San Antonio Medical Foundation and SAMF Fund

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

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Contents

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Independent Auditor's Report

The Board of Trustees
San Antonio Medical Foundation and SAMF Fund
San Antonio, Texas

Opinion

We have audited the consolidated financial statements of San Antonio Medical Foundation and SAMF Fund (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

June 15, 2022

Consolidated Financial Statements

San Antonio Medical Foundation and SAMF Fund

Consolidated Statements of Financial Position

December 31,		2021		2020
Assets				
Cash and cash equivalents	$	**501,498**	$	685,059
Investments held for operations		**18,285,284**		16,471,045
Accounts receivables		**6,886**		-
Other assets		**61,657**		50,942
Land		**7,855,571**		7,855,571
Land improvements, net		**685,160**		729,052
Investments held in perpetuity		**1,482,977**		1,302,735
Total Assets	$	**28,879,033**	$	27,094,404
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	$	**3,309**	$	1,674
Grants payable		**-**		131,340
Deferred revenue		**15,263**		12,163
Total Liabilities		**18,572**		145,177
Net Assets				
Without donor restrictions:				
Board-designated for mission-related activities		**500,000**		500,000
Board-designated - operating reserve		**750,000**		750,000
Invested in land, furniture, and equipment		**8,540,731**		8,584,623
Undesignated		**17,586,753**		15,811,869
Total Without Donor Restrictions		**27,377,484**		25,646,492
With donor restrictions		**1,482,977**		1,302,735
Total Net Assets		**28,860,461**		26,949,227
Total Liabilities and Net Assets	$	**28,879,033**	$	27,094,404

See accompanying notes to consolidated financial statements.

San Antonio Medical Foundation and SAMF Fund

Consolidated Statements of Activities and Changes in Net Assets

Year ended December 31,	2021	2020
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains, and Other Support		
Contributions	$ 37,550	$ 60,385
In-kind contributions	49,503	49,503
Lease income and administrative fees, net	1,450,789	1,363,367
Fair value of leases in excess of lease rates	1,578,796	1,582,957
Gain on donation of land	-	7,427,686
Interest and dividends, net	287,135	268,427
Realized and unrealized gain on investments	1,941,064	1,974,178
Net assets released from restrictions	15,000	44,500
Total Revenue, Gains, and Other Support	5,359,837	12,771,003
Expenses		
Program:		
Fair value of leases in excess of lease rates	1,578,796	1,582,957
Donated land	-	7,450,000
Other	1,849,291	1,824,913
Total Program	3,428,087	10,857,870
General and administrative	168,751	153,288
Fundraising	32,007	33,961
Total Expenses	3,628,845	11,045,119
Changes in Net Assets Without Donor Restrictions	1,730,992	1,725,884
Changes in Net Assets with Donor Restrictions		
Dividends and interest	21,822	22,725
Realized and unrealized gain on investments	173,420	150,856
Net assets released from restrictions	(15,000)	(44,500)
Changes in Net Assets with Donor Restrictions	180,242	129,081
Change in Net Assets	1,911,234	1,854,965
Net Assets, beginning of the year	26,949,227	25,094,262
Net Assets, end of year	$ 28,860,461	$ 26,949,227

See accompanying notes to consolidated financial statements.

San Antonio Medical Foundation and SAMF Fund

Consolidated Statements of Functional Expenses

Year ended December 31, 2021

	Program	General and Administrative	Fundraising	Total
Compensation	$ 308,967	$ 48,559	$ 18,818	$ 376,344
Consultants	5,608	70,293	-	75,901
Depreciation expense	32,919	8,778	2,195	43,892
Fair value of leases in excess of lease rates	1,578,796	-	-	1,578,796
Donations	31,600	400	-	32,000
Insurance	14,109	5,058	-	19,167
Legal	43,760	-	-	43,760
Office:				
Other	-	25,570	-	25,570
In-kind office rent	37,622	8,416	3,465	49,503
Promotion	28,726	-	7,529	36,255
Properties maintenance	97,268	-	-	97,268
Trustee meetings	6,708	1,677	-	8,385
Special event expense	-	-	-	-
Grants/awards:				
Medical Center Alliance	100,000	-	-	100,000
Collaborative Research Grants	139,263	-	-	139,263
Healthy Kids Initiative	150,000	-	-	150,000
General grants	825,121	-	-	825,121
San Antonio Economic Development Foundation	25,000	-	-	25,000
Marketing:				
Bioscience Research Database	2,620	-	-	2,620
Total Expenses	$ 3,428,087	$ 168,751	$ 32,007	$ 3,628,845

See accompanying notes to consolidated financial statements.

San Antonio Medical Foundation and SAMF Fund

Consolidated Statements of Functional Expenses

Year ended December 31, 2020

	Program	General and Administrative	Fundraising	Total
Compensation	$ 306,451	$ 47,928	$ 18,650	$ 373,029
Consultants	-	43,010	-	43,010
Depreciation expense	32,919	8,777	2,195	43,891
Fair value of leases in excess of lease rates	1,582,957	-	-	1,582,957
Donated land	7,450,000	-	-	7,450,000
Donations	27,850	400	-	28,250
Insurance	14,109	3,463	-	17,572
Legal	39,324	-	-	39,324
Office:				
Other	-	35,228	-	35,228
In-kind office rent	37,622	8,416	3,465	49,503
Promotion	33,560	4,500	9,651	47,711
Properties maintenance	68,411	-	-	68,411
Trustee meetings	6,263	1,566	-	7,829
Special event expense	36,727	-	-	36,727
Grants/awards:				
Medical Center Alliance	100,000	-	-	100,000
Collaborative Research Grants	298,520	-	-	298,520
Healthy Kids Initiative	50,000	-	-	50,000
General grants	743,527	-	-	743,527
Marketing:				
Bioscience Research Database	4,630	-	-	4,630
South Texas Medical Center Awareness Campaign	25,000	-	-	25,000
Total Expenses	$ 10,857,870	$ 153,288	$ 33,961	$ 11,045,119

See accompanying notes to consolidated financial statements.

San Antonio Medical Foundation and SAMF Fund

Consolidated Statements of Cash Flows

Year ended December 31,		2021		2020
Cash Flows from Operating Activities				
Change in net assets	$	1,911,234	$	1,854,965
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		43,892		43,892
Realized and unrealized gain on investments		(2,114,484)		(2,125,034)
Carrying value of donated land		-		22,314
Change in operating assets and liabilities:				
Accounts receivable		(6,886)		-
Other assets		(10,715)		(7,066)
Accounts payable and accrued liabilities		1,635		(3,078)
Grants payable		(131,340)		131,340
Deferred revenue		3,100		(5,350)
Net Cash Used in Operating Activities		(303,564)		(88,017)
Cash Flows from Investing Activities				
Proceeds from sale/maturity of investments		1,634,782		740,419
Purchase of investments		(1,514,779)		(367,634)
Net Cash Provided by Investing Activities		120,003		372,785
Net (Decrease) Increase in Cash and Cash Equivalents		(183,561)		284,768
Cash and Cash Equivalents, beginning of year		685,059		400,291
Cash and Cash Equivalents, end of year	$	501,498	$	685,059

See accompanying notes to consolidated financial statements.

1. Organization Purpose and Summary of Significant Accounting Policies

Organization Purpose

The San Antonio Medical Foundation (SAMF) is a nonprofit foundation organized under the laws of the State of Texas and operated for charitable, scientific, and educational purposes. The mission of the Foundation is to improve health care, advance biomedical science, and enhance community well-being, by providing leadership and active stewardship of land and other assets.

SAMF Fund (Fund) is a nonprofit organization established in 2017 and was formed to support the charitable mission and purposes of SAMF. On January 1, 2018, certain real estate and investments were transferred from the SAMF to the Fund.

Basis of Presentation and Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the activities of SAMF and the Fund (collectively, the Foundation). All intercompany transactions have been eliminated in consolidation.

Basis of Reporting

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and mission related activities. See Note 3.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restriction. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulate purpose for which the resource was restricted has been fulfilled, or both.

Reclassification

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of current year consolidated financial statements. The reclassifications have no effect on previously reported changes in net assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, all highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents. Cash and equivalents that are part of long-term investments are shown within investments in accordance with the Foundation's policy.

Investments

Investments are recorded at fair value based on quoted market prices in active markets.

Fair Value of Financial Instruments

The Foundation's financial instruments consist principally of cash and cash equivalents and short and long-term marketable securities. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1 – This level consists of quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – This level consists of observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 – This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Foundation believes that the recorded values of all the other financial instruments approximate their current fair values because of their nature and relatively short maturity dates or durations. See Note 4.

Property and Equipment

The Foundation follows the practice of capitalizing all purchases of land, land improvements and furniture and equipment in excess of $1,000. Property and equipment are stated at cost if purchased, or at fair value at the date of contribution. Depreciation on land improvements is calculated using the straight-line method over the estimated useful lives of the assets, which range from 15 to 40 years. Depreciation on furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Land is held at estimated cost and no depreciation is recorded.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the assets. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020, and accordingly, no impairment loss was recognized.

Contributions and Revenue Recognition

The Foundation follows Accounting Standards Codification (ASC) *Revenue from Contracts with Customers* (ASC 606). This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as contributions, leases, insurance, collaborative arrangements, and financial instruments. The Foundations primary sources of revenue are from leasing arrangements and contributions; therefore, they do not fall within the scope of ASC 606.

The Foundation follows ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, issued by FASB to improve the scope and accounting guidance for contributions received and contributions made. This ASU provided guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance. This standard establishes that contributions received and made by the Foundation are nonreciprocal transactions, therefore, properly accounted for as a contribution and as such, there was no impact upon adoption of this standard.

The Foundation reports all contributions as without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as with donor restrictions. Contributions are recorded as revenue upon receipt of the gift or receipt of an unconditional promise to give, whichever comes first.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

In-kind contribution revenue is recognized for the value of certain ground leases, as explained in Note 8 to these financial statements. Lease and administrative fee income is recognized on a straight-line basis in the period earned, with any advance payments by tenants recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Accordingly, certain costs have been allocated between programs and supporting services benefited. The expenses that are allocated include depreciation and in-kind office rent which are allocated on a square footage basis, as well as compensation, promotion, special events and trustee meetings, which are allocated on the basis of estimates of time and effort. All other allocated costs are based on actual figures.

Income Taxes

The SAMF and Fund are not-for-profit, Section 501(c)(3) organizations. The SAMF and Fund account for uncertain tax positions, when applicable, through the provisions of ASC 740-10-25. Under ASC 740-10-25, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. At December 31, 2021 and 2020, no uncertain tax positions have been identified. The SAMF and Fund are no longer subject to tax examinations by tax authorities for the years prior to 2018. If applicable, interest and penalties related to uncertain tax positions will be recognized in income tax expense. For the years ended December 31, 2021 and 2020, the SAMF and Fund did not recognize any related interest or penalties.

Accounting Pronouncement Issued but Not Yet Adopted or Currently in Effect

Leases (Topic 842)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

2. Concentration of Risk

The Foundation maintains multiple bank accounts at certain financial institutions in San Antonio, Texas. From time to time, certain account balances exceeded the Federal Deposit Insurance Corporation (FDIC) insured maximum. The Foundation monitors the credit worthiness of these financial institutions to avoid unnecessary exposure to risk. The Foundation has not incurred any losses associated with this risk.

3. Liquidity and Available Resources

Financial assets without donor or other restrictions limiting their use, and available for general expenditure within one year of statement of financial position date are comprised of the following:

	2021	2020
Cash and cash equivalents	**$ 501,498**	$ 685,059
Investments held for operations	**18,285,284**	16,471,045
Less: board designated reserves	**(1,250,000)**	(1,250,000)
Total Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	**$ 17,536,782**	$ 15,906,104

The Operating budget is approved annually by the Foundation's Executive Committee and Board. Adjustments to the budget during the year, if any, are also approved by the Executive Committee and/or Board. The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As a part of the Foundation's liquidity management plan, cash in excess of $300,000, if not required in the immediate future, are invested in accordance with the Board policy. The Board has designated $750,000 for operating reserves and $500,000 for mission related activities.

Annual income for SAMF comes primarily from long-term ground leases to mission-related entities and contributions. Ground leases have Consumer Price Index adjustments built in to stay current with inflation.

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment fund are not available for general expenditures. See Note 14.

4. Investments

The fair value of investments, which are shown as investments held for operations and investments held in perpetuity in the consolidated statements of financial position, were as follows:

December 31,	**2021**	2020
Money market funds	**$ 189,160**	$ 366,906
Mutual funds	**11,904,173**	10,251,597
Corporate bonds	**5,195,311**	4,654,922
Municipal bonds	**1,034,700**	1,550,035
Exchange traded products	**1,444,915**	950,320
Total	**$ 19,768,259**	$ 17,773,780

5. Fair Values of Financial Instruments

In accordance with the fair value hierarchy described in Note 1, the following tables show the fair value of the Foundation's financial assets that are required to be measured at fair value:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Money market funds	$ 189,160	$ -	$ -	$ 189,160
Mutual funds	11,904,173	-	-	11,904,173
Corporate bonds	5,195,311	-	-	5,195,311
Municipal bonds	-	1,034,700	-	1,034,700
Exchange traded products	1,444,915	-	-	1,444,915
Total Assets at Fair Value	$ 18,733,559	$ 1,034,700	$ -	$ 19,768,259

December 31, 2020

	Level 1	Level 2	Level 3	Total
Money market funds	$ 366,906	$ -	$ -	$ 366,906
Mutual funds	10,251,597	-	-	10,251,597
Corporate bonds	4,654,922	-	-	4,654,922
Municipal bonds	-	1,550,035	-	1,550,035
Exchange traded products	950,320		-	950,320
Total Assets at Fair Value	$ 16,223,745	$ 1,550,035	$ -	$ 17,773,780

6. Land and Improvements

Land consists of remaining acreage held by the Foundation. This land and its improvements represent approximately 186 acres as of December 31, 2021 and 2020, respectively, which is acquired from the following:

December 31,	**2021**	2020
Land:		
Five Oaks, Inc.	**$ 16,941**	$ 16,941
Earl and Gladys Cooper	**270,574**	270,574
Florence B. McAlpine	**28,701**	28,701
Boyce Gaskin, Inc.	**394,370**	394,370
Norman and Avram Jacobson (Fawn Meadow)	**2,348,367**	2,348,367
Fannie Lee Denman	**716,634**	716,634
Cinnamon Hill	**673,377**	673,377
Valley Green Joint Venture (Fawn Meadow)	**122,630**	122,630
Maness Property	**457,904**	457,904
Hamilton Wolfe easement	**1,576,968**	1,576,968
Floyd Curl Drive easement	**1,249,105**	1,249,105
Total Land	**$ 7,855,571**	$ 7,855,571

December 31,	**2021**	2020
Land improvements:		
Five Oaks, Inc.	**$ 106,098**	$ 106,098
Boyce Gaskin, Inc.	**277,201**	277,201
Landscaping – Ewing Halsell and Wurzbach	**9,079**	9,079
Earl and Gladys Cooper	**167,363**	167,363
Health Resources Cluster Project	**228,645**	228,645
Sid Katz Drive extension	**154,121**	154,121
Maness House	**95,020**	95,020
Denman improvements	**82,870**	82,870
Total Land Improvements, before accumulated depreciation	**1,120,397**	1,120,397
Less: accumulated depreciation	**(435,237)**	(391,345)
Land Improvements, Net	**$ 685,160**	$ 729,052

In October 2020, the Foundation donated an undeveloped parcel of land with the cost of $22,314 and an appraised value of $7,450,000. The gain on the donated land amounting to $7,427,686 was determined based on Level 3 inputs included in a third-party appraisal report. The gain and corresponding donation expense of $7,450,000 were included in the consolidated statements of activities and changes in net assets.

7. Furniture and Equipment

The Foundation had the following furniture and equipment:

December 31,		**2021**		2020
Furniture and fixtures	$	**10,163**	$	10,163
Equipment		**24,871**		24,871
Trail exercise equipment		**61,657**		61,657
Total Furniture and Equipment, before depreciation		**96,691**		96,691
Less: accumulated depreciation		**(96,691)**		(96,691)
Furniture and Equipment, Net	**$**	**-**	$	-

8. Fair Value of Leases in Excess of Lease Rates

The Foundation arranges for leases of its property to organizations serving the San Antonio and South Texas community that strengthen the Medical Center. The Foundation records the economic benefit from these leases based on the appraisal reports prepared by real estate appraisers. These amounts estimate the fair value of the contributed leases. The value of these leases, in excess of lease rates charged for the years ended December 31, 2021 and 2020, totaled $1,578,796 and $1,582,957, respectively, which is included in fair value of leases in excess of lease rates account in the consolidated statements of activities and changes in net assets. The estimated value of the leases is revalued every five years at its fair value using Level 3 inputs.

9. Office Lease

The Foundation pays no rent for its office space but recognizes the fair value of the rent as in-kind contribution income and as in-kind office rent expense. These amounts totaled $49,503 in 2021 and 2020, which is included in in-kind office rent account on the consolidated statements of functional expenses.

10. Leases to Others

In addition to leasing its land to various nonprofit institutions at nominal cost to the lessee, the Foundation leases a portion of its land to commercial businesses (some of which are medically affiliated).

The lease agreements contain minimum annual rental payments, with some leases having periodic adjustments based on the consumer price index. The leases vary in duration from month-to-month to 30 years, with most having renewable options. Some permit and zoning costs incurred by certain tenants during construction are refunded to the tenants by credits against future rental payments.

Approximate minimum payments to be received under non-cancelable long-term operating leases for the next five years, net of refundable credits, are as follows:

Years ended December 31,		
2022	$	1,186,717
2023		1,186,717
2024		1,186,717
2025		1,186,717
2026		1,186,717

11. Contingencies and Commitments

On July 1, 2002, the Foundation entered into an Infrastructure Participation Agreement (the Agreement) with the Medical Center Alliance for the purpose of planning and managing capital improvement initiatives within the Medical Center. The Agreement had a term of two years and automatically renews unless terminated. A two-year advance notice is required for termination of the Agreement. In 2021 and 2020, the Foundation paid $100,000 per year under the Agreement. Future maximum assessments under the Agreement total $100,000 in 2022.

The Foundation has a line-of-credit with Broadway National Bank for $3,000,000. The line-of-credit is renewed annually with interest payments due monthly. The expiration date and interest rate will be determined at the time the line-of-credit is used. The Foundation had no balance outstanding on the line-of-credit at December 31, 2021 and 2020.

12. Employee Retirement Plans

The Foundation has a simplified employee pension plan (the Plan) available to employees who are at least 21 years old and have completed one year of service. The cost of the Plan to the Foundation is a percentage of annual compensation as agreed to by the Board of Directors. Plan expense was $37,986 and $36,491 for the years ended December 31, 2021 and 2020, respectively, which is included in general and administrative account on the consolidated statements of activities and changes in net assets.

The Foundation sponsors a 403(b) defined contribution plan. Contributions are made by the employees only and, therefore, there is no contribution by the Foundation.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

December 31,		**2021**		2020
Program activity	**$**	**976,722**	$	796,480
Endowment restricted in perpetuity		**506,255**		506,255
Total Net Assets with Donor Restrictions	**$**	**1,482,977**	$	1,302,735

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Amounts released from donor restrictions were as follows:

December 31,		**2021**		2020
Satisfaction of program restrictions	**$**	**15,000**	$	44,500

14. Endowment Funds

General Information

At December 31, 2021, the Foundation maintains approximately $1,482,977 of endowment funds established for community healthcare needs. These endowments consist of both donor-restricted endowment contributions and accumulated earnings on those funds. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines the Foundation's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

Background

In July 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the organization to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund.

Although UPMIFA does not require that a specified amount be set aside as principal, it assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed and will spend "income" by making distributions using a reasonable spending rate.

Endowment "Principal" Interpretation

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the endowment in perpetuity (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as non-operating or without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment "Income" Appropriation (Spending Policy)

The Foundation accrues capital appreciation or depreciation (realized and unrealized gains or losses) on endowment investments. Earned investment income (i.e. dividends and interest) is generally appropriated.

When the fair market value of the fund exceeds the amount restricted in perpetuity, up to 5% of the fair market value may be appropriated in any year. This is calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is to be made. These funds may only be appropriated and distributed in accordance with donor use restrictions.

In accordance with UPMIFA, in all its endowment spending activity, the Foundation will consider the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic and investment market conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment Net Asset Composition by Type of Fund

December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,482,977	$ 1,482,977

December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,302,735	$ 1,302,735

Changes in Endowment Net Assets

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ -	$ 1,302,735	$ 1,302,735
Investment return:			
Interest and dividends	-	21,822	21,822
Net appreciation	-	173,420	173,420
Total Investment Return	-	195,242	195,242
Contributions:			
Appropriations of endowment assets for expenditure	-	(15,000)	(15,000)
Endowment Net Assets, end of year	$ -	$ 1,482,977	$ 1,482,977

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ -	$ 1,173,654	$ 1,173,654
Investment return:			
Interest and dividends	-	22,725	22,725
Net appreciation	-	150,856	150,856
Total Investment Return	-	173,581	173,581
Contributions:			
Appropriations of endowment assets for expenditure	-	(44,500)	(44,500)
Endowment Net Assets, end of year	$ -	$ 1,302,735	$ 1,302,735

15. Subsequent Events

In preparation of its financial statements, the Foundation has evaluated the events subsequent to December 31, 2021 through June 15, 2022, the date the financial statements were available to be issued.