El Paso, Texas, became a supporting organization in 2023 to engage with the local and larger community as a lasting and valued cultural services, and to provide education and programming on the arts, especially related to opera.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of PdNCF, PdNHF, FLCF, OFEP, and EPOF (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, OFEP and EPOF 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, OFEP and EPOF are subject to income tax on unrelated business income.

Cash includes demand deposits and highly liquid investments with original maturities of three months or less. Cash held for long-term investments are grouped with investments and are excluded from cash reported in the statements of cash flows. The Foundation maintains deposits in various 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.

Lease 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.

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 \$319 million at December 31, 2023 and \$296 million at December 31, 2022. 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 \$115 million of donor-restricted net assets and partnership interests with redemption restrictions at December 31, 2023 and \$116 million at December 31, 2022, 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 – CASH

Cash consists of the following:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 8,729,762	\$ 7,758,055
Money market mutual funds	<u>5,051,857</u>	<u>–</u>
Total cash	<u>\$ 13,781,619</u>	<u>\$ 7,758,055</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 10,493,177	\$ 7,424,682
Discount to net present value ranging from 0.32% to 4.59%	<u>(565,100)</u>	<u>(372,259)</u>
Contributions receivable, net	<u>\$ 9,928,077</u>	<u>\$ 7,052,423</u>

Contributions receivable at December 31, 2023 are expected to be collected as follows:

Less than one year	\$ 2,221,477
One to five years	8,098,700
More than five years	<u>173,000</u>
Total contributions receivable	<u>\$ 10,493,177</u>

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, 2023, \$600,000 of this matching gift has been recognized and \$400,000 remains conditional.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment Composition

The Foundation's investments are summarized as follows:

	2023		2022	
	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>
Common trust funds	\$ 192,390,731	\$ 213,202,373	\$ 170,488,290	\$ 209,012,578
Partnerships	101,099,450	71,199,726	106,078,230	68,664,564
Money market mutual funds	2,131,025	2,131,025	4,568,355	4,568,355
Common stock	<u>12,944</u>	<u>33,291</u>	<u>8,883</u>	<u>33,714</u>
Total investments	<u>\$ 295,634,150</u>	<u>\$ 286,566,415</u>	<u>\$ 281,143,758</u>	<u>\$ 282,279,211</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 categorized as Level 3 investments at December 31, 2023 and 2022.
- *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, 2023 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	\$ —	\$ 89,811,949	\$ —	\$ 89,811,949
Domestic fixed-income index	—	51,329,704	—	51,329,704
International equity	—	51,249,078	—	51,249,078
Partnerships	—	—	101,099,450	101,099,450
Money market mutual funds	2,131,025	—	—	2,131,025
Common stock	<u>12,944</u>	<u>—</u>	<u>—</u>	<u>12,944</u>
Total investments measured at fair value	<u>\$ 2,143,969</u>	<u>\$ 192,390,731</u>	<u>\$ 101,099,450</u>	<u>\$ 295,634,150</u>

Assets measured at fair value at December 31, 2022 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	\$ —	\$ 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	<u>8,883</u>	<u>—</u>	<u>—</u>	<u>8,883</u>
Total investments measured at fair value	<u>\$ 4,577,238</u>	<u>\$ 170,488,290</u>	<u>\$ 106,078,230</u>	<u>\$ 281,143,758</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>2023 FAIR VALUE</u>	<u>2022 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.	\$69,954,655	\$71,927,726	Funds dissolve between 2024 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.	\$20,910,750	\$24,419,186	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.	\$5,454,981	\$5,165,809	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.	\$4,779,064	\$4,565,509	None.	Distributions are made solely at the discretion of the general partners.
Total	\$101,099,450	\$106,078,230		

The Foundation has unfunded alternative investment commitments of approximately \$21.2 million at December 31, 2023.

NOTE 6 – LEASES

The Foundation has an operating lease for office space in El Paso, Texas and finance leases for office equipment. The Foundation has elected to not apply the recognition requirements 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 elected to not separate the lease components and the non-lease components for real estate leases.

The components of lease costs for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Finance lease costs:		
Amortization of right-of-use assets	\$ 9,805	\$ 8,153
Interest on lease liabilities	1,019	809
Operating lease costs	<u>160,753</u>	<u>160,753</u>
Total lease costs	<u>\$ 171,577</u>	<u>\$ 169,715</u>

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

	<u>2023</u>	<u>2022</u>
Operating leases – operating cash outflows	\$159,936	\$157,976
Finance leases:		
Operating cash outflows	\$1,019	\$809
Financing cash outflows	\$9,753	\$8,035

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

	<u>2023</u>	
	<u>OPERATING</u>	<u>FINANCE</u>
Weighted-average remaining lease term	28 months	28 months
Weighted-average discount rate	3.25%	4.34%
	<u>2022</u>	
	<u>OPERATING</u>	<u>FINANCE</u>
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, 2023:

	<u>OPERATING</u>	<u>FINANCE</u>
2024	\$ 161,896	\$ 10,772
2025	163,857	5,613
2026	68,614	1,928
2027	<u> </u>	<u>1,928</u>
Total undiscounted cash flows	394,367	20,241
Less discount to present value	<u>(14,625)</u>	<u>(1,204)</u>
Total discounted present value of lease liabilities	<u>\$ 379,742</u>	<u>\$ 19,037</u>

NOTE 7 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 963,751	\$ 963,751
Furniture, fixtures, and equipment	<u>511,876</u>	<u>499,165</u>
Total property, at cost	1,475,627	1,462,916
Accumulated depreciation	<u>(1,330,262)</u>	<u>(1,290,119)</u>
Property, net	<u>\$ 145,365</u>	<u>\$ 172,797</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Star Ceiling	\$ 2,055,077	\$ –
Quality of life	876,080	–
Bracero Project	636,282	698,085
Fundacion	623,940	321,446
Heart Gallery of El Paso	439,678	–
Health	99,150	–
Downtown Deck Plaza	80,652	273,442
Other	131,792	294,706
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	6,077,641	7,526,621
Endowment subject to spending policy and appropriation:		
Lois Helen Cole Endowment Fund – Alpine Humane Society	1,202,560	1,152,478
Braden Aboud Memorial Endowment	500,000	–
St. Matthew’s Catholic School Endowment	500,000	–
University of Texas El Paso Scholarship Endowment	<u>500,000</u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 13,722,852</u>	<u>\$ 10,266,778</u>

NOTE 9 – ENDOWMENT FUNDS

The Foundation’s endowment includes four individual funds that were established with donor-restricted contributions to support quality of life in the Paso del Norte region. 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. These funds are being administered in accordance with explicit donor stipulations. The amount specified by donors to be maintained in perpetuity is not reduced by investment losses or by approved distributions from the Endowment.

Endowment net assets and changes in endowment net assets are as follows:

	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2021	\$ –	\$ –	\$ –
Contributions and other additions	278,955	1,000,000	1,278,955
Net investment return	(55,386)	–	(55,386)
Appropriations	<u>(71,091)</u>	<u>–</u>	<u>(71,091)</u>
Endowment net assets, December 31, 2022	152,478	1,000,000	1,152,478
Contributions and other additions	–	1,500,000	1,500,000
Net investment return	107,706	–	107,706
Appropriations	<u>(57,624)</u>	<u>–</u>	<u>(57,624)</u>
Endowment net assets, December 31, 2023	<u>\$ 202,560</u>	<u>\$ 2,500,000</u>	<u>\$ 2,702,560</u>

NOTE 10 – GRANTS PAYABLE AND GRANT COMMITMENTS

At December 31, 2023, grants approved and committed for future payments are payable as follows:

2024	\$ 3,927,220
2025	545,425
2026	446,342
2027	950,136
2028	1,624,879
Thereafter	<u>3,291,310</u>
Total grants payable	<u>\$ 10,785,312</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, 2023, conditional grants of approximately \$9,970,000 had been approved, but not recognized in the financial statements as the conditions had not been substantially met.

NOTE 11 – 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 \$188,000 during 2023 and \$178,000 during 2022.

NOTE 12 – GOVERNMENT GRANTS

Grants from federal and state funding sources require fulfillment by certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. 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. During 2023 and 2022, the Foundation recognized \$495,495 and \$12,979,920, respectively, of government grants subject to federal or state compliance with contract provisions.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2024, which is the date that the financial statements were available for issuance. Subsequent to December 31, 2023, the Foundation entered into partnership investment subscription agreements for \$12 million. 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, 2023

	<u>PASO DEL NORTE COMMUNITY FOUNDATION</u>	<u>PASO DEL NORTE HEALTH FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 13,300,375	\$ 481,244	\$ –	\$ 13,781,619
Prepaid expenses and miscellaneous receivables	79,382	384,686	–	464,068
Contributions receivable, net	8,834,817	–	–	8,834,817
Investments	15,963,734	295,634,150	(15,963,734)	295,634,150
Operating lease right-of-use assets	–	373,861	–	373,861
Contributions receivable restricted for endowment, net	1,093,260	–	–	1,093,260
Finance lease right-of-use assets	–	18,157	–	18,157
Property, net	<u>34,192</u>	<u>111,173</u>	<u>–</u>	<u>145,365</u>
TOTAL ASSETS	<u>\$ 39,305,760</u>	<u>\$ 297,003,271</u>	<u>\$ (15,963,734)</u>	<u>\$ 320,345,297</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 104,968	\$ 371,006	\$ –	\$ 475,974
Operating lease liability	–	379,742	–	379,742
Finance lease liability	–	19,037	–	19,037
Grants payable	7,749,653	3,035,659	–	10,785,312
Investments held for PdNCF	<u>–</u>	<u>15,963,734</u>	<u>(15,963,734)</u>	<u>–</u>
Total liabilities	<u>7,854,621</u>	<u>19,769,178</u>	<u>(15,963,734)</u>	<u>11,660,065</u>
Total net assets	<u>31,451,139</u>	<u>277,234,093</u>	<u>–</u>	<u>308,685,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,305,760</u>	<u>\$ 297,003,271</u>	<u>\$ (15,963,734)</u>	<u>\$ 320,345,297</u>

Paso del Norte Community Foundation and Supporting Organizations

Consolidating Statement of Activities for the year ended December 31, 2023

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	\$ 21,562,593	\$ 10,900	\$ (486,518)	\$ 21,086,975
Other income	<u>–</u>	<u>129,309</u>	<u>–</u>	<u>129,309</u>
Total revenue	<u>21,562,593</u>	<u>140,209</u>	<u>(486,518)</u>	<u>21,216,284</u>
EXPENSES:				
Program expenses:				
Grants awarded	10,557,702	10,399,528	(486,518)	20,470,712
Program management	<u>273,341</u>	<u>2,157,772</u>	<u>–</u>	<u>2,431,113</u>
Total program expenses	10,831,043	12,557,300	(486,518)	22,901,825
Management and general	<u>470,263</u>	<u>1,220,420</u>	<u>–</u>	<u>1,690,683</u>
Total expenses	<u>11,301,306</u>	<u>13,777,720</u>	<u>(486,518)</u>	<u>24,592,508</u>
OTHER CHANGES:				
Net investment return	<u>1,569,911</u>	<u>25,413,825</u>	<u>–</u>	<u>26,983,736</u>
CHANGES IN NET ASSETS	11,831,198	11,776,314	–	23,607,512
Net assets, beginning of year	<u>19,619,941</u>	<u>265,457,779</u>	<u>–</u>	<u>285,077,720</u>
Net assets, end of year	<u>\$ 31,451,139</u>	<u>\$ 277,234,093</u>	<u>\$ –</u>	<u>\$ 308,685,232</u>

Paso del Norte Community Foundation and Supporting Organizations

Consolidating Statement of Financial Position as of December 31, 2022

	<u>PASO DEL NORTE COMMUNITY FOUNDATION</u>	<u>PASO DEL NORTE HEALTH FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 7,416,213	\$ 341,842	\$ –	\$ 7,758,055
Prepaid expenses and miscellaneous receivables	326,337	310,000	–	636,337
Contributions receivable, net	7,052,423	–	–	7,052,423
Investments	13,826,276	281,143,758	(13,826,276)	281,143,758
Operating lease right-of-use assets	–	520,124	–	520,124
Finance lease right-of-use assets	–	19,702	–	19,702
Property, net	<u>43,661</u>	<u>129,136</u>	<u>–</u>	<u>172,797</u>
TOTAL ASSETS	<u>\$ 28,664,910</u>	<u>\$ 282,464,562</u>	<u>\$ (13,826,276)</u>	<u>\$ 297,303,196</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 436,578	\$ 389,497	\$ –	\$ 826,075
Operating lease liability	–	525,188	–	525,188
Finance lease liability	–	20,529	–	20,529
Grants payable	8,608,391	2,245,293	–	10,853,684
Investments held for PdNCF	<u>–</u>	<u>13,826,276</u>	<u>(13,826,276)</u>	<u>–</u>
Total liabilities	<u>9,044,969</u>	<u>17,006,783</u>	<u>(13,826,276)</u>	<u>12,225,476</u>
Total net assets	<u>19,619,941</u>	<u>265,457,779</u>	<u>–</u>	<u>285,077,720</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,664,910</u>	<u>\$ 282,464,562</u>	<u>\$ (13,826,276)</u>	<u>\$ 297,303,196</u>

Paso del Norte Community Foundation and Supporting Organizations

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

	PASO DEL NORTE COMMUNITY FOUNDATION	PASO DEL NORTE HEALTH FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	\$ 24,543,292	\$ 15,084,250	\$ (919,642)	\$ 38,707,900
Other income	<u>1</u>	<u>110,278</u>	<u>–</u>	<u>110,279</u>
Total revenue	<u>24,543,293</u>	<u>15,194,528</u>	<u>(919,642)</u>	<u>38,818,179</u>
EXPENSES:				
Program expenses:				
Grants awarded	19,771,327	10,595,132	(919,642)	29,446,817
Program management	<u>424,035</u>	<u>2,243,221</u>	<u>–</u>	<u>2,667,256</u>
Total program expenses	20,195,362	12,838,353	(919,642)	32,114,073
Management and general	<u>792,851</u>	<u>845,804</u>	<u>–</u>	<u>1,638,655</u>
Total expenses	<u>20,988,213</u>	<u>13,684,157</u>	<u>(919,642)</u>	<u>33,752,728</u>
OTHER CHANGES:				
Net investment return	<u>(1,212,539)</u>	<u>(27,254,772)</u>	<u>–</u>	<u>(28,467,311)</u>
CHANGES IN NET ASSETS	2,342,541	(25,744,401)	–	(23,401,860)
Net assets, beginning of year	<u>17,277,400</u>	<u>291,202,180</u>	<u>–</u>	<u>308,479,580</u>
Net assets, end of year	<u>\$ 19,619,941</u>	<u>\$ 265,457,779</u>	<u>\$ –</u>	<u>\$ 285,077,720</u>
