

**BAPTIST HEALTH FOUNDATION OF
SAN ANTONIO
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024**

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

FINANCIAL STATEMENTS

Year Ended December 31, 2024

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Schuh|Browne

CERTIFIED PUBLIC
ACCOUNTANTS

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, 2024 and 2023, and the related statements of activities and functional expenses as of December 31, 2024, the related statements of cash flows for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the changes in net assets for the year ended December 31, 2024, and its cash flows for the years ended December 31, 2024 and 2023 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schul Browne, P. C.

San Antonio, Texas
May 14, 2025

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

STATEMENT OF FINANCIAL POSITION

December 31, 2024 and 2023
(amounts in thousands)

ASSETS	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 696	\$ 728
Accounts receivable	237	10,834
Prepaid expenses	<u>42</u>	<u>42</u>
Total current assets	<u>975</u>	<u>11,604</u>
Investments	265,195	239,966
Operating lease right-of-use assets	7	55
Property and equipment, net	<u>95</u>	<u>-</u>
Total assets	<u>\$ 266,272</u>	<u>\$ 251,625</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Grants and accounts payable	\$ 2,118	\$ 1,987
Accrued expenses	79	77
Current portion of operating lease liabilities	<u>3</u>	<u>48</u>
Total current liabilities	2,200	2,112
Other liabilities:		
Grants payable, long-term	909	1,460
Operating lease liabilities, net of current portion	<u>4</u>	<u>7</u>
Total liabilities	<u>3,113</u>	<u>3,579</u>
Net assets:		
Without donor restrictions:		
Undesignated	260,220	245,656
Board-designated for supplemental grant funding	437	-
Board-designated for disaster relief	<u>85</u>	<u>85</u>
Total net assets without donor restrictions	260,742	245,741
With donor restrictions	<u>2,417</u>	<u>2,305</u>
Total net assets	<u>263,159</u>	<u>248,046</u>
Total liabilities and net assets	<u>\$ 266,272</u>	<u>\$ 251,625</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, 2024

(With Comparative Totals for Year Ended December 31, 2023)

(amounts in thousands)

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>	
			<u>2024</u>	<u>2023</u>
Changes in net assets:				
Support and revenue:				
Contributions	\$ 185	\$ 50	\$ 235	\$ 250
Investment return, net of fees of \$651 in 2024 and \$661 in 2023	24,857	175	25,032	27,499
Other income	252	-	252	20
Net assets released from restrictions	113	(113)	-	-
Total support and revenue	<u>25,407</u>	<u>112</u>	<u>25,519</u>	<u>27,769</u>
Expenses:				
Program services	9,411	-	9,411	9,197
Management and general	995	-	995	980
Total expenses	<u>10,406</u>	<u>-</u>	<u>10,406</u>	<u>10,177</u>
Change in net assets	15,001	112	15,113	17,592
Net assets at beginning of year	<u>245,741</u>	<u>2,305</u>	<u>248,046</u>	<u>230,454</u>
Net assets at end of year	<u>\$ 260,742</u>	<u>\$ 2,417</u>	<u>\$ 263,159</u>	<u>\$ 248,046</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, 2024

(With Comparative Totals for Year Ended December 31, 2023)

(amounts in thousands)

	Program services	Management and general	Totals	
			<u>2024</u>	<u>2023</u>
Salaries	\$ -	\$ 588	\$ 588	\$ 564
Employee benefits	-	107	107	137
Payroll taxes	-	40	40	38
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	-	735	735	739
Grants and charitable contributions	9,411	-	9,411	9,197
Conferences and meetings	-	12	12	12
Dues and subscriptions	-	4	4	4
Information technology	-	23	23	14
Insurance	-	45	45	46
Office supplies and expenses	-	6	6	7
Other	-	12	12	12
Professional fees	-	40	40	32
Public relations	-	23	23	16
Rent expense	-	87	87	90
Travel	-	8	8	8
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	9,411	995	10,406	10,177
Depreciation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 9,411	\$ 995	\$ 10,406	\$ 10,177

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, 2024 and 2023

(amounts in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 15,113	\$ 17,592
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gains on investments	(22,645)	(24,692)
Gifts restricted for long-term investing	-	(100)
Non-cash lease expense	-	(1)
Changes in:		
Accounts receivable	10,597	(10,834)
Prepaid expenses	-	(5)
Grants and accounts payable	(420)	161
Accrued expenses	2	(16)
Net cash provided (used) by operating activities	<u>2,647</u>	<u>(17,895)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	91,530	102,566
Purchases of investments	(94,114)	(84,590)
Purchases of property and equipment	(95)	-
Net cash provided (used) by investing activities	<u>(2,679)</u>	<u>17,976</u>
Cash flows from financing activities:		
Proceeds from gifts restricted for long-term investing	-	100
Net cash provided by financing activities	<u>-</u>	<u>100</u>
Net increase (decrease) in cash	(32)	181
Cash and cash equivalents at beginning of year	<u>728</u>	<u>547</u>
Cash and cash equivalents at end of year	<u>\$ 696</u>	<u>\$ 728</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 honoring God and our Baptist heritage by fostering and funding health initiatives in our community.

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.

The board of trustees has designated, from net assets without donor restrictions, net assets to fund disaster relief and to supplement annual grant funding. Net assets with donor restrictions are subject to donor-imposed restrictions. 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, such as those that the donor stipulates that resources be maintained in perpetuity.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity, are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Comparative Financial Information

Certain financial information for the year ended December 31, 2023 in the accompanying statement of activities is included to provide a basis for comparison with the year ended December 31, 2024, 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, 2023, 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.

(Continued)

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 May 14, 2025, which is the date the financial statements were available to be issued.

3 CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalent balances in one financial institution. At December 31, 2024, the Foundation's cash and cash equivalents exceeded federally insured limits by \$450.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

4 ACCOUNTS RECEIVABLE

As of December 31, 2024 and 2023, accounts receivable consist of interest and dividends receivable, and distributions due from a hedge fund following the Foundation's divestment from that fund effective December 31, 2023. No allowance for uncollectible accounts has been recorded, as management believes all balances are fully collectible.

5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023
Leasehold improvements	\$ 17	\$ 17
Construction in progress	95	-
Accumulated depreciation	(17)	(17)
Property and equipment, net	<u>\$ 95</u>	<u>\$ -</u>

6 INVESTMENTS

Investments at December 31 were comprised of the following:

	2024	2023
Money market mutual funds	\$ 19,668	\$ 2,990
Equities and equity funds	104,736	93,039
U.S. government securities	53,482	57,391
Hedge funds and alternative investments	86,721	85,958
Investments carried at fair value	<u>264,607</u>	<u>239,378</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>\$ 265,195</u>	<u>\$ 239,966</u>

Investment return is summarized as follows:

	Without donor restrictions	With donor restrictions	Total 2024	2023
Interest and dividend income	\$ 3,038	\$ -	\$ 3,038	\$ 3,468
Realized gains and losses, net	13,592	175	13,767	11,609
Unrealized gains and losses, net	8,878	-	8,878	13,083
Investment fees and expenses	<u>(651)</u>	<u>-</u>	<u>(651)</u>	<u>(661)</u>
Total investment return, net	<u>\$ 24,857</u>	<u>\$ 175</u>	<u>\$ 25,032</u>	<u>\$ 27,499</u>

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

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.

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

	2024			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market mutual funds	\$ 19,668	\$ -	\$ -	\$ 19,668
Equity securities	104,736	-	-	104,736
Government securities	-	53,482	-	53,482
	<u>\$ 124,404</u>	<u>\$ 53,482</u>	<u>\$ -</u>	<u>177,886</u>
Hedge funds and alternative investments measured at net asset value or equivalent				<u>86,721</u>
Investments carried at fair value				<u>264,607</u>
Other investments under the equity method or at cost				<u>588</u>
Total investments				<u>\$ 265,195</u>
	2023			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market mutual funds	\$ 2,990	\$ -	\$ -	\$ 2,990
Equity securities	93,039	-	-	93,039
Government securities	-	57,391	-	57,391
	<u>\$ 96,029</u>	<u>\$ 57,391</u>	<u>\$ -</u>	<u>153,420</u>
Hedge funds and alternative investments measured at net asset value or equivalent				<u>85,958</u>
Investments carried at fair value				<u>239,378</u>
Other investments under the equity method or at cost				<u>588</u>
Total investments				<u>\$ 239,966</u>

(Continued)

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

7 FAIR VALUE MEASUREMENTS (Continued)

Investments Measured at Net Asset Value or Equivalent

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

2024

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity value hedge fund ^(a)	\$ 23,557	\$ -	monthly	5 days
Defensive equity strategy hedge fund ^(b)	21,183	-	monthly	5 days
Multi-strategy funds of funds ^(c)	41,718	-	quarterly, semiannually	95 days
Multi asset class funds of funds ^(d)	263	-	n/a	n/a
	<u>\$ 86,721</u>	<u>\$ -</u>		

2023

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity value hedge fund ^(a)	\$ 22,078	\$ -	monthly	5 days
Defensive equity strategy hedge fund ^(b)	21,900	-	monthly	5 days
Multi-strategy funds of funds ^(c)	41,873	-	quarterly, semiannually	95 days
Multi asset class funds of funds ^(d)	107	-	n/a	n/a
	<u>\$ 85,958</u>	<u>\$ -</u>		

- This class includes an investment in a hedge fund that invests primarily in equity securities, and securities convertible into equity securities, of non-U.S. issuers, with an investment philosophy and strategy described by management of the fund as a value approach. 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 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.
- This class includes an investment in a commingled investment fund that invests in a variety of investments, including public equity and fixed income as well as illiquid and semi-liquid alternative investments. The fund employs a globally diversified multi-asset class strategy with a risk and return profile that aligns with the perpetual investment horizon and long-term objectives of endowment assets. 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:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 696	\$ 696	\$ 728	\$ 728
Long-term investments for which it is:				
Practical to determine fair value	264,607	264,607	239,378	239,378
Not practical to determine fair value	588	-	588	-

8 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, 2024:

To be paid in 2025	\$ 2,117
To be paid in 2026	727
To be paid in 2027	90
To be paid in 2028	92
Grants authorized but unpaid	3,026
Other accounts payable	1
Grants and accounts payable	<u>\$ 3,027</u>

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

9 NET ASSETS

Board-designated Net Assets

The board of trustees has designated net assets without donor restrictions for the following purposes:

	2024			2023		
	Disaster relief	Supplemental grant funding	Total	Disaster relief	Supplemental grant funding	Total
Balance at beginning of year	\$ 85	\$ -	\$ 85	\$ 85	\$ -	\$ 85
Additions	-	437	437	-	-	-
Expenditures	-	-	-	-	-	-
Balance at end of year	<u>\$ 85</u>	<u>\$ 437</u>	<u>\$ 522</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 85</u>

Net Assets with Donor Restrictions

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

	2024	2023
Subject to expenditure for specified purpose:		
Scholarships and student awards	\$ 698	\$ 586
Original endowment gift amounts required by donor to be retained in perpetuity for support of scholarships and student awards	1,719	1,719
	<u>\$ 2,417</u>	<u>\$ 2,305</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:

	2024	2023
Satisfaction of purpose restrictions:		
Scholarships and student awards	\$ -	\$ -
Distributions of endowment returns	113	89
	<u>\$ 113</u>	<u>\$ 89</u>

10 LEASING ACTIVITIES

The Foundation has operating leases for office space and office equipment. These leases have remaining lease terms of roughly one and a half years to four and a half years.

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2024	2023
Weighted Average Remaining Lease Term:		
Operating leases	2.5 years	1.1 years
Weighted Average Discount Rate:		
Operating leases	2.49%	1.57%

(Continued)

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

10 LEASING ACTIVITIES (Continued)

The maturities of lease liabilities as of December 31, 2024 were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2025	\$ 3
2026	3
2027	<u>2</u>
Total lease payments	8
Less interest	<u>(1)</u>
Present value of lease liabilities	<u><u>\$ 7</u></u>

Leases Not Yet Commenced

During the year ended December 31, 2024, the Foundation entered into a lease agreement for office space that did not commence until March 2025. The initial lease term is for 7.5 years, with monthly payments increasing from approximately \$10 to \$12 over the term of the lease. Amounts paid in 2024 for improvements to the leased property have been included in construction in progress at December 31, 2024. A right-of-use asset and liability related to this lease will be recognized during the year ending December 31, 2025.

11 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 \$27 and \$28 for the years ended December 31, 2024 and 2023, respectively.

12 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 \$360 and \$346 at December 31, 2024 and 2023, respectively.

13 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	\$ 696
Accounts receivable	237
Investments	<u>265,195</u>
Financial assets at year end	266,128
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	(698)
Donor-restricted to maintain as endowment	<u>(1,719)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 263,711</u></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.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

14 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)

14 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:

	2024			
	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Purpose-Restricted	Corpus	
Donor-restricted endowment funds	\$ -	\$ 648	\$ 1,719	\$ 2,367
	2023			
	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Purpose-Restricted	Corpus	
Donor-restricted endowment funds	\$ -	\$ 586	\$ 1,719	\$ 2,305

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

	2024			
	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Purpose-Restricted	Corpus	
Endowment net assets, beginning of year	\$ -	\$ 586	\$ 1,719	\$ 2,305
Contributions	-	-	-	-
Investment income	-	175	-	175
Amounts appropriated for expenditure	-	(113)	-	(113)
Endowment net assets, end of year	\$ -	\$ 648	\$ 1,719	\$ 2,367

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

NOTES TO FINANCIAL STATEMENTS

(Continued)

(amounts in thousands)

	2023			Total Endowment Net Assets
	Without Donor Restrictions	With Donor Restrictions Purpose- Restricted	Corpus	
Endowment net assets, beginning of year	\$ -	\$ 894	\$ 1,619	\$ 2,513
Contributions	-	-	100	100
Investment income	-	(219)	-	(219)
Amounts appropriated for expenditure	-	(89)	-	(89)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 586</u>	<u>\$ 1,719</u>	<u>\$ 2,305</u>