

First Methodist Church of Fort Worth Foundation, Inc.

Financial Report
December 31, 2021

C O N T E N T S

Page

Independent Auditor's Report 1

Financial Statements

 Statements of Financial Position.....3

 Statements of Activities.....4

 Statements of Cash Flows.....6

 Notes to Financial Statements.....7

Independent Auditor's Report

To the Board of Directors
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, 2021 and 2020 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, 2021 and 2020, 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 the 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).

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 the 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 the 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
May 23, 2022

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 62,129	\$ 156,162
Oil and gas receivables	120,056	58,702
Contribution and other receivables	9,539	3,950
Interest receivable	212,134	225,511
Prepaid expenses	630	-
Investment securities	94,814,888	83,865,846
Mineral interests	825,884	825,884
Perpetual income interest in land not owned	1,068,000	1,068,000
TOTAL ASSETS	<u>\$ 97,113,260</u>	<u>\$ 86,204,055</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 260	\$ 3,335
Assets held for others	474,977	362,633
PPP loan payable	-	44,400
Deferred income	-	14,648
Total liabilities	475,237	425,016
NET ASSETS		
Without donor restrictions		
Designated	7,180,329	7,877,203
Undesignated	83,782,389	73,152,642
With donor restrictions	5,675,305	4,749,194
Total net assets	96,638,023	85,779,039
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 97,113,260</u>	<u>\$ 86,204,055</u>

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 258,034	\$ 10,200	\$ 268,234
Oil and gas royalties	606,253	-	606,253
Property rentals	175,781	-	175,781
Investment income, net	929,001	103,827	1,032,828
Unrealized and realized gain on investment securities	11,023,387	893,276	11,916,663
Other	655	-	655
Net assets released from restrictions: Satisfaction of program restrictions	81,192	(81,192)	-
Total revenues	13,074,303	926,111	14,000,414
EXPENSES			
Program services			
Contributions to Church	2,622,809	-	2,622,809
Supporting services			
Wages and benefits	351,099	-	351,099
Office expense	100,794	-	100,794
Ad valorem taxes	16,399	-	16,399
Fundraising	3,667	-	3,667
Interest	70	-	70
Other	46,592	-	46,592
Total expenses	3,141,430	-	3,141,430
Change in net assets	9,932,873	926,111	10,858,984
NET ASSETS, beginning of year	81,029,845	4,749,194	85,779,039
NET ASSETS, end of year	\$ 90,962,718	\$ 5,675,305	\$ 96,638,023

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.

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,858,984	\$ 8,722,155
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized gain on investment securities	(11,916,663)	(11,542,086)
Change in operating assets and liabilities		
Oil and gas receivables	(61,354)	12,629
Contribution and other receivables	(5,589)	5,268
Interest receivable	13,377	(42,306)
Prepaid expenses	(630)	9,089
Deferred Income	(14,648)	2,929
Accounts payable and accrued expenses	(3,075)	(26,011)
Assets held for others	112,344	84,690
	<hr/>	<hr/>
Net cash used in operating activities	(1,017,254)	(2,773,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,604,963)	(11,180,091)
Proceeds from sale or maturity of investments	13,572,584	13,916,214
	<hr/>	<hr/>
Net cash provided by investing activities	967,621	2,736,123
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of PPP loan	(44,400)	-
Proceeds from PPP loan	-	44,400
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(44,400)	44,400
	<hr/>	<hr/>
Net change in cash and cash equivalents	(94,033)	6,880
CASH AND CASH EQUIVALENTS, beginning of year	156,162	149,282
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CASH AND CASH EQUIVALENTS, end of year	<u>\$ 62,129</u>	<u>\$ 156,162</u>

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. These balances are included with investments.

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, 2021 and 2020, 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.

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, 2021 and 2020 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.

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, 2021 and 2020, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the 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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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.

Subsequent Events

The Foundation has evaluated subsequent events that occurred after December 31, 2021, through May 23, 2022, 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.

Note 2. Investment Securities

Investment securities consist of the following at December 31:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Short-term fund investments	\$ 4,231,943	\$ 4,231,943	\$ 1,157,350	\$ 1,157,350
Domestic corporate obligations	25,885,185	25,342,433	25,606,956	24,218,302
Real estate investment trust (REIT)	1,250,438	307,104	959,567	307,104
Equity mutual funds	3,846,794	3,481,061	3,881,843	3,413,362
Common stock	59,600,528	19,258,111	52,260,130	19,457,793
	<u>\$ 94,814,888</u>	<u>\$ 52,620,652</u>	<u>\$ 83,865,846</u>	<u>\$ 48,553,911</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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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, 2021.

	Level 1	Level 2	Level 3	Total
Type of investment				
Domestic corporate obligations	\$ -	\$ 25,885,185	\$ -	\$ 25,885,185
Short-term money market fund investments	4,231,943	-	-	4,231,943
Real estate investment trust (REIT)	1,250,438	-	-	1,250,438
Equity mutual funds	3,846,794	-	-	3,846,794
Common stock	59,600,528	-	-	59,600,528
	<u>\$ 68,929,703</u>	<u>\$ 25,885,185</u>	<u>\$ -</u>	<u>\$ 94,814,888</u>
	Level 1	Level 2	Level 3	Total
Industry				
Cash equivalents	\$ 4,231,943	\$ -	\$ -	\$ 4,231,943
Consumer discretionary	2,956,918	2,896,107	-	5,853,025
Consumer staples	2,963,640	2,113,253	-	5,076,893
Energy	3,217,070	2,255,482	-	5,472,552
Financials	9,313,076	4,821,864	-	14,134,940
Health care	10,030,647	2,274,862	-	12,305,509
Industrials	8,542,923	995,634	-	9,538,557
Information technology	16,462,783	4,073,475	-	20,536,258
Materials	4,029,509	752,736	-	4,782,245
Mutual funds - Equity	3,846,793	-	-	3,846,793
Real estate	1,250,438	-	-	1,250,438
Retail services	2,083,963	889,879	-	2,973,842
Telecom services	-	2,689,177	-	2,689,177
Transportation	-	1,403,684	-	1,403,684
Other	-	719,032	-	719,032
Total	<u>\$ 68,929,703</u>	<u>\$ 25,885,185</u>	<u>\$ -</u>	<u>\$ 94,814,888</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, 2020.

	Level 1	Level 2	Level 3	Total
Type of investment				
Domestic corporate obligations	\$ -	\$ 25,606,956	\$ -	\$ 25,606,956
Short-term money market 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>
	Level 1	Level 2	Level 3	Total
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
Total	<u>\$ 58,258,890</u>	<u>\$ 25,606,956</u>	<u>\$ -</u>	<u>\$ 83,865,846</u>

The valuation techniques used to determine fair value have been consistently applied during 2021 and 2020.

Note 4. Related Parties

Foundation distributions made to the Church are as follows:

	2021	2020
Required cash distributions	\$ 2,460,514	\$ 2,460,514
Purpose restricted distributions	162,295	1,684,885
	<u>\$ 2,622,809</u>	<u>\$ 4,145,399</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 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. The distribution made per these requirements was \$2,460,514 and \$2,460,514 for the years ended December 31, 2021 and 2020, respectively. For year ended December 31, 2021, the Foundation utilized a portion of excess disbursements & carry-over from previous years to reduce required contributions by \$164,607.

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 2021
Baker Scholarship	\$ 159,353	\$ 113,079	\$ 272,432
Children's Endowment Fund	380,721	132,157	512,878
Dearden Bible Fund	11,026	-	11,026
Edwards Senior Adult Ministry Fund	110,770	-	110,770
Garden Endowment	350,150	97,298	447,448
Goostree Lectures	252,514	-	252,514
Hendrix	29,687	20,000	49,687
Houston Children's Fund	69,247	47,866	117,113
Johnston Youth Fund	158,872	-	158,872
Linguist Family Youth Fund	151,762	-	151,762
Mission Endowment Fund	995,626	313,354	1,308,980
REDDING Mission/Outreach	67,413	20,000	87,413
Methodist Justice Ministry	611,631	250,500	862,131
Music Endowment Fund	246,576	50,000	296,576
Jewella D Riley	167,066	30,000	197,066
Sue Sumner Confirmation Endowment	380,940	117,398	498,338
Tilley	51,067	10,000	61,067
W Longsworth PC Fund	79,522	21,181	100,703
Youth Fund	178,529	-	178,529
	<u>\$ 4,452,472</u>	<u>\$ 1,222,833</u>	<u>\$ 5,675,305</u>

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

	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>

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 \$7,180,329 and \$6,877,203 has been designated for this purpose as of December 31, 2021 and 2020, respectively.

During years ended December 31, 2021 and 2020, \$81,192 and \$16,430 were released from program restrictions, and paid to the Church for various programs.

As of December 31, 2020, the Board of Directors had 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. During the year ended December 31, 2021, the Board of Directors released these designated funds.

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, 2021 and 2020 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, 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
Interest and dividends	-	78,283	-	78,283
Net gain (realized and unrealized)	-	673,840	-	673,840
Total investment return	-	752,123	-	752,123
Contributions	-	-	10,200	10,200
Appropriation of endowment assets for expenditure	-	(62,417)	-	(62,417)
Endowment net assets, December 31, 2021	\$ -	\$ 2,783,215	\$ 1,222,833	\$ 4,006,048

At December 31, 2021 and 2020, 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, 2021 or 2020.

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 \$175,781 and \$149,414 for the years ended December 31, 2021 and 2020, respectively. In addition, during year ended December 31, 2020, the Foundation had an operating lease on other real estate requiring escalating payments through November 2020, which was not renewed at maturity. Total rental income under this lease was \$143,465 for the year ended December 31, 2020. The future minimum rentals on non-cancelable leases follow:

<u>Year Ending December 31,</u>	
2022	\$ 175,776
2023	175,776
2024	175,776
2025	131,832
	<u>\$ 659,160</u>

Note 8. Lease Agreements

Through June 30, 2021, the Foundation was party to a month to month lease for office space requiring monthly payments of \$2,000. Effective July 1, 2021, the Foundation entered a one year lease at \$2,000 per month. Lease expense incurred for the years ended December 31, 2021 and 2020, which also include storage and parking expenses, were \$33,555 and \$33,806, respectively and are included in office expense on the statements of activities.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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 \$19,300 and \$20,800 for the years ended December 31, 2021 and 2020, respectively.

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 conditional amount to be received was reduced by the amount of contributions made by the donor prior to the donor's death. Total contributions received since the initial intention exceeded \$1,000,000 during the year ended December 31, 2021. As a result, there is no longer a conditional amount to be received as of December 31, 2021.

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, 2021 and 2020, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 62,129	\$ 156,162
Oil and gas receivables	120,056	58,702
Contribution and other receivables	9,539	3,950
Interest receivable	212,134	225,511
Investment securities	94,814,888	83,865,846
Total financial assets, year end	95,218,746	84,310,171
Less		
Board designations	(7,180,329)	(7,877,203)
Net assets with donor restrictions	(5,675,305)	(4,749,194)
Total financial assets not available to be used within one year	(12,855,634)	(12,626,397)
Total financial assets available to meet general expenditures within one year	\$ 82,363,112	\$ 71,683,774

First Methodist Church of Fort Worth Foundation, Inc.

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. 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 were recorded as a loan payable on the accompanying statement of financial position as of December 31, 2020.

During year ended December 31, 2021, the Foundation's board of directors elected to repay the loan. Loan and related accrued interest were paid in full in March 2021.