

**BAPTIST HEALTH FOUNDATION OF  
SAN ANTONIO  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2021**

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## Independent Auditor's Report



Board of Trustees  
Baptist Health Foundation of San Antonio

### Opinion

We have audited the accompanying financial statements of Baptist Health Foundation of San Antonio (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and functional expenses as of December 31, 2021, the related statements of cash flows for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Health Foundation of San Antonio as of December 31, 2021 and 2020, the changes in net assets for the year ended December 31, 2021, and its cash flows for the years ended December 31, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Baptist Health Foundation of San Antonio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Baptist Health Foundation of San Antonio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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 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 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, including omissions, 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.

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## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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 Baptist Health Foundation of San Antonio'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baptist Health Foundation of San Antonio'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.

### **Report on Summarized Comparative Information**

We have previously audited Baptist Health Foundation of San Antonio's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sagebiel, Ravenberg & Schuh, P.C.*

San Antonio, Texas  
April 27, 2022

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2021 and 2020**

*(amounts in thousands)*

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,770	\$ 1,640
Prepaid expenses	<u>37</u>	<u>30</u>
Total current assets	<u>1,807</u>	<u>1,670</u>
<b>Investments</b>	279,715	254,287
<b>Property and equipment, net</b>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 281,522</u>	<u>\$ 255,957</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Grants and accounts payable	\$ 1,654	\$ 1,411
Accrued expenses	<u>94</u>	<u>91</u>
Total current liabilities	1,748	1,502
<b>Other liabilities:</b>		
Grants payable, long-term	<u>1,612</u>	<u>1,397</u>
Total liabilities	<u>3,360</u>	<u>2,899</u>
<b>Net assets:</b>		
Without donor restrictions	275,721	250,746
With donor restrictions	<u>2,441</u>	<u>2,312</u>
Total net assets	<u>278,162</u>	<u>253,058</u>
Total liabilities and net assets	<u>\$ 281,522</u>	<u>\$ 255,957</u>

The accompanying notes are an integral part  
of the financial statements.

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2021**

(With Comparative Totals for Year Ended December 31, 2020)

*(amounts in thousands)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			<u>2021</u>	<u>2020</u>
<b>Changes in net assets:</b>				
<b>Support and revenue:</b>				
Contributions	\$ 64	\$ 204	\$ 268	\$ 230
Investment return, net of fees of \$913 in 2021 and \$831 in 2020	34,049	227	34,276	27,420
Other income	12	-	12	198
Net assets released from restrictions	302	(302)	-	-
Total support and revenue	<u>34,427</u>	<u>129</u>	<u>34,556</u>	<u>27,848</u>
<b>Expenses:</b>				
Program services	8,566	-	8,566	8,181
Management and general	886	-	886	855
Total expenses	<u>9,452</u>	<u>-</u>	<u>9,452</u>	<u>9,036</u>
Change in net assets	24,975	129	25,104	18,812
Net assets at beginning of year	<u>250,746</u>	<u>2,312</u>	<u>253,058</u>	<u>234,246</u>
Net assets at end of year	<u>\$ 275,721</u>	<u>\$ 2,441</u>	<u>\$ 278,162</u>	<u>\$ 253,058</u>

The accompanying notes are an integral part  
of the financial statements.

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2021**

(With Comparative Totals for Year Ended December 31, 2020)

*(amounts in thousands)*

	Program <u>services</u>	Management <u>and general</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
Salaries	\$ -	\$ 517	\$ 517	\$ 494
Employee benefits	-	109	109	103
Payroll taxes	-	34	34	32
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	-	660	660	629
Contributions	8,566	-	8,566	8,181
Insurance	-	41	41	34
Miscellaneous	-	48	48	68
Other	-	33	33	22
Professional fees	-	25	25	21
Rent expense	-	79	79	81
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	8,566	886	9,452	9,036
Depreciation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 8,566</u>	<u>\$ 886</u>	<u>\$ 9,452</u>	<u>\$ 9,036</u>

The accompanying notes are an integral part  
of the financial statements.

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**STATEMENT OF CASH FLOWS**

**Years Ended December 31, 2021 and 2020**

*(amounts in thousands)*

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 25,104	\$ 18,812
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gains on investments	(32,581)	(25,526)
Gifts restricted for long-term investing	(1)	-
Changes in:		
Prepaid expenses	(7)	1
Grants and accounts payable	458	661
Accrued expenses	3	15
Net cash used by operating activities	<u>(7,024)</u>	<u>(6,037)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	93,799	105,793
Purchases of investments	<u>(86,646)</u>	<u>(100,839)</u>
Net cash provided by investing activities	<u>7,153</u>	<u>4,954</u>
<b>Cash flows from financing activities:</b>		
Proceeds from gifts restricted for long-term investing	<u>1</u>	<u>-</u>
Net cash provided by financing activities	<u>1</u>	<u>-</u>
Net increase (decrease) in cash	130	(1,083)
<b>Cash and cash equivalents at beginning of year</b>	<u>1,640</u>	<u>2,723</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,770</u>	<u>\$ 1,640</u>

The accompanying notes are an integral part of the financial statements.



# BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

## NOTES TO FINANCIAL STATEMENTS

*(amounts in thousands)*

### 1 NATURE OF ORGANIZATION

Baptist Health Foundation of San Antonio (“the Foundation”), a Texas nonprofit corporation, was incorporated in 2004 for the purposes of providing and funding healthcare services and health education in Bexar County, Texas, and its seven contiguous counties. The Board of Trustees of the Foundation consists of 20 members. Fifty (50) percent plus one (1) are Class B trustees elected by the Baptist General Convention of Texas (“BGCT”), and the remaining trustees are Class A trustees elected by Class A trustees.

Funding of the Foundation primarily comes from investment income and from periodic contributions.

#### **Mission Statement**

The Foundation is committed to improving the health of our community by fostering and funding clinical, educational, spiritual, and scientific initiatives while honoring God and our Baptist heritage.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

#### **Basis of Presentation**

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

#### **Comparative Financial Information**

Certain financial information for the year ended December 31, 2020 in the accompanying statement of activities is included to provide a basis for comparison with the year ended December 31, 2021, and presents summarized totals only. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

#### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

#### **Support and Revenue With and Without Donor Restrictions**

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

#### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

(amounts in thousands)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments**

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Other equity investments are carried under the equity method or at cost.

**Property and Equipment**

The Foundation capitalizes all expenditures for property and equipment in excess of \$3. Purchased property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method.

**Income Taxes**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Accounting Pronouncements Issued but Not Yet Adopted**

*Leases (Topic 842)*

In February 2016, the 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 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Foundation's financial statements in fiscal year 2022.

**Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Subsequent Events**

Subsequent events were evaluated through April 27, 2022, which is the date the financial statements were available to be issued.

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

(amounts in thousands)

**3 CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash and cash equivalent balances in one financial institution. At December 31, 2021, the Foundation's cash and cash equivalents exceeded federally insured limits by \$1,525.

**4 ENDOWMENTS**

The Foundation's endowment consists of approximately 29 individual funds established for scholarships and student awards. As required by generally-accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Trustees to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

Unless the donor has stipulated otherwise, the Board of Trustees of the Foundation interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the fair value of the original gift of the donor-restricted endowment funds—as of the gift date—to be preserved. Based on this interpretation, the Foundation classifies as net assets with donor restrictions:

- (a) the original value of gifts donated to the perpetual endowment;
- (b) the original value of subsequent gifts to the perpetual endowment; and
- (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the fund is classified as donor-restricted net assets that are not retained in perpetuity, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Foundation considers the following factors when deciding to appropriate or accumulate donor-restricted endowment funds:

- (a) the duration and preservation of various funds;
- (b) the purposes of the donor-restricted endowment funds;
- (c) general economic conditions;
- (d) the possible effect of inflation and deflation;
- (e) the expected total return from income and the appreciation of investments;
- (f) other resources of the Foundation; and
- (g) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies.* The Foundation has adopted investment and spending policies, as approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Therefore, the investment process is designed to achieve an after-cost total real rate of return (including investment income as well as capital appreciation) that is greater than the annual distribution, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix (including equity and debt securities) that is intended to result in a consistent, inflation-protected rate of return. The asset mix has sufficient liquidity to make an annual distribution per the spending policy, while growing the funds if possible. The Foundation expects its endowment assets, over time, to produce an average annual rate of return approximately equal to the Consumer Price Index (CPI) plus 4.5%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

*(amounts in thousands)*

**4 ENDOWMENTS** (Continued)

*Spending Policy.* The Foundation's policy for yearly appropriation for distribution is as follows:

4.0% of the Foundation's endowment fund's average fair value over a 3-year period, beginning 3 years prior and ending at the year-end preceding the fiscal year of the planned distribution.

In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, (many of which must be maintained in perpetuity because of donor restrictions), and the possible effects of inflation. The Foundation expects the current spending policy to allow the Foundation to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31 is as follows:

	2021			Total Endowment Net Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose- Restricted	Corpus	
Donor-restricted endowment funds	\$ -	\$ 822	\$ 1,619	\$ 2,441

  

	2020			Total Endowment Net Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose- Restricted	Corpus	
Donor-restricted endowment funds	\$ -	\$ 694	\$ 1,618	\$ 2,312

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

*(amounts in thousands)*

**4 ENDOWMENTS (Continued)**

Changes in endowment net assets as of December 31 are as follows:

	2021			Total Endowment Net Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose- Restricted	Corpus	
Endowment net assets, beginning of year	\$ -	\$ 694	\$ 1,618	\$ 2,312
Contributions	-	-	1	1
Investment income	-	227	-	227
Amounts appropriated for expenditure	-	(99)	-	(99)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ 1,619</u>	<u>\$ 2,441</u>

	2020			Total Endowment Net Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose- Restricted	Corpus	
Endowment net assets, beginning of year	\$ -	\$ 479	\$ 1,618	\$ 2,097
Contributions	-	-	-	-
Investment income	-	307	-	307
Amounts appropriated for expenditure	-	(92)	-	(92)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ 1,618</u>	<u>\$ 2,312</u>

**5 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2021	2020
Leasehold improvements	\$ 17	\$ 17
Computer hardware	5	5
Computer software	54	54
Accumulated depreciation	<u>(76)</u>	<u>(76)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

*(amounts in thousands)*

**6 INVESTMENTS**

Investments at December 31 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Money market mutual funds	\$ 3,039	\$ 3,155
Equity securities	120,963	118,116
Corporate bonds and bond funds	39,231	34,837
Mortgage-backed securities	10,321	1,051
U.S. government securities	16,802	20,079
Hedge funds and alternative investments	88,771	76,461
Investments carried at fair value	<u>279,127</u>	<u>253,699</u>
Investment in Vizient, Inc.	230	230
Investment in VHS-SA Ltd.	358	358
Other investments	<u>588</u>	<u>588</u>
Total long-term investments	<u>\$ 279,715</u>	<u>\$ 254,287</u>

Investment return is summarized as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2021</u>	<u>2020</u>
Interest and dividend income	\$ 2,381	\$ 227	\$ 2,608	\$ 2,417
Realized gains and losses, net	17,533	-	17,533	9,436
Unrealized gains and losses, net	15,048	-	15,048	16,398
Investment fees and expenses	<u>(913)</u>	<u>-</u>	<u>(913)</u>	<u>(831)</u>
Total investment return, net	<u>\$ 34,049</u>	<u>\$ 227</u>	<u>\$ 34,276</u>	<u>\$ 27,420</u>

**7 FAIR VALUE MEASUREMENTS**

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant.

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

(amounts in thousands)

**7 FAIR VALUE MEASUREMENTS** (Continued)

Fair values of assets measured on a recurring basis at December 31 are as follows:

	2021			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 3,039	\$ -	\$ -	\$ 3,039
Equity securities	120,963	-	-	120,963
Corporate bonds and bond funds	39,231	-	-	39,231
Mortgage-backed securities	-	10,321	-	10,321
Government securities	-	16,802	-	16,802
	<u>\$ 163,233</u>	<u>\$ 27,123</u>	<u>\$ -</u>	190,356
Hedge funds and alternative investments measured at net asset value or equivalent				<u>88,771</u>
Investments carried at fair value				279,127
Other investments under the equity method or at cost				<u>588</u>
Total investments				<u>\$ 279,715</u>

  

	2020			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 3,155	\$ -	\$ -	\$ 3,155
Equity securities	118,116	-	-	118,116
Corporate bonds and bond funds	34,837	-	-	34,837
Mortgage-backed securities	-	1,051	-	1,051
Government securities	-	20,079	-	20,079
Hedge funds and alternative investments	-	-	76,461	76,461
Investments carried at fair value	<u>\$ 156,108</u>	<u>\$ 21,130</u>	<u>\$ 76,461</u>	253,699
Other investments under the equity method or at cost				<u>588</u>
Total investments				<u>\$ 254,287</u>

Effective January 1, 2021, the Foundation elected to apply the practical expedient permitting the estimation of the fair value of certain investments using the net asset value per share (or equivalent) of those investments. As such, those investments were reclassified out of Level 3 in the fair value hierarchy as of that date and are presented separately in the reconciliation of fair value measurements to total investments.

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

(amounts in thousands)

**7 FAIR VALUE MEASUREMENTS (Continued)**

Assets measured at fair value on a recurring basis at December 31 using significant unobservable inputs (Level 3 inputs) are as follows:

		2021					
		Beginning Balance	Purchases	Sales and Distributions	Realized and Unrealized Gains (Losses)	Reclassifications	Ending Balance
Hedge funds and alternative investments		\$ 76,461	\$ -	\$ -	\$ -	\$ (76,461)	\$ -

  

		2020					
		Beginning Balance	Purchases	Sales and Distributions	Realized and Unrealized Gains (Losses)	Reclassifications	Ending Balance
Hedge funds and alternative investments		\$ 33,348	\$ -	\$ -	\$ 1,805	\$ 41,308	\$ 76,461

Investments Measured at Net Asset Value or Equivalent

The following table lists investments measured at net asset value by major category:

		2021			
		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity hedge fund <sup>(a)</sup>		\$ 27,260	\$ -	monthly	10 days
Defensive equity strategy hedge fund <sup>(b)</sup>		20,293	-	monthly	5 days
Multi-strategy hedge fund <sup>(c)</sup>		9,617	-	annually	90 days
Multi-strategy funds of funds <sup>(d)</sup>		31,601	-	quarterly, semiannually	95 days
		<u>\$ 88,771</u>	<u>\$ -</u>		

- This class includes an investment in a hedge fund that invests in equity securities of non-tobacco companies located in countries other than the United States and Canada, with a goal of long-term growth. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- This class includes an investment in a hedge fund that invests in a variety of equity securities, debt securities, and derivatives. Management of this fund aims to provide favorable performance relative to the S&P 500 index, with the strongest relative performance when the index experiences negative returns, by employing an options-based strategy that utilizes a fully covered option strangle (selling out-of-the-money put and call options). The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- This class includes an investment in a hedge fund that invests in a wide variety of equity and debt securities and derivatives, with the aim of seeking attractive, long-term, risk-adjusted returns with low correlation to markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- This class includes investments in hedge funds that invest in a variety of privately-offered investment funds and pooled investment vehicles. The different managers of the underlying funds engage in a variety of investing strategies and invest in a variety of financial instruments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(Continued)



**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

*(amounts in thousands)*

**7 FAIR VALUE MEASUREMENTS (Continued)**

Fair Values of Financial Instruments

The following methods and assumptions were used to determine the fair value of each class of financial instruments:

- Cash and cash equivalents – The carrying amount approximates fair value because of the short maturities of these investments.
- Long-term investments – The fair values of some investments are determined based on quoted market prices for identical or similar assets, interest rates and yield curves observable at commonly quoted intervals, and net asset value per share of the investment. It was not practical to determine the fair value of investments representing minority interests in untraded companies without incurring excessive costs. Those investments are carried under the equity method or at original cost in the Statement of Financial Position.

The fair values of the Foundation’s financial instruments at December 31 are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,770	\$ 1,770	\$ 1,640	\$ 1,640
Long-term investments for which it is:				
Practical to determine fair value	279,127	279,127	253,699	253,699
Not practical to determine fair value	588	-	588	-

**8 CONDITIONAL GRANT AWARD**

The outstanding unpaid balance of a conditional grant awarded to the Foundation for student scholarships was \$200 and \$400 as of December 31, 2021 and 2020. These amounts are not recognized in the financial statements, as conditional grant awards and promises to give are not recognized until the conditions are substantially met. The Foundation expects to receive the funds for this grant in one final annual installment of \$200 next year, and will recognize those amounts when they are received and expended for the specified purpose.

**9 GRANTS PAYABLE**

Grants authorized but unpaid at year end are reported as liabilities. The following is a summary of grants authorized and payable at December 31, 2021:

To be paid in 2022	\$ 1,654
To be paid in 2023	1,031
To be paid in 2024	340
To be paid in 2025	241
Grants authorized but unpaid	<u>\$ 3,266</u>

(Continued)

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

*(amounts in thousands)*

**10 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Scholarships and student awards	\$ 822	\$ 694
Original endowment gift amounts required by donor to be retained in perpetuity for support of scholarships and student awards	<u>1,619</u>	<u>1,618</u>
	<u>\$ 2,441</u>	<u>\$ 2,312</u>

Net assets with donor restrictions include endowment fund assets to be held indefinitely. The income from those assets is to be used to support the Foundation's scholarships and student awards.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Scholarships and student awards	\$ 200	\$ 200
Lifeline program	-	3
Disaster relief	4	11
Distributions of endowment returns	<u>98</u>	<u>92</u>
	<u>\$ 302</u>	<u>\$ 306</u>

**11 LEASES**

The Foundation has noncancelable operating leases for office space and equipment that expire at various dates through 2024. Rental expenses for these leases consisted of \$79 and \$81 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments for these leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 79
2023	78
2024	<u>46</u>
	<u>\$ 203</u>

**BAPTIST HEALTH FOUNDATION OF SAN ANTONIO**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

(amounts in thousands)

**12 RETIREMENT PLAN**

The Foundation offers an individual tax-sheltered 401(k) plan to all employees. The Foundation contributes a maximum of five percent of each enrolled employee's salary. Contributions to the plan, which are included in salaries and employee benefits, totaled \$28 and \$26 for the years ended December 31, 2021 and 2020, respectively.

**13 SPLIT INTEREST AGREEMENTS & RESTRICTED FUNDS WITH A THIRD-PARTY**

The Foundation is the beneficiary of several split interest agreements, which consist of both revocable and irrevocable charitable remainder trusts and perpetual trusts, and restricted institutional funds with a third-party. The assets of these trusts and restricted funds are held and administered by HighGround Advisors (formerly the Baptist Foundation of Texas) and are not included in these financial statements. Income from the perpetual trusts is recognized as received. The fair value (net of discount to present value) of the assets held under these trusts and restricted funds was \$532 and \$503 at December 31, 2021 and 2020, respectively.

**14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year.

Cash and cash equivalents	\$ 1,770
Investments	<u>279,715</u>
Financial assets at year end	281,485
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	(822)
Donor-restricted to maintain as endowment	<u>(1,619)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 279,044</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.