

PARKLAND FOUNDATION
(A COMPONENT UNIT OF PARKLAND HEALTH & HOSPITAL SYSTEM)

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

PARKLAND FOUNDATION
(A COMPONENT UNIT OF PARKLAND HEALTH & HOSPITAL SYSTEM)

SEPTEMBER 30, 2021 AND 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2021 AND 2020	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020	4
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020	5
NOTES TO FINANCIAL STATEMENTS	6 - 17



Independent Auditor's Report

To the Board of Directors
Parkland Foundation

We have audited the accompanying financial statements of Parkland Foundation (a nonprofit organization) (the "Foundation"), a component unit of Parkland Health & Hospital System ("Parkland"), which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to financial statements, which collectively comprise the Foundation's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles and being a component unit of Parkland, reports under the Governmental Accounting Standards Board ("GASB") framework instead of the Financial Accounting Standards Board ("FASB") reporting for non-profits. Due to the reporting under the GASB framework, management has elected to omit the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements under GASB. Such missing information, although, not part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in blue ink that reads "Lore K. Carter, P.C.".

Dallas, Texas
November 15, 2021

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
STATEMENTS OF NET POSITION
September 30,

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 20,873,168	\$ 40,338,500
Short-term investments	7,050,630	5,298,447
Pledges and estate receivables, current portion	1,671,218	2,602,176
Interest receivable	-	26,895
Other receivables	7,559	19,609
Prepaid expenses	3,852	9,970
Total current assets	29,606,427	48,295,597

NONCURRENT ASSETS

Long-term investments	2,287,880	2,771,776
Pledges and estate receivables, noncurrent, net	1,550,153	1,671,105
Land held for sale	-	1,030,000
Total noncurrent assets	3,838,033	5,472,881

TOTAL ASSETS

	\$ 33,444,460	\$ 53,768,478
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 65,574	\$ 120,583
Due to Parkland	2,749,059	4,074,529
Due to Parkland Center for Clinical Innovation	-	85,357
Refundable advance	654,297	-
Total current liabilities	3,468,930	4,280,469

NET POSITION

Nonexpendable		
Patient assistance	7,429,520	6,716,118
Total nonexpendable restricted net position	7,429,520	6,716,118
Expendable		
Patient assistance	18,149,857	25,345,884
New Parkland Campus and Parkland Center for Clinical Innovation	756,337	736,407
Comprehensive Breast Center	1,030,102	13,408,916
ISFP Holdings LLC	2,906	1,049,898
Total expendable restricted net position	19,939,202	40,541,105
Total restricted net position	27,368,722	47,257,223
Unrestricted net position	2,606,808	2,230,786
Total net position	29,975,530	49,488,009

TOTAL LIABILITIES AND NET POSITION

	\$ 33,444,460	\$ 53,768,478
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See accompanying notes to financial statements.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended September 30,

	2021	2020
OPERATING REVENUES		
Contributions and donations	\$ 7,977,814	\$ 11,824,547
Contributions received from Parkland	450,000	646,248
Donated salary and benefits	3,607,631	3,392,662
Donated operating expenses	151,051	157,007
Bad debt recovery	500,000	500,000
Other income	-	5,000
Total operating revenue	12,686,496	16,525,464
OPERATING EXPENSES		
Support to Parkland		
Patient assistance	6,463,371	8,569,989
Parkland Center for Clinical Innovation	-	203,318
New Parkland Campus	845,994	-
Comprehensive Breast Center	22,000,000	12,000,000
Total support to Parkland	29,309,365	20,773,307
Supporting services		
Management and general	1,977,040	1,843,517
Fundraising	2,350,959	2,377,265
Total supporting services	4,327,999	4,220,782
Total operating expenses	33,637,364	24,994,089
Operating loss	(20,950,868)	(8,468,625)
NONOPERATING ACTIVITIES		
Net investment activity	1,184,646	1,056,875
Loss on sale of land	(110,000)	-
Total nonoperating activities	1,074,646	1,056,875
OTHER CHANGES IN NET POSITION		
Nonexpendable contributions and donations	363,743	171,879
Total other changes in net position	363,743	171,879
Changes in net position	(19,512,479)	(7,239,871)
NET POSITION, at beginning of year	49,488,009	56,727,880
NET POSITION, at end of year	\$ 29,975,530	\$ 49,488,009

See accompanying notes to financial statements.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
STATEMENTS OF CASH FLOWS
For the Years Ended September 30,

	2021	2020
Cash flows from operating activities		
Contributions and donations	\$ 10,536,071	\$ 15,820,569
Other income	-	5,000
Payments to support Parkland	(30,720,192)	(17,741,847)
Payments to supporting services	(618,208)	(698,285)
Net cash used in operating activities	(20,802,329)	(2,614,563)
Cash flows from noncapital financing activities		
Restricted nonexpendable contributions	363,743	171,879
Net cash provided by noncapital financing activities	363,743	171,879
Cash flows from investing activities		
Proceeds from sale of investments	5,483,329	36,963,463
Purchase of investments	(6,641,616)	(22,510,166)
Proceeds from sale of land	920,000	-
Net investment income	1,211,541	1,195,679
Net cash provided by investing activities	973,254	15,648,976
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,465,332)	13,206,292
Cash and cash equivalents, at beginning of year	40,338,500	27,132,208
Cash and cash equivalents, at end of year	\$ 20,873,168	\$ 40,338,500
Reconciliation of operating loss to net cash used by operating activities		
Operating income (loss)	\$ (20,950,868)	\$ (8,468,625)
Adjustments to reconcile operating (loss) income to net cash used by operations activities		
Pledge write-off and allowance, net of recovery	(516,967)	(471,456)
Amortization of net present value discount	43,488	92,519
Loss on sale of land	(110,000)	-
Change in operating assets and liabilities, net		
Pledges and estate receivable	1,525,389	3,437,515
Other receivables	12,050	54,776
Prepaid expenses	6,118	29,679
Account payable and accrued expenses	(55,009)	(56,851)
Due to Parkland	(1,325,470)	3,190,129
Due to Parkland Center for Clinical Innovation	(85,357)	(158,669)
Refundable advance	654,297	(263,580)
Net cash used in operating activities	(20,802,329)	(2,614,563)
Supplemental Cash Flows Information		
In-kind salary and benefits and other	\$ 3,758,682	\$ 3,549,669

See accompanying notes to financial statements.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Parkland Foundation (the “Foundation”), is a non-profit corporation organized in Texas in 1985 to support and benefit the Dallas County Hospital District, and is a discretely presented component unit of Parkland Health & Hospital System (“Parkland”). The Foundation’s Board of Directors are appointed by Parkland’s Board of Managers and by the Directors of the Foundation. Parkland is a political subdivision of the state of Texas and is a discretely presented component unit of Dallas County, Texas. The Foundation’s mission is to secure substantial financial resources that advance the clinical, educational and research quests of Parkland. Primary funding for Foundation operations comes from Parkland. The Foundation also receives private sector donations and grants restricted by the donor for specific activities of Parkland.

In June 2016, the Foundation formed ISFP Holdings, LLC (“LLC”). See Note 4.

Support to Parkland

Support to Parkland consist of expenditures, including equipment purchases, paid to or on behalf of Parkland, and include:

Patient Assistance - Includes items and services that enable patients to find and benefit from health care or to be discharged successfully. These include transportation, rental of certain home care medical equipment, food and small appliances. For the year ended September 30, 2021, the Foundation supported \$6,463,371 to patient assistance including a contribution to Parkland of \$1,002,328 to support Parkland’s mission in providing the best possible health care to the individuals it serves. For the year ended September 30, 2020, the Foundation supported \$8,569,989 to patient assistance including a contribution to Parkland of \$1,962,538 to support Parkland’s mission in providing the best possible health care to the individuals it serves.

New Parkland Campus and Parkland Center for Clinical Innovation - The Foundation conducts fundraising campaigns to provide financial resources for Parkland. In 2008, the Foundation began the “I Stand for Parkland” capital campaign with a goal of \$150,000,000 and successfully ended effective September 30, 2015. See Notes 6 and 7. For the year ended September 30, 2021, the Foundation transferred \$845,994 to the New Parkland Center. For the year ended September 30, 2020, the Foundation transferred \$203,318 to Parkland Center for Clinical Innovation (“PCCI”).

Comprehensive Breast Center - In 2017, Parkland Foundation began a \$40,000,000 capital campaign for a new comprehensive breast center adjacent to the New Parkland Campus. For the year ended September 30, 2021, the Foundation transferred \$22,000,000 to the Comprehensive Breast Center. For the year ended September 30, 2020, the Foundation transferred \$12,000,000 to the Comprehensive Breast Center.

Basis of Accounting and Presentation

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles and being a component unit of Parkland, reports under the Governmental Accounting Standards Board (GASB) framework.

The Foundation reports as a special-purpose government engaged in business-type activities whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

For reporting purposes, resources are classified into three net position categories according to the existence or absence of donor-imposed restrictions. Accordingly, net positions of the Foundation and changes therein are classified and reported as follows:

Unrestricted net position - carries no externally imposed restrictions.

Restricted expendable net position - carries externally imposed restrictions that expire in the future.

Restricted nonexpendable net position - carries externally imposed restrictions that never expire.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. Cash equivalents include money market mutual funds and cash held in bank trust departments, which at times may exceed federally insured limits. These accounts are subject to credit and market risks, including possible loss of the principal amount invested. The FDIC deposit insurance insures deposits and money markets up to \$250,000 per depositor, per insured bank for each ownership category. At September 30, 2021 and 2020, the Foundation had uninsured cash and cash equivalents of approximately \$20 million and \$47 million, respectively.

Investments and Investment Return

Investments are stated at fair value based on the underlying investments of the pool. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable and lack publicly available market values, are carried at estimated fair value as provided by the investment managers. The Foundation reviews and evaluates the values provided by its investment managers and considers the valuation methods and assumptions used in determining the fair value of the alternative investments to be reasonable. Those estimated fair values may differ significantly from the values that would have been used had a ready market for those securities existed. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses and the unrealized gains and losses on those investments is shown in the statement of revenue, expenses, and changes in net position as net investment activity.

Pledges and Estate Receivable

The Foundation uses the allowance for doubtful accounts method. The allowance for doubtful accounts is provided based on management's judgment, including factors such as payer and prior collection history.

Bad Debt Recovery

Bad debt recovery includes contributions that were received from donors that were previously allowed. For the year ended September 30, 2021, there was \$500,000 of bad debts recovered. For the year ended September 30, 2020, there was \$500,000 of bad debts recovered.

Operating Revenues

The Foundation includes unrestricted and expendable restricted contributions and donations in operating revenues. These revenues are key components of the operations of the Foundation.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Payable and Accrued Expenses

Various expenses of the Foundation that were incurred before September 30, 2021 and 2020 but paid afterward have been reported as accounts payable and accrued expenses.

Operating Income or (Loss) and Changes in Net Position

The statement of revenues, expenses, and changes in net position include operating income (loss). Changes in net position, which are excluded from operating (loss) include net investment activity, nonexpendable contributions and donations and other nonoperating activities.

Revenue Recognition

Contributions are voluntary, expendable, nonreciprocal transfers of assets, and may be made in the form of cash, securities, real property, materials and supplies, equipment, services, and unconditional promises to give those items in the future. Contributions, including estates receivable (substantiated undistributed estates) and promises to give, are recorded as revenues at fair value once all eligibility requirements are met and the pledge is verifiable, and are accounted for in the appropriate net position category based upon donor-imposed restrictions.

Noncash Contributions

Receipt of noncash contributions of equipment and patient assistance items are not recorded as revenue and expense of the Foundation as they are immediately turned over to Parkland. Noncash contributions of stock are recorded on the Foundation's books.

In-kind Contributions

In-kind contributed services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Salaries and related benefits of approximately \$3.6 million and \$3.4 million were contributed by Parkland for the years ended September 30, 2021 and 2020, respectively. Other in-kind donations for operating expenses of \$151,051 and \$157,007 were contributed by Parkland for the years ended September 30, 2021 and 2020, respectively. Certain other operating costs of the Foundation, such as use of certain furniture and equipment, leasehold improvements, telephone, supplies, and other recurring maintenance costs are provided at no charge by Parkland. No amount has been provided in the accompanying financial statements for equipment or other supplies or services provided by Parkland on the Foundation's behalf. Many individuals volunteer their time and perform a variety of tasks that help the Foundation. The value of this contributed time is not reflected in the Foundation's financial statements because it does not meet the above criteria.

Refundable Advance

Refundable advance is a conditional promise to give with a measurable performance or other barrier and a right of return/right or release are not recognized until the conditions on which they depend have been met. As of September 30, 2021, the Foundation received advances on conditional promises to give of \$654,297, which is recognized in the statements of net position as a refundable advance. See Note 7.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Unit

The ISFP Holding, L.L.C. (the “LLC”) holds stock as of September 31, 2021 and contributed land and stock as of September 30, 2020. During 2021, the LLC sold the land. See Note 5. The Foundation is the sole member and manager of the LLC. Further, the Foundation is able to impose its will on the LLC by influencing its activities and is legally entitled to or can otherwise access the LLC’s resources. Because the Foundation is financially accountable for the LLC, the LLC is considered a component unit of the Foundation. As the LLC is organized as a not-for-profit for which the Foundation is the sole member, its activities are combined into the total of the Foundation. The LLC is a single member limited liability corporation and is structured as a disregarded entity for U.S. federal, state, and local income tax purposes. Property taxes on the contributed land were \$13,146 and \$13,142 for the years ended September 30, 2021 and 2020, respectively. See Note 4.

Income Taxes

The Foundation is recognized by the Internal Revenue Service (“IRS”) as tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. For the years ended September 30, 2021 and 2020, the Foundation had no material net unrelated business income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. The Foundation’s public charity status with the IRS is 509(a) (1).

The Foundation has concluded that it does not have any unrecognized tax benefits resulting from current tax position. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income taxes*. The Foundation does not have any outstanding interest or penalties, and none have been recorded in the statements of revenues, expenses and changes in net position for the years ended September 30, 2021 and 2020. The Foundation’s informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Foundation is no longer subject to income tax examinations by tax authorities for years prior to 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, by restriction, are as follows at September 30:

	<u>2021</u>	<u>2020</u>
Unrestricted net position	\$ 2,342,088	\$ 2,496,563
Unrestricted net position – board designated endowments	71,461	174,949
Restricted expendable net position	17,788,726	36,154,767
Restricted nonexpendable net position	<u>670,893</u>	<u>1,512,221</u>
Total cash and cash equivalents	<u>\$ 20,873,168</u>	<u>\$ 40,338,500</u>

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

The Foundation has adopted an investment management policy that states the Foundation is responsible for the investment management of assets contributed to and held for the benefit of the Foundation. The Foundation's objective in managing invested funds is to manage those assets in accordance with Chapter 163 of the Texas Property Code (The Uniform Prudent Management of Institutional Funds Act), Sections 163.001 - 163.011, applicable local laws, supervisory regulations, and the directives of the gift document taking into consideration the purposes and uses for which the funds are held. The Foundation's investments are designed to 1) assist the Foundation in achieving the financial security and optimum liquidity of the Foundation funds at all times; 2) assist the Foundation in investing funds prudently; 3) ensure the Foundation will meet the standards established by State and Federal laws; and 4) assist the Foundation in optimizing income and long-term appreciation through methods allowed under federal and state law that are consistent with financial security and optimum liquidity. The Foundation's investment policies also set forth investment management of short-term funds and long-term funds. See Note 9.

The Foundation maintains cash and cash equivalents and investments which are insured under Securities Investor Protection Corporation ("SIPC") limits. SIPC provides up to \$500,000 of protection for securities and \$250,000 of protection for cash and cash equivalents per customer. At September 30, 2021 and 2020, uninsured balances totaled approximately \$10 million and \$40 million, respectively.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at September 30, 2021 and 2020.

Fixed Income Securities - Valued based on yields currently available on comparable securities of the issues or other issues with similar credit ratings.

Equities and Mutual Funds - Valued at the net asset value of shares held by the Foundation at year end.

Alternative Assets - Alternative assets consist of hedge funds and real estate funds. The fair value has been estimated using the net asset value ("NAV") per share of the fund at year-end based on the current market value of each investment and reinvested investment income as a practical expedient. The NAV is excluded from the valuation hierarchy.

The methods used to determine the fair value of the financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

Level 1 - Valuation is based on quoted prices for identical financial instruments in active markets.

Level 2 - Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.

Level 3 - Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

The following table presents a categorization, based on the foregoing valuation hierarchy, of the Foundation's financial instruments measured at fair value at September 30, 2021:

	Fair Value <u>(Level 1)</u>	Fair Value <u>(Level 2)</u>	<u>Total</u>
Fixed income:			
Municipal bonds	\$ -	\$ 371,614	\$ 371,614
Corporate bonds	-	1,916,265	1,916,265
Domestic equities	4,420,993	-	4,420,993
Mutual funds	2,015,693	-	2,015,693
Alternative assets – measured at net asset value	-	-	613,945
	<u>\$ 6,436,686</u>	<u>\$ 2,287,879</u>	<u>\$ 9,338,510</u>

The following table presents a categorization, based on the foregoing valuation hierarchy, of the Foundation's financial instruments measured at fair value at September 30, 2020:

	Fair Value <u>(Level 1)</u>	Fair Value <u>(Level 2)</u>	<u>Total</u>
Fixed income:			
U.S. government and agency funds	\$ -	\$ 623,947	\$ 623,947
Municipal bonds	-	1,759,051	1,759,051
Corporate bonds	-	388,779	388,779
Domestic equities	3,338,034	-	3,338,034
Mutual funds	1,425,105	-	1,425,105
Alternative assets – measured at net asset value	-	-	535,307
	<u>\$ 4,763,139</u>	<u>\$ 2,771,777</u>	<u>\$ 8,070,223</u>

In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

There were no transfers of financial instruments between Level 1 and Level 2 classifications for the years ended September 30, 2021 and 2020.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

At September 30, 2021, the Foundation had the following fixed income investments disclosed by maturity stated at fair value:

	Investment Maturities (in Years)				Fair Value
	Less than 1	1-5	6-10	More than 10	
Fixed Income					
Municipal bonds	\$ 371,614	\$ -	\$ -	\$ -	\$ 371,614
Corporate bonds	-	1,089,866	826,399	-	1,916,265
	<u>\$ 371,614</u>	<u>\$ 1,089,866</u>	<u>\$ 826,399</u>	<u>\$ -</u>	<u>\$ 2,287,879</u>

At September 30, 2020, the Foundation had the following fixed income investments disclosed by maturity stated at fair value:

	Investment Maturities (in Years)				Fair Value
	Less than 1	1-5	6-10	More than 10	
Fixed Income					
U.S. government and agency Securities	\$ -	\$ 5,339	\$ 96,896	\$ 521,712	\$ 623,947
Municipal bonds	-	-	1,025,058	733,993	1,759,051
Corporate bonds	-	20,625	228,067	140,087	388,779
	<u>\$ -</u>	<u>\$ 25,964</u>	<u>\$ 1,350,021</u>	<u>\$ 1,395,792</u>	<u>\$ 2,771,777</u>

At September 30, 2021, the Foundation had the following fixed income investments disclosed by credit quality stated at fair value:

	Credit Quality				Fair Value
	AAA	AA	A	BBB	
Fixed Income					
Municipal bonds	\$ 50,502	\$ -	\$ 301,080	\$ 20,032	\$ 371,614
Corporate bonds	-	36,260	506,952	1,373,053	1,916,265
	<u>\$ 50,502</u>	<u>\$ 36,260</u>	<u>\$ 808,032</u>	<u>\$ 1,393,085</u>	<u>\$ 2,287,879</u>

At September 30, 2020, the Foundation had the following fixed income investments disclosed by credit quality stated at fair value:

	Credit Quality				Fair Value
	AAA	AA	A	BBB	
Fixed Income					
U.S. government and agency Securities	\$ -	\$ 623,947	\$ -	\$ -	\$ 623,947
Municipal bonds	1,759,051	-	-	-	1,759,051
Corporate bonds	33,902	46,265	202,829	105,783	388,779
	<u>\$ 1,792,953</u>	<u>\$ 670,212</u>	<u>\$ 202,829</u>	<u>\$ 105,783</u>	<u>\$ 2,771,777</u>

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

The following table summarizes investments measured at fair value based on NAV per share as of September 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments				
Real estate income trust	\$ 266,660	N/A	Illiquid	N/A
Hedge fund guided	<u>347,285</u>	N/A	Illiquid	N/A
Total	<u>\$ 613,945</u>			

The following table summarizes investments measured at fair value based on NAV per share as of September 30, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments				
Real estate income trust	\$ 231,461	N/A	Illiquid	N/A
Hedge fund guided	<u>303,846</u>	N/A	Illiquid	N/A
Total	<u>\$ 535,307</u>			

4. ISFP HOLDINGS, LLC

On March 23, 2016, Parkland assigned its rights to 17,185.72 shares of stock of Vizient, Inc. f/k/a VHA-UHC Alliance NewCo, Inc. to the Foundation. The assignment was required because Parkland cannot own stock in a privately held for-profit entity. The shares are to be held for Parkland's benefit. The stock is not publicly traded, has limited marketability at September 30, 2021 and 2020, and cannot be sold. At September 30, 2021 and 2020, the Foundation assessed the stock's value for both years to be negligible based on confidential information received from Vizient, Inc. See Note 5.

5. LAND HELD FOR SALE

On June 28, 2020, a lot of land located in Houston, with a fair value of \$1,030,000, was contributed to satisfy a \$985,907 capital campaign pledge obligation to the Foundation. The land was recorded in ISFP Holdings, LLC, as donated land, to mitigate any potential risk. Efforts to sell the land have started as of September 9, 2020. The land is carried at the lower of cost or market, which is fair value for the donated asset. At September 30, 2020, there was no valuation allowance for impairment deemed necessary.

The land held for sale was sold on August 9, 2021, for a total of \$920,000 with a net loss of \$110,000.

6. PLEDGES AND ESTATE RECEIVABLES

Included in pledges and estate receivables are amounts that comprise the following unconditional promises to give at September 30,:

	<u>2021</u>	<u>2020</u>
Capital campaign and estate gifts	\$ 3,245,009	\$ 4,857,624
Less: unamortized discount	(23,366)	(66,854)
Less: allowance for doubtful accounts	<u>(272)</u>	<u>(517,489)</u>
	<u>\$ 3,221,371</u>	<u>\$ 4,273,281</u>
Net amounts due in		
Less than one year	\$ 1,671,218	\$ 2,602,176
One year to five years (less unamortized discount and allowance)	<u>1,550,153</u>	<u>1,671,105</u>
	<u>\$ 3,221,371</u>	<u>\$ 4,273,281</u>

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

6. PLEDGES AND ESTATE RECEIVABLES (CONTINUED)

The Foundation’s management conducts periodic reviews of pledges and estate receivables to determine their collectability and valuation and establishes an allowance for any doubtful accounts.

The discount rates used range from 0.072% to 0.071% for the years ended September 30, 2021 and 2020. At September 30, 2021, approximately 81% of pledges and estate receivables are from two donors. At September 30, 2020, approximately 78% of pledges and estate receivables are from four donors.

7. CONDITIONAL PROMISES TO GIVE

On October 4, 2016, the Foundation received an \$80,000 conditional promise to give from The Dallas Foundation to support the Comprehensive Breast Center. The conditional promise to give is contingent on the sale of a parcel of land from a donor. The land has not sold as of September 30, 2021.

On June 10, 2019, the Foundation was awarded a \$675,000, three-year Community Impact Grant from United Way of Metropolitan Dallas. The grant is a conditional promise to give and is contingent upon successful completion of United Way’s fundraising campaign and upon United Way’s receiving payment on pledge amounts. Through September 30, 2020, the Foundation had received a total of \$281,250. Through September 30, 2021, the Foundation had received a total of \$506,250 with the remaining \$168,750 to be received over the next year.

On June 25, 2019, the Foundation was awarded a \$1,000,000 conditional promise to give from the Hirsch Family Foundation to support Parkland Center for Healthcare Innovation and Clinical Outcomes Studies in their home healthcare delivery and analysis program. The conditional promise to give is contingent on completion of annual reporting and provided there is no breach of contract terms. Through September 30, 2020, the Foundation had received \$400,000. Through September 30, 2021, the Foundation had received \$600,000 with the remaining \$400,000 to be paid in annual installments through July 2023.

The Foundation was awarded a grant of up to \$5,000,000 effective October 1, 2021 from the Rees-Jones Foundation for the implementation of a three year, twelve quarter Pediatric Integrated Behavioral Health project to be conducted by Parkland through its Community-Oriented Primary Care clinics and Parkland-Dallas ISD Youth and Family Clinics, and to support Parkland’s Trauma Informed Care Assessment and Implementation Plan as developed with its consultant, Meadows Mental Health Policy Institute. The conditional promise to give is contingent on reported project activities and successful completion of additional fundraising. As of September 30, 2021, the Foundation received \$600,000, which is held in a refundable advance account, with up to \$4.4 million remaining to be paid quarterly through July 31, 2024.

8. UNRESTRICTED NET POSITION

Designations for unrestricted and Board-designated net position for the following purposes at September 30:

	2021	2020
Funds for current operations	\$ 1,372,090	\$ 1,106,591
Designated for endowment	1,234,718	1,124,195
	\$ 2,606,808	\$ 2,230,786

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENTS

The Foundation's endowments consist of approximately eighty-five funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net position associated with endowment funds, including designated funds by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation had the following endowment related activities for the year ended September 30, 2021:

	Donor Restricted <u>Nonexpendable</u>	Donor Restricted <u>Expendable</u>	Board <u>Designated</u>	<u>Total</u>
Endowments beginning of year	\$ 6,716,118	\$ 985,576	\$ 1,124,195	\$ 8,825,889
Contributions	363,743	-	-	363,743
Transfers	349,659	(175,000)	-	174,659
Net investment activity	-	1,062,044	110,523	1,172,567
Appropriation of endowment assets or expenditure	-	(63,666)	-	(63,666)
Endowments end of year	<u>\$ 7,429,520</u>	<u>\$ 1,808,954</u>	<u>\$ 1,234,718</u>	<u>\$ 10,473,192</u>

The Foundation had the following endowment related activities for the year ended September 30, 2020:

	Donor Restricted <u>Nonexpendable</u>	Donor Restricted <u>Expendable</u>	Board <u>Designated</u>	<u>Total</u>
Endowments beginning of year	\$ 6,285,401	\$ 800,280	\$ 1,109,574	\$ 8,195,255
Contributions	171,879	-	-	171,879
Transfers	258,838	(25,000)	(37,500)	196,338
Net investment activity	-	495,365	52,121	547,486
Appropriation of endowment assets or expenditure	-	(285,069)	-	(285,069)
Endowments end of year	<u>\$ 6,716,118</u>	<u>\$ 985,576</u>	<u>\$ 1,124,195</u>	<u>\$ 8,825,889</u>

The Foundation had the following endowment net asset composition by type of fund as of September 30, 2021:

	<u>Nonexpendable Restricted</u>	<u>Expendable Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Donor restricted nonexpendable endowment funds	\$ 7,429,520	\$ -	\$ -	\$ 7,429,520
Donor restricted expendable endowment funds	-	1,808,955	-	1,808,955
Board-designated endowment funds	-	-	1,234,717	1,234,717
	<u>\$ 7,429,520</u>	<u>\$ 1,808,955</u>	<u>\$ 1,234,717</u>	<u>\$ 10,473,192</u>

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENTS (CONTINUED)

The Foundation had the following endowment net asset composition by type of fund as of September 30, 2020:

	<u>Nonexpendable Restricted</u>	<u>Expendable Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Donor restricted nonexpendable endowment funds	\$ 6,716,118	\$ -	\$ -	\$ 6,716,118
Donor restricted expendable endowment funds	-	985,576	-	985,576
Board-designated endowment funds	-	-	1,124,195	1,124,195
	<u>\$ 6,716,118</u>	<u>\$ 985,576</u>	<u>\$ 1,124,195</u>	<u>\$ 8,825,889</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net position. The Foundation did not have any deficits of this nature as of September 30, 2021 and 2020.

10. COMMITMENTS AND CONTINGENCIES

Leases

In May 2017, the Hospital entered into a lease for the Foundation’s office space. The Foundation pays Parkland rent equal to the proportion of space occupied by the Foundation.

The following is a schedule of the allocated rent to the Foundation under this arrangement at September 30, 2021:

Fiscal-year 2022	\$ 150,033
Fiscal-year 2023	<u>50,011</u>
	<u>\$ 200,044</u>

Rental expenses were approximately \$144,000 and \$144,000 for the years ended September 30, 2021 and 2020, respectively.

11. AFFILIATE

In 2013, the Foundation became the philanthropic fundraising arm of PCCI, which is a Texas non-profit corporation formed on May 14, 2012. PCCI is a controlled affiliate of the Dallas County Hospital District, dba Parkland Health & Hospital System. See Note 7.

12. DESIGNATED FUND

Effective December 17, 2014, a donor established a charitable remainder unitrust with Communities Foundation of Texas (“CFT”). CFT is a public charity serving thousands of people who share a common interest-improving the quality of life in their region and beyond. The unitrust period is seven years unless terminated by the donor’s death. At termination of unitrust period, CFT shall distribute all of the then principal and income to the Parkland Foundation Fund of CFT. CFT was granted variance power over these funds and they are under the ultimate control of CFT’s Board of Trustees. Pursuant to ASC 948, “*Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contribution for Others*” due to CFT being granted variance power, the above funds are not reflected in the financial statements of the Foundation. For the years ended September 30, 2021 and 2020, the estimated value of the charitable remainder unitrust with CFT was approximately \$474,504 and \$447,000, respectively.

Parkland Foundation
(A Component Unit of Parkland Health & Hospital System)
NOTES TO FINANCIAL STATEMENTS

13. RISKS, ECONOMIC OUTLOOK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

14. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, subsequent events have been evaluated by the Foundation through November 15, 2021, which was the date the financial statements were available for issuance, and concluded that no disclosures