

First Methodist Church of Fort Worth Foundation, Inc.

Financial Report
December 31, 2020

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Independent Auditor's Report

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

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, 2020 and 2019 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, 2020 and 2019, 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 21, 2021

Weaver and Tidwell, L.L.P.
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First Methodist Church of Fort Worth Foundation, Inc.

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 156,162	\$ 149,282
Oil and gas receivables	58,702	71,331
Contribution and other receivables	3,950	9,218
Interest receivable	225,511	183,205
Prepaid expenses	-	9,089
Investment securities	83,865,846	75,059,883
Mineral interests	825,884	825,884
Perpetual income interest in land not owned	1,068,000	1,068,000
TOTAL ASSETS	\$ 86,204,055	\$ 77,375,892
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,335	\$ 29,346
Assets held for others	362,633	277,943
PPP loan payable	44,400	-
Deferred income	14,648	11,719
Total liabilities	425,016	319,008
NET ASSETS		
Without Donor Restrictions		
Designated	7,877,203	7,712,745
Undesignated	73,152,642	65,328,620
With Donor Restrictions	4,749,194	4,015,519
Total net assets	85,779,039	77,056,884
TOTAL LIABILITIES AND NET ASSETS	\$ 86,204,055	\$ 77,375,892

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 30,266	\$ 2,565	\$ 32,831
Oil and gas royalties	328,917	-	328,917
Property rentals	292,879	-	292,879
Investment income, net	1,081,466	102,191	1,183,657
Unrealized and realized gain on investment securities	10,896,737	645,349	11,542,086
Other	10,929	-	10,929
Net assets released from restrictions: Satisfaction of program restrictions	16,430	(16,430)	-
Total revenues	12,657,624	733,675	13,391,299
EXPENSES			
Program services			
Contributions to Church	4,145,399	-	4,145,399
Supporting services			
Wages and benefits	356,234	-	356,234
Office expense	105,324	-	105,324
Ad valorem taxes	24,239	-	24,239
Fundraising	3,523	-	3,523
Interest	299	-	299
Other	34,126	-	34,126
Total expenses	4,669,144	-	4,669,144
Change in net assets	7,988,480	733,675	8,722,155
NET ASSETS, beginning of year	73,041,365	4,015,519	77,056,884
NET ASSETS, end of year	\$ 81,029,845	\$ 4,749,194	\$ 85,779,039

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 585,631	\$ -	\$ 585,631
Oil and gas royalties	519,611	-	519,611
Property rentals	293,738	-	293,738
Investment income, net	1,064,158	74,557	1,138,715
Unrealized and realized gain on investment securities	12,212,844	788,269	13,001,113
Net assets released from restrictions: Satisfaction of program restrictions	77,693	(77,693)	-
Total revenues	14,753,675	785,133	15,538,808
EXPENSES			
Program services			
Contributions to Church	2,470,463	-	2,470,463
Supporting services			
Wages and benefits	318,546	-	318,546
Office expense	103,365	-	103,365
Ad valorem taxes	27,859	-	27,859
Fundraising	9,309	-	9,309
Other	45,423	-	45,423
Total expenses	2,974,965	-	2,974,965
Change in net assets	11,778,710	785,133	12,563,843
NET ASSETS, beginning of year	61,262,655	3,230,386	64,493,041
NET ASSETS, end of year	\$ 73,041,365	\$ 4,015,519	\$ 77,056,884

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

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,722,155	\$ 12,563,843
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized gain on investment securities	(11,542,086)	(13,001,113)
Stock contribution	-	(108,985)
Change in operating assets and liabilities		
Oil and gas receivables	12,629	37,875
Contribution and other receivables	5,268	(1,793)
Interest receivable	(42,306)	(30,516)
Prepaid expenses	9,089	(731)
Deferred Income	2,929	-
Accounts payable and accrued expenses	(26,011)	18,536
Assets held for others	84,690	102,484
	(2,773,643)	(420,400)
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,180,091)	(20,235,238)
Proceeds from sale or maturity of investments	13,916,214	20,684,597
	2,736,123	449,359
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	44,400	-
	44,400	-
Net cash provided by investing activities		
Net change in cash and cash equivalents	6,880	28,959
CASH AND CASH EQUIVALENTS, beginning of year	149,282	120,323
CASH AND CASH EQUIVALENTS, end of year	\$ 156,162	\$ 149,282

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. Significant estimates are used in determining potential impairment of investments held at cost as there is not a ready market for the investments.

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 held in money market funds that is to be reinvested to investment principal.

Receivables

Receivables primarily consist of oil and gas royalty income receivable related to the Foundation's mineral interests, and any known intentions to give where the contribution is 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, 2020 and 2019, the Foundation considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is recorded.

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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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 when the performance obligation is satisfied. The fair value of the oil and gas interests at December 31, 2020 and 2019 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 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.

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, 2020 and 2019, 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 purposes 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.

Subsequent Events

The Foundation has evaluated subsequent events that occurred after December 31, 2020, through May 21, 2021, 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 in these financial statements, except as noted in Note 12.

Note 2. Investment Securities

Investment securities consist of the following at December 31:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Short-term fund investments	\$ 1,157,350	\$ 1,157,350	\$ 139,045	\$ 139,045
Domestic corporate obligations	25,606,956	24,218,302	25,418,486	24,710,789
Real estate investment trust (REIT)	959,567	307,104	1,051,427	328,655
Equity mutual funds	3,881,843	3,413,362	2,923,886	3,224,764
Common stock	52,260,130	19,457,793	45,527,039	19,039,194
	<u>\$ 83,865,846</u>	<u>\$ 48,553,911</u>	<u>\$ 75,059,883</u>	<u>\$ 47,442,447</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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.

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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
Domestic corporate obligations	\$ -	\$ 25,606,956	\$ -	\$ 25,606,956
Short-term fund investments	1,157,350	-	-	1,157,350
Real estate investment trust (REIT)	959,567	-	-	959,567
Equity mutual funds	3,881,843	-	-	3,881,843
Common stock	52,260,130	-	-	52,260,130
	<u>\$ 58,258,890</u>	<u>\$ 25,606,956</u>	<u>\$ -</u>	<u>\$ 83,865,846</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
Cash equivalents	\$ 1,157,350	\$ -	\$ -	\$ 1,157,350
Consumer discretionary	1,410,500	2,245,410	-	3,655,910
Consumer staples	2,798,464	2,697,311	-	5,495,775
Energy	2,448,056	2,236,683	-	4,684,739
Financials	8,920,948	4,485,947	-	13,406,895
Health care	9,723,548	2,355,180	-	12,078,728
Industrials	6,681,251	2,709,735	-	9,390,986
Information technology	14,065,997	3,506,671	-	17,572,668
Materials	3,510,619	-	-	3,510,619
Mutual funds - Equity	3,881,843	-	-	3,881,843
Real estate	959,567	-	-	959,567
Retail services	2,117,005	919,858	-	3,036,863
Telecom services	583,742	2,524,916	-	3,108,658
Transportation	-	1,181,172	-	1,181,172
Other	-	744,073	-	744,073
	<u>\$ 58,258,890</u>	<u>\$ 25,606,956</u>	<u>\$ -</u>	<u>\$ 83,865,846</u>
Total	<u>\$ 58,258,890</u>	<u>\$ 25,606,956</u>	<u>\$ -</u>	<u>\$ 83,865,846</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, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
Domestic corporate obligations	\$ -	\$ 25,418,486	\$ -	\$ 25,418,486
Short-term fund investments	139,045	-	-	139,045
Real estate investment trust (REIT)	1,051,427	-	-	1,051,427
Equity mutual funds	2,923,886	-	-	2,923,886
Common stock	45,527,039	-	-	45,527,039
	<u>\$ 49,641,397</u>	<u>\$ 25,418,486</u>	<u>\$ -</u>	<u>\$ 75,059,883</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
Cash equivalents	\$ 139,045	\$ -	\$ -	\$ 139,045
Consumer discretionary	1,952,588	1,275,193	-	3,227,781
Consumer staples	2,696,717	3,310,325	-	6,007,042
Energy	3,184,281	2,708,561	-	5,892,842
Financials	8,395,609	4,939,832	-	13,335,441
Health care	8,676,527	2,274,998	-	10,951,525
Industrials	5,056,097	2,648,433	-	7,704,530
Information technology	10,136,678	3,570,807	-	13,707,485
Materials	3,341,887	499,950	-	3,841,837
Mutual funds - Equity	2,923,886	-	-	2,923,886
Real estate	1,051,427	-	-	1,051,427
Retail services	1,293,448	724,479	-	2,017,927
Telecom services	793,207	2,310,689	-	3,103,896
Transportation	-	1,155,219	-	1,155,219
Total	<u>\$ 49,641,397</u>	<u>\$ 25,418,486</u>	<u>\$ -</u>	<u>\$ 75,059,883</u>

The valuation techniques used to determine fair value have been consistently applied during 2020 and 2019.

Note 4. Related Parties

Foundation distributions made to the Church are as follows:

	<u>2020</u>	<u>2019</u>
Required cash distributions	\$ 2,460,514	\$ 2,297,629
Purpose restricted distributions	1,684,885	172,834
	<u>\$ 4,145,399</u>	<u>\$ 2,470,463</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. The distribution made per these requirements was \$2,460,514 and \$2,297,629 for the years ended December 31, 2020 and 2019, respectively.

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

Net assets with donor restrictions at December 31 are:

	Purpose Restricted	Held in Perpetuity	Total 2020
Baker Scholarship	\$ 123,309	\$ 113,079	\$ 236,388
Children's Endowment Fund	330,352	132,157	462,509
Dearden Bible Fund	9,324	-	9,324
Edwards Senior Adult Ministry Fund	97,340	-	97,340
Garden Endowment	283,415	87,098	370,513
Goostree Lectures	217,801	-	217,801
Hendrix	22,235	20,000	42,235
Houston Children's Fund	55,142	47,866	103,008
Johnston Youth Fund	134,932	-	134,932
Linguist Family Youth Fund	128,429	-	128,429
Mission Endowment Fund	795,484	313,354	1,108,838
REDDING Mission/Outreach	46,371	20,000	66,371
Methodist Justice Ministry	424,975	250,500	675,475
Music Endowment Fund	218,843	50,000	268,843
Jewella D Riley	127,884	30,000	157,884
Sue Sumner Confirmation Endowment	281,485	117,398	398,883
Tilley	38,331	10,000	48,331
W Longworth PC Fund	55,209	21,181	76,390
Youth Fund	145,700	-	145,700
	<u>\$ 3,536,561</u>	<u>\$ 1,212,633</u>	<u>\$ 4,749,194</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

	Purpose Restricted	Held in Perpetuity	Total 2019
Baker Scholarship	\$ 93,718	\$ 113,079	\$ 206,797
Children's Endowment Fund	287,257	130,117	417,374
Dearden Bible Fund	8,074	-	8,074
Edwards Senior Adult Ministry Fund	86,228	-	86,228
Garden Endowment	228,877	86,573	315,450
Goostree Lectures	192,376	-	192,376
Hendrix	17,637	20,000	37,637
Houston Children's Fund	43,484	47,866	91,350
Johnston Youth Fund	115,140	-	115,140
Linguist Family Youth Fund	111,035	-	111,035
Mission Endowment Fund	627,029	313,354	940,383
REDDING Mission/Outreach	30,918	20,000	50,918
Methodist Justice Ministry	270,012	250,500	520,512
Music Endowment Fund	197,836	50,000	247,836
Jewella D Riley	99,108	30,000	129,108
Sue Sumner Confirmation Endowment	211,847	117,398	329,245
Tilley	28,979	10,000	38,979
W Longworth PC Fund	37,438	21,181	58,619
Youth Fund	118,458	-	118,458
	<u>\$ 2,805,451</u>	<u>\$ 1,210,068</u>	<u>\$ 4,015,519</u>

The earnings from the various permanent endowments are generally restricted for use on specified Church 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 \$6,877,203 and \$6,712,745 has been designated for this purpose as of December 31, 2020 and 2019, respectively.

During years ended December 31, 2020 and 2019, \$16,430 and \$77,693 were released from program restrictions, and paid to the Church for various programs.

The Board of Directors has also designated an emergency reserve fund. The Foundation's Emergency Reserve Fund, included in designated net assets, was \$1,000,000 as of December 31, 2020 and 2019.

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 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 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, 2020 and 2019 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, 2018	\$ -	\$ 945,165	\$ 1,210,068	\$ 2,155,233
Interest and dividends	-	57,695	-	57,695
Net gain (realized and unrealized)	-	590,648	-	590,648
Total investment return	-	648,343	-	648,343
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(49,905)	-	(49,905)
Endowment net assets, December 31, 2019	-	1,543,603	1,210,068	2,753,671
Interest and dividends	-	76,610	-	76,610
Net gain (realized and unrealized)	-	486,821	-	486,821
Total investment return	-	563,431	-	563,431
Contributions	-	-	2,565	2,565
Appropriation of endowment assets for expenditure	-	(13,525)	-	(13,525)
Endowment net assets, December 31, 2020	\$ -	\$ 2,093,509	\$ 1,212,633	\$ 3,306,142

At December 31, 2020 and 2019, 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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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, 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, 2020 or 2019.

Note 7. Property Rentals

In 2000, the Foundation entered into an operating lease agreement to lease certain real property to unrelated parties. The lease was extended for five years starting on October 1, 2015 and ending September 30, 2020. The Foundation signed an option to extend the lease for another five years starting on October 1, 2020. Rental income under the operating lease was \$149,414 and \$128,906 for the years ended December 31, 2020 and 2019, respectively. In addition, the Foundation had an operating lease on other real estate requiring escalating payments through November 2020. Total rental income under this lease was \$143,465 and \$164,832 for the years ended December 31, 2020 and 2019, respectively. The future minimum rentals on noncancelable leases follow:

<u>Year Ending December 31,</u>	
2021	\$ 175,776
2022	175,776
2023	175,776
2024	175,776
2025	<u>131,832</u>
	<u>\$ 834,936</u>

Note 8. Lease Agreements

During 2018, the Foundation entered a month to month lease for office space requiring monthly payments of \$2,000. Lease expense incurred for the years ended December 31, 2020 and 2019, which also include storage and parking expenses, were \$33,806 and \$27,610, respectively.

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 \$20,800 and \$19,300 for the years ended December 31, 2020 and 2019, respectively.

First Methodist Church of Fort Worth Foundation, Inc.

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Note 10. Promises and Indications of Intentions to Give

In 2000, the Foundation received an indication of intention to give of \$1,000,000, which was deemed to be a conditional promise to give. The remaining conditional promise and indication to give of \$15,909 has not been recognized in the financial statements at December 31, 2020, based upon the uncertainty of when and how much will be received.

Note 11. 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, 2020 and 2019, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 156,162	\$ 149,282
Oil and gas receivables	58,702	71,331
Contribution and other receivables	3,950	9,218
Interest receivable	225,511	183,205
Investment securities	<u>83,865,846</u>	<u>75,059,883</u>
Total financial assets, year end	84,310,171	75,472,919
Less		
Board designations	(7,877,203)	(7,712,745)
Net assets with donor restrictions	<u>(4,749,194)</u>	<u>(4,015,519)</u>
Total financial assets not available to be used within one year	<u>(12,626,397)</u>	<u>(11,728,264)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 71,683,774</u>	<u>\$ 63,744,655</u>

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Notes to Financial Statements

Note 12. PPP Loan Payable

During year ended December 31, 2020, the Foundation received a forgivable loan under the Payroll Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$44,400. The Foundation is not required to make any payments of principal or interest on the PPP Loan before the date on which the United States Small Business Administration (SBA) communicates the loan forgiveness amount on the loan to the lender or notifies the lender that no forgiveness amount is allowed. The lender must notify the Foundation of the SBA loan forgiveness amount or notify the Foundation that the SBA determined that no loan forgiveness is allowed. If only a portion is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by the Foundation on or before the maturity date of the loan. As of December 31, 2020, the Foundation was assessing the funds expended under the PPP and the related forgiveness requirements (including eligible costs and maintenance of employee counts), and, accordingly, the funds are recorded as a loan payable on the accompanying statement of financial position as of December 31, 2020.

Subsequent to year-end, the Foundation's board of directors elected to repay the loan. Loan and related accrued interest were paid in full in March 2021.