

First Methodist Church of Fort Worth Foundation, Inc.

Financial Report
December 31, 2017

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Independent Auditor's Report

To the Board of Directors of
First Methodist Church of Fort Worth Foundation, Inc.
Fort Worth, Texas

We have audited the accompanying financial statements of First Methodist Church of Fort Worth Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the 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 of 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 entity'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 entity's 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 First Methodist Church of Fort Worth Foundation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
May 15, 2018

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 115,444	\$ 82,771
Oil and gas receivables	90,570	88,277
Contribution and other receivables	484	46,176
Interest receivable	132,157	97,013
Prepaid expenses	8,777	8,739
Investment securities	63,939,644	57,338,783
Mineral interests	827,277	827,277
Perpetual income interest in land not owned	1,068,000	1,068,000
Land held for investment	185,000	185,000
TOTAL ASSETS	\$ 66,367,353	\$ 59,742,036
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 18,564	\$ 3,452
Assets held for others	178,459	170,159
Deferred income	11,719	11,719
Total liabilities	208,742	185,330
NET ASSETS		
Unrestricted		
Designated	7,104,120	6,753,034
Undesignated	55,681,094	49,953,040
Temporarily restricted	2,163,329	1,741,064
Permanently restricted	1,210,068	1,109,568
Total net assets	66,158,611	59,556,706
TOTAL LIABILITIES AND NET ASSETS	\$ 66,367,353	\$ 59,742,036

The Notes to Financial Statements are an integral part of these statements.

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Activities

Years Ended December 31, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 104,951	\$ -	\$ 100,500	\$ 205,451
Oil and gas royalties	702,172	-	-	702,172
Property rentals	287,974	-	-	287,974
Interest and dividends	1,072,553	66,133	-	1,138,686
Net unrealized and realized gain on investment securities	6,756,655	406,856	-	7,163,511
Net assets released from restrictions Satisfaction of program restrictions	50,724	(50,724)	-	-
Total revenues	8,975,029	422,265	100,500	9,497,794
EXPENSES				
Contributions to Church	2,164,434	-	-	2,164,434
Investment fees	258,836	-	-	258,836
Wages and benefits	303,324	-	-	303,324
Office expense	94,820	-	-	94,820
Ad valorem taxes	31,273	-	-	31,273
Fundraising	5,231	-	-	5,231
Other	37,971	-	-	37,971
Total expenses	2,895,889	-	-	2,895,889
Change in net assets	6,079,140	422,265	100,500	6,601,905
NET ASSETS, beginning of year	56,706,074	1,741,064	1,109,568	59,556,706
NET ASSETS, end of year	\$ 62,785,214	\$ 2,163,329	\$ 1,210,068	\$ 66,158,611

The Notes to Financial Statements are an integral part of these statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 102,089	\$ 51,933	\$ 150,000	\$ 304,022
546,187	-	-	546,187
281,403	-	-	281,403
1,012,688	54,162	-	1,066,850
4,506,658	231,286	-	4,737,944
45,830	(45,830)	-	-
6,494,855	291,551	150,000	6,936,406
2,014,604	-	-	2,014,604
236,512	-	-	236,512
288,480	-	-	288,480
115,766	-	-	115,766
26,456	-	-	26,456
3,829	-	-	3,829
64,821	-	-	64,821
2,750,468	-	-	2,750,468
3,744,387	291,551	150,000	4,185,938
52,961,687	1,449,513	959,568	55,370,768
\$ 56,706,074	\$ 1,741,064	\$ 1,109,568	\$ 59,556,706

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Cash Flows Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,601,905	\$ 4,185,938
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized gain on investment securities	(7,163,511)	(4,737,944)
Change in operating assets and liabilities		
Accounts receivable	43,399	13,338
Interest receivable	(35,144)	5,423
Prepaid expenses	(38)	(42)
Accounts payable and accrued expenses	15,112	(9,753)
Assets held for others	8,300	33,123
	(529,977)	(509,917)
Net cash used in operating activities		
	(529,977)	(509,917)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,217,539)	(18,498,719)
Proceeds from sale or maturity of investments	15,780,189	18,961,960
	562,650	463,241
Net cash provided by investing activities		
	562,650	463,241
Net change in cash and cash equivalents	32,673	(46,676)
CASH AND CASH EQUIVALENTS, beginning of year	82,771	129,447
CASH AND CASH EQUIVALENTS, end of year	\$ 115,444	\$ 82,771

The Notes to Financial Statements are an integral part of these statements.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The First Methodist Church of Fort Worth Foundation, Inc. (the Foundation) is organized to receive and preserve gifts and bequests that are intended to benefit First United Methodist Church of Fort Worth, Inc. (the Church) and to support and assist in carrying out the purpose and programs of the Church. Substantially all of the Foundation's support and revenues are a result of contributions from the members and supporters of the Church.

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 vary from the estimates that are used.

Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, except investment income that is to be reinvested to investment principal.

Accounts Receivable

Accounts receivable primarily consist of oil and gas royalty income receivable related to the Foundation's mineral interests, and any known intentions to give received subsequent to year end. Management evaluates the allowance for doubtful accounts receivable based on prior experience, review of accounts, historical losses, existing economic conditions and other pertinent factors. At December 31, 2017 and 2016, the Foundation considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is required.

Investment Securities

Investment securities are stated at fair value (see Note 3). Net gains and losses, which consist of realized and unrealized gains and losses, are reflected in the statements of activities.

Mineral Interests

Oil and gas mineral interests are recorded at their estimated fair value at the date of donation based on the present value of estimated future royalties from oil and gas reserves or purchase price. Revenue from the mineral interests is recorded based on the production date. The fair value of the oil and gas interests at December 31, 2017 and 2016 is estimated to be in excess of the recorded value.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Perpetual Income Interest in Land Not Owned

The Foundation has recorded a perpetual income interest in land not owned related to parking lots, which were deeded to the Church. The parking lots are leased during the weekdays under lease agreements and the value of the perpetual income interest asset was estimated based on the present value of its estimated future rental income using a discount rate of 10% at the date of donation. The fair value of the perpetual income interest asset is estimated to be in excess of the recorded value.

Impairment of Long-lived Assets

Management evaluates its long-lived assets and investments recorded at cost for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management determined that there were no impairments during the years ended December 31, 2017 and 2016, respectively.

Contributions

The Foundation reports gifts of cash and other assets as contributions at their estimated fair value at date of receipt. This support is recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Federal Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for income taxes is included in the financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Uncertain Tax Positions

The Foundation recognizes in its financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. At December 31, 2017, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*, was issued in August 2016. This standard fundamentally changes the financial presentation for nonprofit entities. It reduces net asset classifications to two from the current three, and adds additional disclosures concerning expenses and liquidity among others. The new requirements will be effective for the Foundation for the year ended December 31, 2018. Management is reviewing the implementation process and gathering information for the implementation for this standard.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Note 2. Investment Securities

Investment securities consist of the following at December 31:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Short-term fund investments	\$ 1,572,141	\$ 1,572,141	\$ 614,109	\$ 614,109
Domestic corporate obligations	21,224,335	21,308,289	19,716,700	19,785,514
Equity mutual funds	2,654,649	2,762,537	2,209,587	2,395,318
Common stock	38,488,519	18,416,983	34,798,387	19,315,084
	\$ 63,939,644	\$ 44,059,950	\$ 57,338,783	\$ 42,110,025

Note 3. Fair Value Measurements

The Foundation records its investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instrument or market and the instrument's complexity.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are described below:

Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date. Inputs may include quoted prices for the identified instrument in an inactive market; prices for similar instruments; interest rates, credit risk, and similar data.

Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Short-term fund investments and common stock are valued at the last sales prices on the largest securities exchange in which such securities have been traded on the valuation date.

Domestic corporate obligations are valued using information from the custodian, which is based on quoted prices available from well-known brokers.

Equity mutual funds are valued at the daily closing price as reported by the fund.

The Foundation may have risk associated with its concentration of investments. The following summarizes the Foundation's portfolio investments (including investment securities) using the fair value hierarchy by type of investment and industry representing identified risks to the portfolio at December 31, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
Domestic corporate obligations	\$ -	\$ 21,224,335	\$ -	\$ 21,224,335
Short-term fund investments	1,572,141	-	-	1,572,141
Equity mutual funds	2,654,649	-	-	2,654,649
Common stock	38,488,519	-	-	38,488,519
	<u>\$ 42,715,309</u>	<u>\$ 21,224,335</u>	<u>\$ -</u>	<u>\$ 63,939,644</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
Cash equivalents	\$ 1,572,141	\$ -	\$ -	\$ 1,572,141
Consumer discretionary	1,781,245	1,255,620	-	3,036,865
Consumer staples	4,152,816	1,876,627	-	6,029,443
Energy	3,552,529	2,320,658	-	5,873,187
Financials	7,366,871	4,283,026	-	11,649,897
Health care	4,467,858	2,819,787	-	7,287,645
Industrials	3,915,941	3,143,474	-	7,059,415
Information technology	8,175,808	1,844,098	-	10,019,906
Materials	2,846,575	496,740	-	3,343,315
Mutual funds - equity	2,654,649	-	-	2,654,649
Retail services	818,629	515,435	-	1,334,064
Telecom services	608,977	2,157,097	-	2,766,074
Transportation	-	511,773	-	511,773
Other	801,270	-	-	801,270
Total	<u>\$ 42,715,309</u>	<u>\$ 21,224,335</u>	<u>\$ -</u>	<u>\$ 63,939,644</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

The table below summarizes the Foundation's portfolio investments using the fair value hierarchy by type of investment and industry representing identified risks to the portfolio at December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
Domestic corporate obligations	\$ -	\$ 19,716,700	\$ -	\$ 19,716,700
Short-term fund investments	614,109	-	-	614,109
Equity mutual funds	2,209,587	-	-	2,209,587
Common stock	34,798,387	-	-	34,798,387
	<u>\$ 37,622,083</u>	<u>\$ 19,716,700</u>	<u>\$ -</u>	<u>\$ 57,338,783</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
Cash equivalents	\$ 614,109	\$ -	\$ -	\$ 614,109
Consumer discretionary	1,933,568	1,687,194	-	3,620,762
Consumer staples	3,890,188	1,409,768	-	5,299,956
Energy	3,909,333	2,231,137	-	6,140,470
Financials	7,000,790	4,571,806	-	11,572,596
Health care	4,004,674	2,089,038	-	6,093,712
Industrials	3,644,945	2,318,568	-	5,963,513
Information technology	6,342,771	2,387,794	-	8,730,565
Materials	2,881,062	748,091	-	3,629,153
Mutual funds - equity	2,209,587	-	-	2,209,587
Retail services	524,909	1,017,776	-	1,542,685
Telecom services	666,147	1,255,528	-	1,921,675
Total	<u>\$ 37,622,083</u>	<u>\$ 19,716,700</u>	<u>\$ -</u>	<u>\$ 57,338,783</u>

The valuation techniques used to determine fair value have been consistently applied during 2017 and 2016.

Note 4. Related Parties

Foundation contributions made to the Church are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted cash contributions	\$ 2,109,047	\$ 800,000
Restricted/designated cash contribution	55,387	1,214,604
	<u>\$ 2,164,434</u>	<u>\$ 2,014,604</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

In 2014, the Foundation was classified as a Non-Functionally Integrated Type III Supporting Organization, which changed the procedures and amounts related to the contributions made to the Church. With this designation, a distribution requirement set by the IRS must be met by the Foundation. The calculation is to distribute annually a "distributable amount" which is equal to the greater of 85 percent of adjusted net income or three-and-a-half percent of the fair market value of its non-exempt use assets based on amounts from the previous year end. In 2017, this amount was \$2,064,202. In 2016, this amount was \$1,908,779 plus \$105,000 which was the remaining amount rolled over from the 2015 budget to be used by the Church in future periods.

Note 5. Net Assets

Temporarily restricted net assets of the Foundation at December 31, 2017 are:

	Program Restricted	Time Restricted	Total 2017
Baker Scholarship	\$ 69,181	\$ -	\$ 69,181
Children's Endowment Fund	250,180	-	250,180
Dearden Bible Fund	6,835	-	6,835
Edwards Senior Adult Ministry Fund	76,890	-	76,890
Garden Endowment	174,831	-	174,831
Goostree Lectures	176,910	-	176,910
Hendrix	12,685	-	12,685
Houston Children's Fund	34,304	-	34,304
Johnston Youth Fund	98,904	-	98,904
Linguist Family Youth Fund	93,679	-	93,679
Mission Endowment Fund	480,444	-	480,444
REDDING Mission/Outreach	15,604	-	15,604
Methodist Justice Ministry	134,137	-	134,137
Music Endowment Fund	182,908	-	182,908
Jewella D Riley	70,592	-	70,592
Sue Sumner Confirmation Endowment	151,009	-	151,009
Tilley	19,706	-	19,706
W Longworth PC Fund	19,744	-	19,744
Youth Fund	94,786	-	94,786
	<u>\$ 2,163,329</u>	<u>\$ -</u>	<u>\$ 2,163,329</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Temporarily restricted net assets of the Foundation at December 31, 2016 are:

	Program Restricted	Time Restricted	Total 2016
Baker Scholarship	\$ 51,506	\$ -	\$ 51,506
Children's Endowment Fund	225,623	-	225,623
Dearden Bible Fund	6,125	-	6,125
Edwards Senior Adult Ministry Fund	70,196	-	70,196
Garden Endowment	143,841	-	143,841
Goostree Lectures	159,671	-	159,671
Hendrix	9,601	-	9,601
Houston Children's Fund	27,564	-	27,564
Johnston Youth Fund	87,471	-	87,471
Linguist Family Youth Fund	83,598	-	83,598
Mission Endowment Fund	381,268	-	381,268
REDDING Mission/Outreach	8,079	-	8,079
Methodist Justice Ministry	41,373	-	41,373
Music Endowment Fund	171,132	-	171,132
Jewella D Riley	54,240	-	54,240
Sue Sumner Confirmation Endowment	116,683	-	116,683
Tilley	14,387	-	14,387
W Longsworth PC Fund	9,598	-	9,598
Youth Fund	79,108	-	79,108
	<u>\$ 1,741,064</u>	<u>\$ -</u>	<u>\$ 1,741,064</u>

Permanently restricted net assets of the Foundation at December 31:

	2017	2016
Baker Scholarship	\$ 113,079	\$ 113,079
Children's Endowment Fund	130,117	130,117
Garden Endowment	86,573	86,573
Hendrix	20,000	20,000
Houston Children's Fund	47,866	47,866
Mission Endowment Fund	313,354	313,354
Redding Mission/Outreach	20,000	20,000
Methodist Justice Ministry	250,500	150,000
Music Endowment Fund	50,000	50,000
Jewella D Riley	30,000	30,000
Sue Sumner Confirmation Endowment	117,398	117,398
Tilley	10,000	10,000
W Longsworth PC Fund	21,181	21,181
	<u>\$ 1,210,068</u>	<u>\$ 1,109,568</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

The earnings from the various endowments are generally restricted for use on specified programs.

The Board of Directors has designated 50% of the oil and gas revenues received by the Foundation for addition to the corpus of the Foundation, which is based on the depleting nature of the Foundation's mineral interests. A total of \$6,104,120 and \$5,753,034 has been designated for this purpose as of December 31, 2017 and 2016, respectively.

The Foundation's Emergency Reserve Fund, included in designated net assets, was \$1,000,000 as of December 31, 2017 and 2016.

Note 6. Adoption of the State Uniform Prudent Management of Institutional Funds Act

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The State and the Foundation have both adopted UPMIFA. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2017 and 2016 is as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Endowment net assets, December 31, 2015	\$ -	\$ 505,985	\$ 959,568	\$ 1,465,553
Interest and dividends	-	38,572	-	38,572
Net gain (realized and unrealized)	-	164,997	-	164,997
Total investment return	-	203,569	-	203,569
Contributions	-	51,263	150,000	201,263
Appropriation of endowment assets for expenditure	-	(27,118)	-	(27,118)
Endowment net assets, December 31, 2016	-	733,699	1,109,568	1,843,267
Interest and dividends	-	49,000	-	49,000
Net gain (realized and unrealized)	-	303,313	-	303,313
Total investment return	-	352,313	-	352,313
Contributions	-	-	100,500	100,500
Appropriation of endowment assets for expenditure	-	(36,076)	-	(36,076)
Endowment net assets, December 31, 2017	\$ -	\$ 1,049,936	\$ 1,210,068	\$ 2,260,004

At December 31, 2017 and 2016, all endowment net assets were the results of Donor restrictions, and there were no board designated amounts included in the endowment net assets.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Return Objectives and Risk Parameters

The Foundation's Board has adopted an Investment Policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets may include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board designated funds. This implies growing the corpus in real terms while at the same time protecting the assets from serious volatility. The Investment Policy expressly prohibits: short selling, margin trading, securities lending, private placements, commodity trading, futures and options contracts, derivatives of any type, thinly traded and non-marketable securities.

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In these circumstances, unrestricted net assets will be used to satisfy the deficiency. There were no deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2017 or 2016.

Note 7. Property Rentals

In 2000, the Foundation entered into an operating lease agreement to lease certain real property to unrelated parties. The lease provided for a term of 15 years and expired on September 30, 2015. An option to extend was signed for another five years starting on October 1, 2015 and ending September 30, 2020. Rental income under the operating lease was \$141,185 and \$142,005 for the years ended December 31, 2017 and 2016, respectively. In addition, the Foundation has an operating lease on other real estate requiring payments through March 2018 of \$11,879 per month. Total rental income under this lease was \$146,789 and \$139,398 for the years ended December 31, 2017 and 2016, respectively. The future minimum rentals on noncancelable leases for the next five years and in the aggregate follow:

2018	\$	176,262
2019		140,625
2020		105,469
		<hr/>
	\$	422,356
		<hr/>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Note 8. Retirement Plan

In 2004, the Foundation began a defined contribution retirement plan that includes all Foundation employees who meet the eligibility requirements as defined by the plan. The Foundation contributes 8% of each employee's compensation to the plan. Retirement expense approximated \$18,800 and \$16,800 for the years ended December 31, 2017 and 2016, respectively.

Note 9. Promises and Indications of Intentions to Give

In 2000, the Foundation received an indication of intention to give of \$1,000,000. The remaining conditional promise and indication to give of approximately \$368,000 has not been recognized in the financial statements at December 31, 2017, based upon the uncertainty of when the amount will be received.

Note 10. Subsequent Events

The Foundation evaluated all events or transactions that occurred after December 31, 2017 through May 15, 2018, the date these financial statements were available to be issued, noting the following:

In March 2018, the Foundation sold land held for investment of \$185,000 for approximately \$232,000.