

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

Financial Report  
December 31, 2022

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## 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, 2022 and 2021 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, 2022 and 2021, 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).

### **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.

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

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  
May 30, 2023

# First Methodist Church of Fort Worth Foundation, Inc.

## Statements of Financial Position December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 183,906	\$ 62,129
Oil and gas receivables	119,898	120,056
Contribution and other receivables	2,566	9,539
Interest receivable	246,828	212,134
Prepaid expenses	630	630
Investment securities	77,438,934	94,814,888
Mineral interests	825,884	825,884
Perpetual income interest in land not owned	1,068,000	1,068,000
	<u>\$ 79,886,646</u>	<u>\$ 97,113,260</u>
<b>TOTAL ASSETS</b>	<u>\$ 79,886,646</u>	<u>\$ 97,113,260</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,466	\$ 260
Assets held for others	402,084	474,977
	<u>404,550</u>	<u>475,237</u>
Total liabilities	404,550	475,237
<b>NET ASSETS</b>		
Without donor restrictions		
Designated	7,680,542	7,180,329
Undesignated	67,153,558	83,782,389
With donor restrictions	4,647,996	5,675,305
	<u>79,482,096</u>	<u>96,638,023</u>
Total net assets	79,482,096	96,638,023
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 79,886,646</u>	<u>\$ 97,113,260</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
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)
<b>EXPENSES</b>			
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)
<b>NET ASSETS, beginning of year</b>	90,962,718	5,675,305	96,638,023
<b>NET ASSETS, end of year</b>	\$ 74,834,100	\$ 4,647,996	\$ 79,482,096

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES</b>			
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
<b>EXPENSES</b>			
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
<b>NET ASSETS, beginning of year</b>	<b>81,029,845</b>	<b>4,749,194</b>	<b>85,779,039</b>
<b>NET ASSETS, end of year</b>	<b>\$ 90,962,718</b>	<b>\$ 5,675,305</b>	<b>\$ 96,638,023</b>

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, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (17,155,927)	\$ 10,858,984
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized (gain) loss on investment securities	16,964,320	(11,916,663)
Change in operating assets and liabilities		
Oil and gas receivables	158	(61,354)
Contribution and other receivables	6,973	(5,589)
Interest receivable	(34,694)	13,377
Prepaid expenses	-	(630)
Deferred Income	-	(14,648)
Accounts payable and accrued expenses	2,206	(3,075)
Assets held for others	(72,893)	112,344
	(289,857)	(1,017,254)
Net cash used in operating activities	(289,857)	(1,017,254)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(5,852,688)	(12,604,963)
Proceeds from sale or maturity of investments	6,264,322	13,572,584
	411,634	967,621
Net cash provided by investing activities	411,634	967,621
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of PPP loan	-	(44,400)
	-	(44,400)
Net cash used in financing activities	-	(44,400)
Net change in cash and cash equivalents	121,777	(94,033)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	62,129	156,162
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 183,906	\$ 62,129

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, 2022 and 2021, 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, 2022 and 2021 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, 2022 and 2021, 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.

### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification (ASC) 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Starting on January 1, 2022 (the "transition date"), with the adoption of Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, under the transition date method, once the Foundation has determined an arrangement is a long-term lease (with a remaining lease term greater than 12 months), at inception (or transition date) it recognizes a right of use asset ("ROU asset") and lease liability based on the present value of the lease payments over the lease term. Adoption of this standard had no material impact to the financial statements of the Foundation as the only lease outstanding upon adoption had a remaining term of less than twelve months for which the Foundation was the lessee. In addition, the lease where the Foundation is the lessor was not materially impacted by the adoption of ASC 842.

Additionally, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retrospective basis. Early adoption is permitted. The Foundation adopted the standard effective January 1, 2022, with no impact to the financial statements.

### Subsequent Events

The Foundation has evaluated subsequent events that occurred after December 31, 2022, through May 30, 2023, 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:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Short-term fund investments	\$ 565,969	\$ 565,969	\$ 4,231,943	\$ 4,231,943
Domestic corporate obligations	23,672,351	24,844,052	25,885,185	25,342,433
Real estate investment trust (REIT)	905,702	307,104	1,250,438	307,104
Equity mutual funds	2,996,050	3,631,696	3,846,794	3,481,061
Common stock	49,298,862	23,585,502	59,600,528	19,258,111
	<u>\$ 77,438,934</u>	<u>\$ 52,934,323</u>	<u>\$ 94,814,888</u>	<u>\$ 52,620,652</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, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
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>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
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>

# 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, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Type of investment</b>				
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>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Industry</b>				
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	10,030,646	2,274,862	-	12,305,508
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	3,846,794	-	-	3,846,794
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>

The valuation techniques used to determine fair value have been consistently applied during 2022 and 2021.

### Note 4. Related Parties

Foundation distributions made to the Church are as follows:

	<u>2022</u>	<u>2021</u>
Required cash distributions	\$ 2,400,000	\$ 2,460,514
Purpose restricted distributions	95,790	162,295
	<u>\$ 2,495,790</u>	<u>\$ 2,622,809</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 \$2,400,000 and \$2,460,514 for the years ended December 31, 2022 and 2021, respectively. For year ended December 31, 2022, the Foundation utilized a portion of excess disbursements and carry forward from previous years to reduce required contributions by \$704,622.

### 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 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
	<u>\$ 3,425,163</u>	<u>\$ 1,222,833</u>	<u>\$ 4,647,996</u>

# First Methodist Church of Fort Worth Foundation, Inc.

## Notes to Financial Statements

	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 Longworth 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>

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 \$7,680,542 and \$7,180,329 has been designated for this purpose as of December 31, 2022 and 2021, respectively.

During years ended December 31, 2022 and 2021, \$79,550 and \$81,192 were released from program restrictions, and paid to the Church for various programs.

### **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.



# First Methodist Church of Fort Worth Foundation, Inc.

## Notes to Financial Statements

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.

A reconciliation of the endowment funds beginning and ending balances for the years ended December 31, 2022 and 2021 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, 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
Interest and dividends	-	63,385	-	63,385
Net loss (realized and unrealized)	-	(733,161)	-	(733,161)
Total investment return (loss)	-	(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

At December 31, 2022 and 2021, all endowment net assets were the result of donor restrictions, and there were no board designated amounts included in the endowment net assets.

# First Methodist Church of Fort Worth Foundation, Inc.

## Notes to Financial Statements

### Return Objectives and Risk Parameters

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

### Strategies Employed for Achieving Objectives

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

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In these circumstances, 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, 2022 or 2021.

### 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 \$175,781 for each of the years ended December 31, 2022 and 2021.

The future minimum rentals on non-cancelable leases follow:

<u>Year Ending December 31,</u>	
2023	\$ 175,776
2024	175,776
2025	<u>131,832</u>
	<u>\$ 483,384</u>

# First Methodist Church of Fort Worth Foundation, Inc.

## Notes to Financial Statements

### **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 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 2022 is \$24,000 with no remaining lease payments due.

Lease expense incurred for the years ended December 31, 2022 and 2021, which also include storage and parking expenses, were \$37,293 and \$33,555, respectively and are included in office expense on the statements of activities. As of December 31, 2021, future minimum rental payments were \$12,000, which were all due in 2022.

### **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 \$24,600 and \$19,300 for the years ended December 31, 2022 and 2021, respectively.

### **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.

# First Methodist Church of Fort Worth Foundation, Inc.

## Notes to Financial Statements

The following reflects the Foundation's financial assets as of December 31, 2022 and 2021, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 183,906	\$ 62,129
Oil and gas receivables	119,898	120,056
Contribution and other receivables	2,566	9,539
Interest receivable	246,828	212,134
Investment securities	<u>77,438,934</u>	<u>94,814,888</u>
Total financial assets, year end	77,992,132	95,218,746
Less		
Board designations	(7,680,542)	(7,180,329)
Net assets with donor restrictions	<u>(4,647,996)</u>	<u>(5,675,305)</u>
Total financial assets not available to be used within one year	<u>(12,328,538)</u>	<u>(12,855,634)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 65,663,594</u>	<u>\$ 82,363,112</u>

### Note 11. 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. 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.