

**First Methodist Church of Fort Worth
Foundation, Inc.**

Financial Report

December 31, 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of First Methodist Church of Fort Worth Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of First Methodist Church of Fort Worth Foundation, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 First Methodist Church of Fort Worth Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date the financial statements are available to be issued).

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CPAs AND ADVISORS | WEAVER.COM

The Board of Directors of
First Methodist Church of Fort Worth Foundation, Inc.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 First Methodist Church of Fort Worth Foundation, Inc.'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 First Methodist Church of Fort Worth Foundation, Inc.'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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
April 19, 2024

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Financial Position

December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 59,529 | \$ 183,906 |
| Oil and gas receivables | 125,000 | 119,898 |
| Contribution and other receivables | 2,090 | 2,566 |
| Interest receivable | 429,186 | 246,828 |
| Prepaid expenses | 630 | 630 |
| Investment securities | 88,110,626 | 77,438,934 |
| Mineral interests | 825,884 | 825,884 |
| Perpetual income interest in land not owned | 1,068,000 | 1,068,000 |
| | \$ 90,620,945 | \$ 79,886,646 |
| TOTAL ASSETS | | |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 5,573 | \$ 2,466 |
| Assets held for others | 441,929 | 402,084 |
| | 447,502 | 404,550 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Designated | 7,854,362 | 7,680,542 |
| Undesignated | 77,004,009 | 67,153,558 |
| With donor restrictions | 5,315,072 | 4,647,996 |
| | 90,173,443 | 79,482,096 |
| | \$ 90,620,945 | \$ 79,886,646 |
| TOTAL LIABILITIES AND NET ASSETS | | |

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

First Methodist Church of Fort Worth Foundation, Inc.

Statement of Activities Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| REVENUES | | | |
| Contributions | \$ 1,617,931 | \$ 50,000 | \$ 1,667,931 |
| Oil and gas royalties | 632,073 | - | 632,073 |
| Property rentals | 176,316 | - | 176,316 |
| Investment income, net | 1,265,297 | 91,426 | 1,356,723 |
| Unrealized and realized gain on investment securities | 9,483,042 | 586,276 | 10,069,318 |
| Net assets released from restrictions Satisfaction of program restrictions | 60,626 | (60,626) | - |
| Total revenues | 13,235,285 | 667,076 | 13,902,361 |
| EXPENSES | | | |
| Program services | | | |
| Contributions to Church | 2,599,932 | - | 2,599,932 |
| Supporting services | | | |
| Wages and benefits | 413,802 | - | 413,802 |
| Office expense | 132,765 | - | 132,765 |
| Ad valorem taxes | 16,365 | - | 16,365 |
| Fundraising | 8,313 | - | 8,313 |
| Other | 39,837 | - | 39,837 |
| Total expenses | 3,211,014 | - | 3,211,014 |
| Change in net assets | 10,024,271 | 667,076 | 10,691,347 |
| NET ASSETS, beginning of year | <u>74,834,100</u> | <u>4,647,996</u> | <u>79,482,096</u> |
| NET ASSETS, end of year | <u>\$ 84,858,371</u> | <u>\$ 5,315,072</u> | <u>\$ 90,173,443</u> |

The Notes to Financial Statements are an integral part of this statement.

First Methodist Church of Fort Worth Foundation, Inc.

Statement of Activities Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| REVENUES | | | |
| Contributions | \$ 537,138 | \$ 2,500 | \$ 539,638 |
| Oil and gas royalties | 1,000,426 | - | 1,000,426 |
| Property rentals | 175,781 | - | 175,781 |
| Investment income, net | 1,120,086 | 89,937 | 1,210,023 |
| Unrealized and realized loss on investment securities | (15,924,124) | (1,040,196) | (16,964,320) |
| Net assets released from restrictions Satisfaction of program restrictions | 79,550 | (79,550) | - |
| Total revenues | (13,011,143) | (1,027,309) | (14,038,452) |
| EXPENSES | | | |
| Program services | | | |
| Contributions to Church | 2,495,790 | - | 2,495,790 |
| Supporting services | | | |
| Wages and benefits | 381,966 | - | 381,966 |
| Office expense | 140,281 | - | 140,281 |
| Ad valorem taxes | 27,301 | - | 27,301 |
| Fundraising | 8,516 | - | 8,516 |
| Other | 63,621 | - | 63,621 |
| Total expenses | 3,117,475 | - | 3,117,475 |
| Change in net assets | (16,128,618) | (1,027,309) | (17,155,927) |
| NET ASSETS, beginning of year | 90,962,718 | 5,675,305 | 96,638,023 |
| NET ASSETS, end of year | \$ 74,834,100 | \$ 4,647,996 | \$ 79,482,096 |

The Notes to Financial Statements are an integral part of this statement.

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Cash Flows Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|---------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 10,691,347 | \$ (17,155,927) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Net unrealized and realized (gain) loss on investment securities | (10,069,318) | 16,964,320 |
| Change in operating assets and liabilities | | |
| Oil and gas receivables | (5,102) | 158 |
| Contribution and other receivables | 476 | 6,973 |
| Interest receivable | (182,358) | (34,694) |
| Accounts payable and accrued expenses | 3,107 | 2,206 |
| Assets held for others | 39,845 | (72,893) |
| | 477,997 | (289,857) |
| Net cash provided by (used in) operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (14,894,277) | (5,852,688) |
| Proceeds from sale or maturity of investments | 14,291,903 | 6,264,322 |
| | (602,374) | 411,634 |
| Net cash provided by (used in) investing activities | | |
| Net change in cash and cash equivalents | (124,377) | 121,777 |
| CASH AND CASH EQUIVALENTS, beginning of year | 183,906 | 62,129 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 59,529 | \$ 183,906 |

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. Investment income held in money market funds that is to be reinvested to investment principal is included with investments.

Receivables

Receivables primarily consist of oil and gas royalty income receivables related to the Foundation's mineral interest. The majority of the Foundation's oil and gas receivable are from recurring well operators. Receivables are typically received within 60 days of production and are stated at amounts due based on production. Accounts that are outstanding longer than the payment terms are considered past due. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest.

The Foundation recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit loss. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specifically identifiable accounts considered at risk or uncollectible. The Foundation assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in general and administrative expenses.

At December 31, 2023 and 2022, the Foundation considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is recorded, and there were no changes therein during the year ended December 31, 2023.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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 and subsequently evaluated for impairment. Revenue from the mineral interests is recorded based on the production date when the performance obligation is satisfied. The fair value of the oil and gas interests at December 31, 2023 and 2022 is estimated to be in excess of the recorded value.

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. 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 and subsequently evaluated for impairment. The fair value of the perpetual income interest asset is estimated to be in excess of the recorded value.

Assets Held for Others

Amounts held on behalf of others are recorded at estimated fair value that would be due to the entity if the entity chose to withdraw investments from the Foundation's management.

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 with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Federal Income Taxes

The Foundation is a not-for-profit 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.

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, 2023 and 2022, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Financial Statement Presentation

The Foundation is required to report information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, other support, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restriction – Represent resources that are available for the support of operations of the Foundation and general support of the Church.

Net assets with donor restriction – Include contributions and investment income expendable only for time or purpose specified or approved by the donor or to be held in perpetuity.

Functional Allocation of Expenses

The costs of providing the programs and supporting service of the Foundation have been summarized on a natural basis in the statements of activities. Functional expenses have been categorized as program and supporting services based on the nature of the activity performed, and, as such, no costs have been allocated across the functional expense categories.

Recent Accounting Pronouncements - Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which replaced the current incurred loss impairment methodology for measurement of credit losses on financial instruments, including the Foundation's accounts receivable, with a methodology (the "current expected credit losses model" or "CECL model") that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the CECL model, the allowance for losses on financial assets, measured at amortized cost, reflects management's estimate of credit losses over the remaining expected life of such assets.

The Foundation adopted ASU 2016-13 as of January 1, 2023 using the modified retrospective method, and the adoption did not have a material impact on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events that occurred after December 31, 2023, through April 19, 2024, the date which the financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or additional disclosure.

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:

| | 2023 | | 2022 | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Short-term fund investments | \$ 933,004 | \$ 933,004 | \$ 565,969 | \$ 565,969 |
| Domestic corporate obligations | 25,986,012 | 26,589,235 | 23,672,351 | 24,844,052 |
| Real estate investment trust (REIT) | 922,887 | 307,104 | 905,702 | 307,104 |
| Equity mutual funds | 3,720,597 | 3,680,754 | 2,996,050 | 3,631,696 |
| Common stock | 56,548,126 | 22,219,247 | 49,298,862 | 23,585,502 |
| | <u>\$ 88,110,626</u> | <u>\$ 53,729,344</u> | <u>\$ 77,438,934</u> | <u>\$ 52,934,323</u> |

Note 3. Fair Value Measurements

The Foundation records its investments in investment securities 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.

Generally accepted accounting principles (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 money market fund investments, real estate investment trusts (REITs) 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 investment securities using the fair value hierarchy by type of investment and industry representing identified risks to the portfolio at December 31, 2023:

| Type of investment | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|----------------------|-------------|----------------------|
| Domestic corporate obligations | \$ - | \$ 25,986,012 | \$ - | \$ 25,986,012 |
| Short-term money market fund investments | 933,004 | - | - | 933,004 |
| Real estate investment trust (REIT) | 922,887 | - | - | 922,887 |
| Equity mutual funds | 3,720,597 | - | - | 3,720,597 |
| Common stock | 56,548,126 | - | - | 56,548,126 |
| | <u>\$ 62,124,614</u> | <u>\$ 25,986,012</u> | <u>\$ -</u> | <u>\$ 88,110,626</u> |

| Industry | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------------|----------------------|-------------|----------------------|
| Cash equivalents | \$ 933,004 | \$ - | \$ - | \$ 933,004 |
| Consumer discretionary | 2,861,823 | 2,467,355 | - | 5,329,178 |
| Consumer staples | 2,653,531 | 2,041,998 | - | 4,695,529 |
| Energy | 4,296,133 | 1,249,173 | - | 5,545,306 |
| Financials | 6,361,104 | 3,783,406 | - | 10,144,510 |
| Health care | 7,855,860 | 2,867,019 | - | 10,722,879 |
| Industrials | 8,683,262 | 2,889,428 | - | 11,572,690 |
| Information technology | 18,729,934 | 3,801,707 | - | 22,531,641 |
| Materials | 3,207,229 | 1,922,819 | - | 5,130,048 |
| Mutual funds - Equity | 3,720,597 | - | - | 3,720,597 |
| Real estate | 922,887 | - | - | 922,887 |
| Retail services | 1,899,250 | 1,222,632 | - | 3,121,882 |
| Telecom services | - | 2,815,308 | - | 2,815,308 |
| Transportation | - | 248,877 | - | 248,877 |
| Other | - | 676,290 | - | 676,290 |
| Total | <u>\$ 62,124,614</u> | <u>\$ 25,986,012</u> | <u>\$ -</u> | <u>\$ 88,110,626</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, 2022.

| Type of investment | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|----------------------|-------------|----------------------|
| Domestic corporate obligations | \$ - | \$ 23,672,351 | \$ - | \$ 23,672,351 |
| Short-term money market fund investments | 565,969 | - | - | 565,969 |
| Real estate investment trust (REIT) | 905,702 | - | - | 905,702 |
| Equity mutual funds | 2,996,050 | - | - | 2,996,050 |
| Common stock | 49,298,862 | - | - | 49,298,862 |
| | <u>\$ 53,766,583</u> | <u>\$ 23,672,351</u> | <u>\$ -</u> | <u>\$ 77,438,934</u> |

| Industry | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------------|----------------------|-------------|----------------------|
| Cash equivalents | \$ 565,969 | \$ - | \$ - | \$ 565,969 |
| Consumer discretionary | 3,168,549 | 2,394,723 | - | 5,563,272 |
| Consumer staples | 3,074,150 | 2,016,655 | - | 5,090,805 |
| Energy | 4,535,572 | 1,859,859 | - | 6,395,431 |
| Financials | 7,151,411 | 4,945,962 | - | 12,097,373 |
| Health care | 8,055,946 | 2,087,078 | - | 10,143,024 |
| Industrials | 6,716,701 | 925,016 | - | 7,641,717 |
| Information technology | 12,541,072 | 3,536,010 | - | 16,077,082 |
| Materials | 3,005,461 | 690,332 | - | 3,695,793 |
| Mutual funds - Equity | 2,996,050 | - | - | 2,996,050 |
| Real estate | 905,702 | - | - | 905,702 |
| Retail services | 1,050,000 | 824,543 | - | 1,874,543 |
| Telecom services | - | 2,381,725 | - | 2,381,725 |
| Transportation | - | 1,351,186 | - | 1,351,186 |
| Other | - | 659,262 | - | 659,262 |
| Total | <u>\$ 53,766,583</u> | <u>\$ 23,672,351</u> | <u>\$ -</u> | <u>\$ 77,438,934</u> |

The valuation techniques used to determine fair value have been consistently applied during 2023 and 2022.

Note 4. Related Parties

Foundation distributions made to the Church are as follows:

| | 2023 | 2022 |
|----------------------------------|---------------------|---------------------|
| Required cash distributions | \$ 2,496,518 | \$ 2,400,000 |
| Purpose restricted distributions | 103,414 | 95,790 |
| | <u>\$ 2,599,932</u> | <u>\$ 2,495,790</u> |

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

The Foundation is classified as a Non-Functionally Integrated Type III Supporting Organization. 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 change in net assets 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 subject to any carry forward from excess distributions in prior years. The distribution made per these requirements was \$2,496,518 and \$2,400,000 for the years ended December 31, 2023 and 2022, respectively. For years ended December 31, 2023 and 2022, the Foundation utilized a portion of excess disbursements and carry forward from previous years to reduce required contributions by \$263,775 and \$704,622, respectively.

Note 5. Net Assets with Donor Restrictions – Purpose and Time

Net assets with donor restrictions at December 31 are:

| | 2023 | | |
|------------------------------------|-----------------------|-----------------------|---------------|
| | Purpose Restricted | Held in Perpetuity | Total 2023 |
| Baker Scholarship | \$ 141,762 | \$ 113,079 | \$ 254,841 |
| Children's Endowment Fund | 345,314 | 132,157 | 477,471 |
| Dearden Bible Fund | 10,518 | - | 10,518 |
| Edwards Senior Adult Ministry Fund | 102,611 | - | 102,611 |
| Garden Endowment | 314,620 | 97,298 | 411,918 |
| Goostree Lectures | 235,143 | - | 235,143 |
| Hendrix | 25,923 | 20,000 | 45,923 |
| Houston Children's Fund | 60,630 | 47,866 | 108,496 |
| Johnston Youth Fund | 149,590 | - | 149,590 |
| Linguist Family Youth Fund | 144,769 | - | 144,769 |
| Mission Endowment Fund | 892,998 | 313,354 | 1,206,352 |
| REDDING Mission/Outreach | 61,975 | 20,000 | 81,975 |
| Methodist Justice Ministry | 540,362 | 250,500 | 790,862 |
| Music Endowment Fund | 223,617 | 50,000 | 273,617 |
| Jewella D Riley | 157,985 | 30,000 | 187,985 |
| Sue Sumner Confirmation Endowment | 345,627 | 117,398 | 463,025 |
| Tilley | 48,253 | 10,000 | 58,253 |
| W Longworth PC Fund | 74,882 | 21,181 | 96,063 |
| Youth Fund | 164,323 | - | 164,323 |
| The Children's Bible Challenge | 1,337 | 50,000 | 51,337 |
| | \$ 4,042,239 | \$ 1,272,833 | \$ 5,315,072 |

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

| | 2022 | | |
|------------------------------------|-----------------------|-----------------------|---------------|
| | Purpose Restricted | Held in Perpetuity | Total 2022 |
| Baker Scholarship | \$ 110,752 | \$ 113,079 | \$ 223,831 |
| Children's Endowment Fund | 291,290 | 132,157 | 423,447 |
| Dearden Bible Fund | 9,170 | - | 9,170 |
| Edwards Senior Adult Ministry Fund | 91,002 | - | 91,002 |
| Garden Endowment | 261,833 | 97,298 | 359,131 |
| Goostree Lectures | 205,009 | - | 205,009 |
| Hendrix | 20,672 | 20,000 | 40,672 |
| Houston Children's Fund | 48,355 | 47,866 | 96,221 |
| Johnston Youth Fund | 132,631 | - | 132,631 |
| Linguist Family Youth Fund | 126,217 | - | 126,217 |
| Mission Endowment Fund | 756,775 | 313,354 | 1,070,129 |
| REDDING Mission/Outreach | 52,699 | 20,000 | 72,699 |
| Methodist Justice Ministry | 450,900 | 250,500 | 701,400 |
| Music Endowment Fund | 192,663 | 50,000 | 242,663 |
| Jewella D Riley | 133,895 | 30,000 | 163,895 |
| Sue Sumner Confirmation Endowment | 292,207 | 117,398 | 409,605 |
| Tilley | 40,788 | 10,000 | 50,788 |
| W Longworth PC Fund | 62,571 | 21,181 | 83,752 |
| Youth Fund | 145,734 | - | 145,734 |
| | \$ 3,425,163 | \$ 1,222,833 | \$ 4,647,996 |

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

During the year ended December 31, 2022, the Board of Directors 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. For the year ended December 31, 2023, the Board of Directors designated 27.5% of the oil and gas revenues received by the Foundation for addition to the corpus of the Foundation. A total of \$7,854,362 and \$7,680,542 has been designated for this purpose as of December 31, 2023 and 2022, respectively.

During years ended December 31, 2023 and 2022, \$60,626 and \$79,550 were released from program restrictions, and paid to the Church for various programs or investment expenses.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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

The Board of Directors 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 net assets with donor restriction to be held in perpetuity (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 net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions 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; and
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 years ended December 31, 2023 and 2022 is as follows:

| | Net assets without donor restrictions | Net assets with donor restrictions - purpose | Net assets with donor restrictions - held in perpetuity | Total Endowment Net Assets |
|--|---|--|---|-------------------------------|
| Endowment net assets, December 31, 2021 | \$ - | \$ 2,783,215 | \$ 1,222,833 | \$ 4,006,048 |
| Interest and dividends | - | 63,385 | - | 63,385 |
| Net loss (realized and unrealized) | - | (733,161) | - | (733,161) |
| Total investment return | - | (669,776) | - | (669,776) |
| Contributions | - | - | - | - |
| Appropriation of endowment assets for expenditure | - | (58,091) | - | (58,091) |
| Endowment net assets, December 31, 2022 | - | 2,055,348 | 1,222,833 | 3,278,181 |
| Interest and dividends | - | 64,516 | - | 64,516 |
| Net gain (realized and unrealized) | - | 413,178 | - | 413,178 |
| Total investment return (loss) | - | 477,694 | - | 477,694 |
| Contributions | - | - | 50,000 | 50,000 |
| Appropriation of endowment assets for expenditure | - | (42,735) | - | (42,735) |
| Endowment net assets, December 31, 2023 | <u>\$ -</u> | <u>\$ 2,490,307</u> | <u>\$ 1,272,833</u> | <u>\$ 3,763,140</u> |

At December 31, 2023 and 2022, all endowment net assets were the result of donor restrictions, and there were no board designated amounts included in the endowment net assets.

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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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, net assets without donor restrictions will be used to satisfy the deficiency. There were no deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2023 or 2022.

Note 7. Lease Income

The Foundation signed an option to extend a lease agreement to lease certain real property to unrelated parties for five years starting on October 1, 2020. There are no additional options for the lease to be extended, lease payments are fixed as stated in the lease agreement and the lessor does not have the ability to purchase the parking lot at expiration of the lease. Rental income under the operating lease was \$176,316 and \$175,781 for years ended December 31, 2023 and 2022, respectively.

The future minimum rentals on non-cancelable leases follow:

| <u>Year Ending December 31,</u> | | |
|---------------------------------|-----------|----------------|
| 2024 | \$ | 175,776 |
| 2025 | | <u>131,832</u> |
| | <u>\$</u> | <u>307,608</u> |

Note 8. Lease Agreements

The Foundation leases office space under a non-cancelable operating lease agreement. Effective July 1, 2021, the Foundation entered a one-year lease at \$2,000 per month. This lease expired in June 2022 and was replaced with a month-to-month lease. In the normal course of business, it is expected that these leases will be renewed or replaced.

The Foundation has elected to apply the short-term lease exemption to office space leases. In 2023 and 2022, the Foundation had only one lease within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2023 and 2022 is \$24,000 with no remaining lease payments due.

Lease expense incurred for the years ended December 31, 2023 and 2022, which also include storage and parking expenses, were \$33,467 and \$37,293, respectively and are included in office expense on the statements of activities.

Note 9. 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 \$27,200 and \$24,600 for the years ended December 31, 2023 and 2022, respectively.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Note 10. Liquidity

As a not-for-profit entity, the Foundation receives significant funding in the form of contributions and investment earnings, which may be restricted for a certain amount of time or to be used in a particular manner. The Foundation must maintain sufficient resources to meet those responsibilities to its contributors. Thus, financial assets may not be available for general expenditure within one year. As part of managing its financial assets, the Foundation ensures sufficient resources are available when obligations come due.

The following reflects the Foundation's financial assets as of December 31, 2023 and 2022, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

| | 2023 | 2022 |
|--|---------------|---------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 59,529 | \$ 183,906 |
| Oil and gas receivables | 125,000 | 119,898 |
| Contribution and other receivables | 2,090 | 2,566 |
| Interest receivable | 429,186 | 246,828 |
| Investment securities | 88,110,626 | 77,438,934 |
| Total financial assets, year end | 88,726,431 | 77,992,132 |
| Less | | |
| Board designations | (7,854,362) | (7,680,542) |
| Net assets with donor restrictions | (5,315,072) | (4,647,996) |
| Total financial assets not available to be used within one year | (13,169,434) | (12,328,538) |
| Total financial assets available to meet general expenditures within one year | \$ 75,556,997 | \$ 65,663,594 |



April 18, 2024

To the Finance and Audit Committee
First Methodist Church of Fort Worth Foundation, Inc.
Fort Worth, Texas

We have substantially completed our audit of the financial statements of First Methodist Church of Fort Worth Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2023, and plan to issue our report upon completion of the remaining procedures. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 29, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As a result of the audit procedures performed and evaluation of internal control, we did not identify deficiencies that we consider to be a material weakness. There is an inherent issue with segregation of duties due to the small staff at the Foundation; however, the involvement of the Board of Directors and the finance and audit committee compensates for this limitation. We recommend that these oversight bodies continue their involvement in the internal control of the Foundation to address the weaknesses that are inherent with a small staff.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905

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Significant Risks Identified

We have identified the following significant risks:

- Valuation of investments
- Classification of net assets between net assets without donor restrictions and net assets with donor restrictions.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. No adjustment was needed upon adoption of the standard; however, additional disclosures were included in the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is management's estimate of the potential impairment of investments carried at cost. This estimate is based on information available regarding fair value including commodity prices and interest rates. In 2023, there were no impairments on investments in oil and gas minerals or the perpetual income interest based on current income levels and other economic factors. We evaluated key factors and assumptions used to develop fair value estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Foundation's financial statements relate to:

- Investments and fair value – these footnotes provide detail regarding the investments held by the Foundation as well as the methods used to determine fair value.
- Net Assets – this footnote provides information regarding the Foundation's endowment funds and the overall policies governing these funds.

First Methodist Church of
Fort Worth Foundation, Inc.
April 18, 2024

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Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Foundation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter that will be dated upon completion of audit procedures.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters outside of the normal interaction with Whitley Penn in their bookkeeping capacity.

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April 18, 2024

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Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

This report is intended solely for the information and use of the Finance and Audit Committee, the Board of Directors, and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas